



Keech Australia. ABN 28 050 329 603.

Members of the Finance and Public Administration References Committee,

Re: Finance and Public Administration References Committee for inquiry and report - Commonwealth procurement procedures.

We thank you for the opportunity to make a submission in response to your enquiry. Our company is based in regional Victoria, considered by some as operating in the 'old' industry sector. We employ some 160 people and export product to many parts of the globe, with the support of a major commitment to research and development in product, process and customer value. There is a focus on mining and as a consequence find ourselves under short term volume pressures in response to the current lower level and business uncertainty of mining activity.

Our company is committed to remaining in Australia and is sustaining that commitment with relatively large investments in capital, infrastructure and human efficiency improvement projects. This is in the face of many others either abandoning the industry or moving their production offshore, this option was well canvassed by our company but the owners believe that it is possible to maintain a manufacturing footprint in Australia with resolute productivity and R&D investments buttressed by an aggressive global sales development strategy.

We do not without caveat support the notion that neither the government, nor any current or potential client ought to purchase our product because it is manufactured in Australia, rather we choose to believe customers should only purchase our product based on the notion that on balance our product provides the best option and value grounded on its contribution to the satisfaction of their needs and a shared commitment to our nation's broader responsibilities.

That caveat referred to above is one that is limited, to that of a just competitive platform, established so that it facilitates choice that is fair, balanced and informed. By this we mean that in considering our products, reasonable account is taken of the sometimes and likely often peculiar circumstances that are necessitated as a moral imperative and expectations of the community in which our manufacturing is undertaken, that may not be the same as exacted or imposed on those other jurisdictions that seek to compete with us.

These circumstances of standards and cost are well known and often discussed, but we believe not well enough accounted for or understood by our customers, nor in the tender procedure of Government procurement.

It is not the intent to restate these circumstances in detail, here or to be comprehensive listed in this document, which is better left to the record and assigned as an opportunity for detailed discussion. A key circumstance will however make the point of both the sometimes and likely more often peculiar circumstances that are necessitated as a moral imperative and the expectations of the jurisdiction and shared commitment to our national broader responsibilities.

Portrayed, not in our industry, but also not in fact excluded from it, is that of garment industries labour exploitation in other jurisdictions, which is thankfully not available to Australian manufacturers but directly contributes to the inability of Australian manufactures to compete sustainably. It is often made abundantly clear that in the subcontinent, labour is habitually employed in standards that all Australians ought to reject, but never the less ignore, as evidenced by the sales of these products on the local market.

This exploitation results in major cost reduction that Australian business cannot, nor should escape, that of fair wages, condition, health and safety, building standards, compensation provisions, training, community infrastructure, and safety. In the mining/engineering sector government procurement takes little to no account of the cost borne by Australian manufacturers, let alone that of hourly labour cost, that are not comparably carried in most other jurisdictions, even in some 'first world' competitive countries. Cost such as holiday pay, sick pay, maternity leave, morning tea breaks, wash up times, blood donation times, study leave and others. It is not the purpose of this entreaty to make comment on the correctness of these costs or otherwise to Australian manufacturing but rather that they exist, one assumes at the behest of the Australian community and often enforced by legislation.

The point is, that if Australians ask for Australians to maintain certain standards for it compensation of labour, infrastructure and community well-being, it should not then be ignored in the Government, or in the individual, tendering /acquisition process. As these costs are born by Australian industry, through the taxes it pays and the compensation it provides its employees so that they can bear their individual cost, is it not reasonable, all be it difficult, for the procurement of Government needs to include an understanding of cost borne by the Australian industry that are not borne in other jurisdictions. There is a reality in this consideration; it is perplexing that in the analysis of the current challenges of manufacturing that these can be somehow addressed in large part by letting the Australian manufacturing sector morph into some hypothetical 'high-end' model.

The definition of high-end likely belongs in the eye of the beholder, however suggesting such things as complexity, specificity, luxury or uniqueness or a mixture of all or some of these descriptors, all pointing to relatively small market volumes.

If we consider 'high-end' product as that where we have a current strategic advantage then that might suggest that we can always maintain that advantage and that other nation competitors will not want to, or show capability, at any time now or in the future to bring to bear such competitive pressure that will require Australia to look for other 'high-end' manufacturing opportunities.

Would it not make some sense to listen so that when manufacturing, mining, service, tourism and other market sectors uniformly propose that underlying cost, including the currency, that is affecting Australia and which presents such a challenge that all these sectors are under short to medium term viability pressure? Just suggesting 'high-end' manufacturing is the panacea to our national malaise may not be the case in itself. Might it not just be worthwhile in such a highly charged and opinionated atmosphere to put emotion and some sectarian prejudices to one side and discuss what we can do as a nation to address all of the cost/structural pressures?

If all variables in a nation's competitive position are put on the table for discussion, evolution and consideration in the Governments' procurement policies, such as capital, all labour costs, services, infrastructure, government and education, then there maybe the opportunity to maintain a vibrant economy that includes manufacturing amongst its other wealth generators.

The arguments that the market is too small, or that our specific labour cost are too high or that capital is too expensive only suggest that we cannot find the capacity or lack the will to come together and contest the challenge. Put into sporting parlance, an area where we punch above our weight and as a nation demand, top performance, we expect poor performance of an athlete or team to be rectified, not eliminated.

Yours faithfully

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