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Senate Standing Committees on Economics  
PO Box 6100  
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Canberra ACT 2600

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## The Australian Manufacturing Industry Inquiry

**Dear Senators of the Economics References Committee,**

I am a retiree, immigrated to Australia in 1953 as a young child, with my 6 other siblings and parents. I am not affiliated with any political party and thank you, in advance, for the opportunity for having my views heard, via this submission.

My background is in manufacturing, where I have worked for both large and small businesses, in technical, logistical and management roles starting with apprenticeship Hands-on roles and working up to senior management positions.

I am absolutely dismayed at the continued and ongoing decline of manufacturing in Australia. Aside from my start in the steel industry **all** the industries and factories that I have been involved in are all gone. Refractory manufacturers, Gas Pipeline, Steel tube and pipe Manufacturers, White goods and appliance manufacturers, Car manufacturers, all gone, many through technological change, but equally many through poor vision, poor leadership and poor decision-making by Senior management and governments. The number of times I have seen, plant, equipment, machinery, technology, competitive advantage, sent and/or given away to China (in fact China demanded ownership and IP rights), (the balance, not needed, including the people, thrown on the scrapheap), for the sole purpose of providing short-term supply price benefit to the managing business, without any real sustainable long-term consideration of consequences, was not only criminal, but begs understanding. How governments, public institutions, captains of industry, and our business leadership allowed this to happen, indicates they were all not listening to the wails of concern, deaf to the warnings and asleep at the wheel. These are the people we paid the big bonuses to.crikey!

We are now paying the price over China's long term strategic plan to deskill and disable the productive capacity of its' competitors and increase our dependence on sourcing our needs from them, to be played like puppets, to the whims of the evil demands of the Chinese Communist Party (CCP), in its pursuit of total control over its people and the nations within its region. Have no doubt, under current leadership, (which has no foreseeable end), the need and desire, for more influence and more control, is insatiable.

## **Background**

Energy, in simple terms is the power to do work. Infinite cheap energy translates to infinite ability to do work. Work being the extraction of materials, the making, shaping, elaborately transforming those materials to products designed to be highly valued, needed and desired by the customers willing to pay a premium, or trade fairly for them. It is in their best interest to do so, rather than make it for themselves. The value-adding, (a sometimes elusive property), as opposed to cost adding, the net balance of these two activities, equates to wealth creation. The high investment in energy generating and distribution infrastructure, in the post war era, meant the lure of low cost energy attracted aluminium smelters and industry to align for mutual benefit. These alignments, plus negotiated partnership agreements by governments became the backbone to the industrial boom in Tasmania, Victoria, Newcastle-Hunter region, Queensland.

Many forces, globalisation, the continued rise of power of Multi-National Corporations in relation to the weakening of power or unwillingness and/or inability of Governments to tax and control them, our Climate Change Responses, were all in play. They came together in a perfect storm, that facilitated the destruction of Australia's competitive advantage, to the point that we hardly make anything anymore, destined to become the beggars to the rich and powerful.

There is nothing inherently wrong with globalisation, we are all on the one small globe, the free and fair trade of goods and services, based on each other's best capabilities with mutual benefit and respect, has been the foundation of competition and progress, over the ages. There have been and always will be, forces that seek to benefit unfairly, or seize a small window of opportunity, in a moment of weakness, by a competitor, to gain an advantage, but this ultimately will be to the detriment of all concerned. The market is now diminished as a result if that participant is no longer there.

Climate change has been on the agenda since Stockholm in 1972, 50 years ago. Responses by those nations concerned, although having some effect, only seemed to accelerate the move of global corporations' productive capacity, from nations where it was difficult or costly to transform, to nations (mainly China), where it didn't matter. This only shifted the problem; it didn't solve it for the world. Corporate profits skyrocketed together with the salaries and bonuses of its greedy executive officers, while the livelihoods' and lives of workers and the wellbeing of their communities suffered.

The global pandemic, courtesy of the CCP being unable to take a little embarrassment and admit a problem, has destroyed many peoples dream of Australia becoming a tourist destination, by rich Asian visitors, willing to see our clear skies and pristine beaches, whilst sipping on a Café Latte, served to them by kowtowing, bronzed aussie barista, eking out a living, hoping and grateful for any small tip. It has however, showed us, tourism is so tenuous, and can be turned off as easily as a tap, by not only a virus, but by market taste, flavour of month, or simply by government edict (read CCP says you can't go).

Australia can work its way out of this downward spiral, all that it requires is unnerving political will, strong leadership, uncorrupted governments, equal Justice and fair laws, a clear vision and direction for Australia's future that every citizen can see and imagine its role and place in that future, having a desire, to being part of that future vision, is incentivised to enable it. A strong manufacturing sector, is not only important for consistent ongoing wealth creation, but a great driver for the need and development, of education, training, technical, engineering, problem-solving, creative thinking and innovation skills and capabilities.

One of the areas, which I consider important, but not included in the terms of reference is industrial relations policy – a key backbone to the success of a manufacturing sector. How can people feel, loyal, proud, to belong in, and actively participate in, the success of an enterprise, when they are rewarded, with more tenuous, casualised, inconsistent work, more than likely through some labour hire firm, (designed and implemented for the sole purpose of denying, the building up of entitlements through long service) and whose contract, for the enterprise is up for review and renewal next week? Stop this madness, unless absolutely justified, businesses must permanently hire and develop their own people on hours that all can live with and rely on. If, after sufficient training, time and support, they are unable to perform, they must be able to be moved on, without fear of unfair dismissal proceedings, where business owners are second guessed or overruled by somebody, who doesn't have to put up with the consequences. This law, together with managers being too inept or unwilling to put in the effort to lift its' employees up, is the root driver of this evermore casualised work, it is holding everybody back from being able to make long-term plans, for their lives, families and home mortgages.

**I have addressed some of the Terms of Reference, as follows:-**

## **Terms of Reference**

- a. what manufacturing capacities Australia requires for economic growth, national resilience, rising living standards for all Australians and security in our region;**

In order to achieve economic growth, we need to stop relying on immigration and the need to house those immigrants to be the main driver of increased economic activity, it is unsustainable. Like a giant Ponzi scheme, where the returns are solely based on the future investors buying into the scheme. True economic growth should come from increased trade of our desirable products and services around our region and around the world. The basis for the desire of our products, should be competitive cost based on high quality, durable goods, lowest carbon emitting (note: it shouldn't really matter if Australia has the highest carbon footprint in the world – as long as the manner and methods used to produce those products are the best in the world and lead to an overall better global warming outcome). The practice of naming and shaming nations for poor per-capita carbon footprint is a useless measure, leading to poor decision-making, where activities are only moved around like deckchairs on the Titanic. That is not to say Net Zero goals are without merit, but every

nation, without exception and without concession, has to sign-up. I am reminded of the old axiom, “beware, people do what you inspect not what you expect!” This relates to the fact that people will do whatever trick, manipulation or weird contrivance possible and justify it, to make the number meet the target.

Core capabilities such as skills, knowledge, together with supportive infrastructure such as reliable low cost energy, fast efficient transport systems, backed up with relevant, fair equitable legal, industrial relations, financial and regulatory systems will draw investment, to our country, where capital and capabilities from around the world are looking for homes where safe, ethical, effective systems support their vision for their enterprise and sovereign and IP risk is minimal. Businesses with complicated (read tax minimisation) structures, looking for fast money and opportunistic government hand-outs (rent-seeking), are not welcome. Incorruptible selection and screening processes, free from political influence and central to our countries direction for our manufacturing sector, should only be considered.

**b. the role that the Australian manufacturing industry has played, is playing and will play in the future;**

One of the downsides or the post war manufacturing boom was the low cost energy draw card resulted in those industries benefiting from this low cost didn't reinvest and transform as the energy cost outside their comfortable bubble continued to rise. The Comalco's and Alcoa's of the world expected governments to continually subsidise and support their ageing out of date business model. Future agreements should include reviews to ensure best practice, whether process, quality, environmental, safety and worker wellbeing is always on the agenda and improvement enablers in the pipeline. Government support and incentives should not be without conditions and with proper, auditable, review steps and milestones failure to reasonably achieve these milestones should attract corrective action steps, or punitive consequences – no letting them off the hook because they are powerful, or my political donors.

**c. the drivers of growth in manufacturing in Australia and around the world;**

The Main drivers of manufacturing was been consumerism, the desire for more desirable cheaper products to improve living standards (quality of life, health, comfort, social status, enjoyment) and population growth. These are still drivers today, but to satisfy these demands we need better products and processes. If we continue to try to supply the burgeoning masses coming out of subsistent, peasant existences, to thriving urban consuming populations, with existing methods, we will ruin the planet. As populations' needs are satisfied their desires will shift to more meaningful products where, durability, safety, convenience and enjoyment of use, brings satisfaction and fulfilment.

Areas for growth, based on cheap low carbon energy, clean, safe, well regulated industries abound and will continue to be in high demand.

**d. the strengths of Australia's existing manufacturing industry and opportunities for its development and expansion;**

The main strengths of Australia existing manufacturing industry, is that there are still core engineering, technical expertise and knowledge, in-house capabilities of regulatory compliance to environmental, safety and human management, but not for much longer, core competencies and skills remain with people, who like me, are going old, retire and forget, once forgotten, are almost impossible to recreate, without investment in considerable cost and time.

**e. the sectors in which Australian manufacturers enjoy a natural advantage in energy, access to primary resources and skilled workers over international competitors, and how to capitalise on those advantages;**

Some years ago (1999), BHP invested heavily in a pilot operation in Port Hedland, for the production of Directly Reduced Iron (DRI) Briquettes, utilising local iron ore and NW shelf gas (which we export for a pittance) to directly produce iron of sufficient quality (90% Iron) to be suitable for direct feed to electric arc furnaces. Although this project was abandoned at considerable cost of capital and life, the technology is still relevant, and is being developed and installed in other countries (VoestAlpine Plant in Texas, HBI3 in Russia) and is of sufficient merit, to be pursued. HBI (hot briquetted Iron can be produced at a 2.5 times lower carbon footprint than the existing Blast Furnace/Coke Oven processes. Imagine the benefit to Australia and the world of shipping high value HBI of 90% Fe to the world rather than 60% Fe Iron ore (read 40% waste product) and Coking Coal (read 25% loss in by-product from coal and which being the reductant, ultimately all goes into the atmosphere as CO<sub>2</sub>). Continue on with this value-adding to utilise cheap low carbon energy to produce slab or direct cast strip to coils for export to countries to further, elaborately transform and further value add, using local labour and plants to meet their varied customers' needs. This truly would be a game changer toward net zero for the world. The bulk of the cost getting to this point aside from the capital, is energy and the raw material, it's here, we have it, it's cheap, it would have to be, a market killer!

A sweetener of this trade, could be the return shipment, (where currently carriers return empty), of bulk biomass waste for processing as metallurgical coke supplement or even possible turning into charcoal for carbon sequestration and soil conditioning additive, a win-win for all!

The aluminium industry was mentioned earlier, the ingot bars are almost pure energy, currently supplied by coal fired power stations, which will soon be penalised against those produced through Hydro or Nuclear, low cost low

carbon alternative energy sources able to deliver the huge power that is required, need to be developed and established.

**f. identifying new areas in which the Australian manufacturing industry can establish itself as a global leader;**

Production and utilisation of green hydrogen would also be an opportunity for Australia, in not only by direct export but in its own manufacturing processes, its own internal renewable energy gas turbine back-up systems and its transport systems. Fast efficient low cost transport of goods and people is the backbone of supply chain activity and competitive evolutionary pressures. We have to find systems and methods that overcome the tyranny of distance, that acts as a deadening hand on trade, within Australia and our markets.

The need of high quality, safe, food products will always be in demand, it is one of our strengths, our farmers do a great job, the costs for getting them to various markets is not competitive. Our total productive and delivery systems should be working together rather than in our sub-optimised individual silos, to deliver an end product that meets the market and where we all can benefit, rather than just some and not others or more usually, none at all, because we can't work together.

**g. the role that government can play in assisting our domestic manufacturing industry, with specific regard to:**

**a. research and development;**

Continued support, via tax treatment, grants or risk sharing partnerships, of innovation, research and development, should be further expanded. As mentioned earlier, these partnerships need to be shared risk and shared benefit, not where the Australian tax payer takes the risk and the profits are skived away in convoluted management structures and ultimately end up in a tax haven

Emphasis on processes that bullet proof and backup our renewable energy generators and distribution, such as molten salt thermal storage, pump hydro, batteries etc. Geothermal (hot rock) power generation will add to consistent reliable grid performance and delivery. Providing strength and resilience of the backbone.

**b. attracting investment;**

The world is awash with money, superannuation funds are looking for investment for ethical, sound, safe, opportunities that have high reliability of delivering consistent returns, accepting managed risk, where sound plans and government support, embolden entrepreneurship. Like most things new and hard, unless you are failing often, you're not really trying.

**c. supply chain support;**

Industry Specialist Teams

The government should set up industry groups, from leaders in the industries involved, to facilitate the formation and direction of, cross-functional teams working through barriers and problems that impede the effective fulfilment of whatever the final customer is demanding. As mentioned earlier, too many times we operate in what we like to think our efficient little silos, imposing the overwhelming bloated costs of management overheads onto the people actually doing the work and actually adding the value, and then somehow claim that the Australian worker is too expensive, what rubbish! We should only be doing what is right and needed, being effective - rather than be efficient at doing useless, wasteful, non-value adding activity.

Postal / Delivery Systems

I am often quite surprised that I can buy a low cost article directly from China, delivery cost included or low postage cost, but when I try to send that on to one of my children, in say Darwin, it costs me 3 or 4 times the original cost to mail it there, how is that possible? I understand the distances and logistical costs but it appears we are subsidising China at the detriment of ourselves and our more closely aligned suppliers. Compare to postage cost from USA, within Australia and that from China, see what advantage we are giving the Chinese. Take step to reform the international postage system to level the playing field and promote fair international competition.

Fast rail Logistical Support.

The number of trucks, gobbling up diesel and spewing out particulates, running up and down the eastern seaboard, across to Adelaide and Perth, putting other road users at risk is crazy. I understand the advantages of the flexible arrangements enabled by trucks, but there should be a way of getting Trucks and their drivers on to roll-on roll-off wagons at strategically placed transfer hubs, where the bulk of the trip is on fast efficient, low cost, rail and where drivers can rest and refresh in comfort and safety, till they get to the roll-off hub close to their destination.

**d. government procurement;**

I cease to be surprised at the continued decisions by governments and its' procurement officers to buy critical articles from overseas suppliers, as though there is some cultural distain for Australian made goods. Whether it is submarines, railway carriages (NSW Govt. procuring carriages overseas and then having to spend additional \$Millions to make them suitable), patrol boats or even small items like PPE, governments should actively seek out, support and or develop local suppliers, that meet or come close to their budgetary requirement. Surely, we are more sophisticated and

nuanced than a cheapest price strategy. The greater the economic activity, greater the opportunity for taxing profit and wages.

**e. trade policy;**

All Australians are exasperated by the capricious nature of China, stopping trade on a whim or a hurtful comment; this is not free and fair commercial trade. In May this year a coal ship finally docked in a Chinese Harbour after a **year** at sea, stuck off China's coast, because China wanted to hurt Australia's coal industry, how disgusting, to trap people, some 60 vessels and \$millions in financial returns on some whimsical sniggering poke back, by some power mad CCP official. Broaden our trade base, move away from China, there is only more pain there, at least until the leadership and direction changes. We have become drunk, shopaholics on the elixir of cheap junk from China, they made us feel rich on what we now can afford, but have actually enslaved ourselves for stuff that in the end is meaningless and transient.

Trade policy should be based on balanced mutual interdependence and benefit. Rules based laws and methods clear to all participants that are designed to lift every nation and its' people, free from exploitation, fair labour laws and living conditions, equitable policies on climate change, as well as, environmental management. Continue to pursue, trade arrangements in S.E. Asia, India, Americas, they all looking for options out of China's ever tightening noose.

**f. skills and training;**

The slow destruction of the highly regarded TAFE system, where the quality and skill of its' graduates, stood us well, in the distant past, towards a profit based certification system where the churn in subsidy and fee taking was its' business model, is a blight and a stain on what was a proud unblemished history. Reinvest and restore TAFE colleges to deliver and properly qualify vocational skills and trades. Apprenticeship and traineeship at wage levels that are both sufficiently attractive to employer and employee, consistent with the level of support, training and productive capability need to be set, subsidised by government support and/or direction if necessary.

**h. the opportunity for reliable, cheap, renewable energy to keep Australia's manufactured exports competitive in a carbon-constrained global economy and the role that our manufacturing industry can play in delivering the reliable, cheap, renewable energy that is needed.**

I am confident, if given the right support and opportunity, sectors such as solar panel production, lithium battery production, develop and produce supercapacitors as better more reliable battery replacement, Continue down the value adding route of refining and purifying our rare earth deposits. Make



our own wind farm turbines. With limitless energy and resolve our opportunities a limitless, we just got to get up, get rid of our blinkers and just have a go.

Yours sincerely,

Rene Tummers