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Senate Standing Committees on Economics
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My name is Keith Kerr as a concerned citizen I felt compelled to write my submission to you. I for a very long time have witnessed the escalating decline in the Australian manufacturing capabilities due to our over-reliance on overseas imported goods and commodities.

Terms of reference

A. **What manufacturing capabilities Australia requires for economic growth, national resilience, rising living standards for all Australians, and security in our region.** Manufacturing will only be revived by the rejection of failed neoliberal economic policies that over the last forty years have led to the destruction of our productive economy. This is a complex integrated multifaceted issue of national importance. I have attempted to identify the most crucial elements that inhibit manufacturing and economic growth in my submission. Please do not look at this as a beat-up on the government but more as what needs to be done to make Australia more self-reliant, productive, and richer as a nation.

1. For economic growth and security, **the Australian government needs to change its policies from being destructive to creative. Let me elaborate on this very important point. Private enterprises will never build major infrastructure projects unless they can loot the public and the public purse.** The Public-Private Partnerships have been an absolute disaster. We have all seen and continue to feel the pain that Macquarie Bank & Transurban have unleashed on toll road users with their high-cost user fees which take away any intended cost-benefit to the real productive economy. If I took a B double truck from Melbourne to Newcastle via the Sydney toll roads it would cost me \$124.00 in road tolls for a one-way trip. How can you justify that? This impedes all businesses. Public-Private Partnerships should never be allowed to happen. We should finance all major infrastructure projects via a National Infrastructure Bank to maximise the cost benefits to the real productive economy, build economic connectivity within areas of projects, promoting economic growth in the private sector, creating jobs, and raise our standard of living.
2. For economic growth and security, **you as a government need to establish a National Infrastructure Bank.** A National Infrastructure Bank can build much-needed infrastructure projects without the need to borrow money from overseas. (No foreign debt). It can be self-financed by selling government bonds and then using that money to create National Credit backed by the wealth of the Nation to facilitate efficient, long-term financing of infrastructure projects that create new business and economic growth and new job creation. Just like the Commonwealth Bank did during the second world war. We could build many shovel-ready projects like the Bradfield Scheme, the Iron Boomerang railroad, and Thorium Molten Salt Reactors to produce low-cost electrical generation. All this can be done without costing the taxpayer one cent. Each of these projects is long term but the benefits will be enormous for the government and the people of Australia. In the USA from 1933 to 1957 when a National Infrastructure Bank was in place the productivity advanced by 3.5 percent per year, the economy grew on average 5.5 percent

per year income inequality fell by one-third whilst the Federal and State receipts rose dramatically. This can happen here if you were willing to give us a chance. You know this is the right thing to do so why not do it for the sake of the people.

3. For economic growth and security, **Australia needs a National Development Bank to back manufacturing industries.** A National Development Bank is essential for directing credit into new manufacturing startups. The cost to re-equip with plant and equipment is very expensive. Private banks are reluctant to lend to manufacturing businesses particularly new start-up businesses as they are often classified as high risk. Because of this, the cost of finance to a manufacturing business ranges between 5 to 6% compared to a home loan that ranges from 1.5 to 2.5%.
A National Development Bank can assist manufacturing industries by providing low-cost loans to manufacturers that want to expand and grow their business here in Australia making Australia more self-resilient by securing manufacturing industries.
4. For economic growth and security, **you as a government, need to overturn the ban on nuclear-powered electrical generation.** We have been denied nuclear power for far too long and this legislation needs to be repealed. Manufacturing can only be revived if we are allowed to build clean reliable renewable low-cost nuclear energy plants using the safe Thorium Molten Salt Reactors or the Thorium Pebble Bead Reactors that are environmentally friendly. To build a reactor that produces 45MWh of electricity these reactors take only 1,000 tonnes of material input to build compared with wind generators that require 16,500 tonnes of material input to build just to produce the same amount of electricity making wind generation many times more expensive than Thorium-based reactors and requires less land to be built on. Compare ten square meters for a modular pebble-bead reactor to one hundred acres of land required for an ineffective wind farm. These nuclear reactors will significantly reduce our CO2 greenhouse gas emissions and produce much-needed continuous revenue streams for the government coffers. These nuclear reactors need to be built before any premature shutdown of coal-fired power stations to maintain the energy requirements of the nation.
In Victoria, the main driver behind the closure of many businesses and manufacturing industries including the aluminum smelters at Geelong and Portland was the significant increase in the cost of electricity. I would recommend a phasing-out of solar and wind energy in favor of Thorium-based reactors to produce the nation's future energy needs as they require fewer material inputs, less manpower, and would be cheaper to build and run whilst producing low-cost, reliable renewable energy securing the nation's future energy needs.
5. For economic growth and security, **we as a nation need to be able to convert our raw minerals into first-grade metals starting with our iron ore.** We need to build the Iron Boomerang which is a rail link going from Gladston in Queensland to Newman in Western Australia which will have a steel mill located at each end of the line. Iron ore will be taken east to Gladston in the Bowen Basin of Queensland by train where it will be emptied. The train will be filled with coking coal to be taken back to a steel mill in the Pilbara region of Western Australia for the production of 1st-grade steel. This project alone would produce thousands of real jobs, increase taxation revenues for the governments both state and federal whilst lifting our living standards and increase our self-reliance for steel and steel manufactured products.
This type of development where we convert our raw minerals into base metals would guarantee our self-reliance and national security of base metal supplies.
6. For economic growth and security, **any infrastructure built by the government must remain in the hands of the government for the benefit of the people and legislation should be made that prevents future governments from selling off and privatising the**

revenue-producing assets that we have paid for. There is no justification at all for selling off our income-producing assets except to line the pockets of the rich and powerful. You as a government tell us you do not have the money to do this and that. because we have been short-changed and abused by this blatant disregard for the common good of the people you are supposed to represent. This would ensure future governments of continuous much-needed revenue streams that could finance many government projects that would raise our living standards.

7. For economic growth and security, **the government needs to address the imbalance on taxation for Australian businesses investing in Australia compared to overseas corporations** who set up shop here in Australia to manufacture or sell the same products and services but pay no tax on their capital gains (profits) because their head office is located overseas. This is a blatant attack on all Australian-owned businesses that manufacture and provide services here in Australia. It also discourages Australians to invest in Australia and as such many businesses are investing their money in overseas countries to avoid paying tax. Just look at hedge funds and the way they operate here. **If every Australian manufacturing business was to set up a head office overseas there would be NO tax revenue raised in Australia from the corporate sector. Therefore Section 855 of the 1997 Tax Act needs to be repealed or altered for the benefit of the nation.**
 8. For economic growth and security, **the government needs to spend more money on TAFE colleges. Education must not be viewed as a direct cost by the government. It should be viewed as an investment for the future of Australia.** Many manufacturing businesses are unable to hire qualified people with the skills and education that are required to operate and run complex high-tech machinery such as Computer Numerical Control (CNC) machines that are in use today in manufacturing. This has had a real impact on manufacturers. Education programs need to be more focused on industry needs and tailored around the state of the art technologies to match those needs, then the courses need to be evaluated and reviewed on a biannual basis and modified if needed to keep pace with technological changes and scientific breakthroughs. This will ensure a future for the manufacturing workforce by creating highly trained and skilled creative thinkers.
- B. **Manufacturing has in the past been a major contributor to employment and self-reliance but since the deregulation, privatisation of government-owned assets, and the introduction of free trade agreements we have seen a sharp decline in manufacturing in Australia leading to the over-reliance of foreign imported goods.** This current situation needs to be addressed promptly. We need to be able to stand on our own two feet as to speak by producing what we need to make us self-sufficient and less vulnerable to supply chain breakdowns. If war broke out we would need to be able to manufacture everything. The following items that I have identified need to be considered in formulating your plan to increase manufacturing.
1. **Deregulation has allowed the financial sector (Banks) to remove large amounts of money from the real productive economy and place that money into the non-productive speculative economy which produces nothing but financial risk.** In turn, this has led to large-scale casino-type gambling on derivatives by the banks creating instability within the financial markets. The only way to address this is with the Glass-Steagall banking separation. This is separating the Commercial Banks from the Investment Banks which would prevent commercial savings banks from using depositor's money for gambling on stocks and derivatives leaving more funds to invest in the real productive economy where it is much needed.
 2. **Privatisation has led to significant cost increases in the supply of essential services such as power.** Manufacturers need reliable low-cost electricity to compete on the world stage.

Manufacturing needs to be supported by the government and all governments should be made to buy Australian manufactured goods where possible. If the government was to buy Australian manufactured goods it will be contributing to the economy through employment opportunities plus gain revenue from company tax, GST, and Pay as you go tax from wage earners. If manufactured goods continue to be outsourced by governments and purchased from overseas. **The economy continues to suffer from lost job opportunities and the government loses revenue streams from lost taxation whilst incurring the cost of providing social security payments to the unemployed.**

- 3. Free trade agreements have killed off many industries by allowing many overseas manufacturers to flood the Australian market with cheap foreign-made products many that aren't fit for purpose and many do not comply with Australian Standards.** Many importers bring in products that are subsidised by foreign governments. This places the Australian manufacturer at a competitive disadvantage. To make a free trade agreement work all players must be on a level playing field. **Any products that have been subsidised by a foreign government should be banned from entering the country. If you do not want to do this then you must impose a tariff on subsidised imported products to protect local jobs and manufacturers.**

C. What are the drivers of growth in the manufacturing industry in Australia and around the world? The current drivers for growth in manufacturing are Covid-19, demand for products and goods, supply shortages, self-reliance, fear, and national security.

- 1. At the moment due to Covid-19, there is a shortage of supplies for building materials right around the world due to lock-downs where people are unable to go to work to produce goods and certain services.** Here we need to increase our vaccination rate against the virus so people can go about their normal activities without fear of getting covid. Here we also need to look into alternative vaccines like the recently developed DNA Covid vaccine made in India.
- 2. The shortage of vaccines against Covid-19 has led to the manufacturing of vaccines here in Australia.** This has been a good successful initiative for Australia and the government. We have seen the same thing with Personal Protective Equipment such as face masks and ventilators. Unfortunately, the government has now returned to outsourcing PPE from overseas which does not help the Australian economy. **You need to continue buying Australian-made products even if they cost more but in the long term, they keep Australians in productive jobs prolonging the life of manufacturing.**
- 3. Supply shortages have led to panic buying by consumers, hoarding by consumers, a sharp increase in costs of products and services, blowouts in lead times for completion dates on housing and infrastructure projects.** This breakdown in the supply chain leaves Australia's national security vulnerable to external forces which creates a fear in the population of not being able to be self-resilient in the case of a conflict or war. This alone should prompt the government to encourage and support measures that will increase the manufacturing capacity in Australia as a high priority. Here you need to make a list of what products and materials we need for self-reliance and seek alternate supply chains that would not be affected by war and protect them for the common good.
The best way to ramp up manufacturing in Australia is for the government to demand all branches of government, government departments, and all government agencies buy only Australian manufactured products. If a product is not manufactured in Australia then the government needs to give an incentive to Australian businesses to get them to manufacture what is required. This could be done through a tax incentive or grants that assist a business to tool up for production.

4. **I feel Australia is too reliant on the exportation of raw materials to Nations that process the raw materials into base metals and then manufacture those base metals into manufactured products.** Australia being an island surrounded by water relies heavily on exported mineral ores and imported base metals and goods that come in and out of Australia via ships that sail along well-defined trade routes making these vessels a soft target during a conflict with another country. It would be impossible for us as a nation to protect shipping along these sea trade routes from an aggressive enemy. Because of this and for national security reasons I feel we need to become more self-sufficient as a nation.

We should stop selling ourselves short of much need revenue and much need manufacturing jobs by converting our raw materials into base metals here in Australia. I give you an example as to why. Let's take Lithium in its raw form (Spodumene), on the 29th July 2021 it was worth currently AU\$700.00 a dry metric tonne. If manufactured into Lithium Hydroxide it was worth AU\$15,712 a tonne and Lithium Carbonate for batteries was worth AU\$14,086 a tonne. You can see the value-added benefits of processing our ore bodies as this is replicated with all raw minerals mined in Australia. We can look at any raw material, by converting that material into a base metal for manufacturing we would be less reliant on the imports of base metals. Base metals sell for many times the price of the raw material and there are many cost benefits from processing raw materials into base metals. **This conversion adds immense value in wealth to our nation whilst improving our living standards making us self-reliant as a nation and it will considerably improve the flow of money into the government's coffers through additional tax revenues and significantly improve our trade balance.**

D. The strengths of Australia's existing manufacturing industry and opportunities for its development and expansion.

1. **Australians are an innovative lot and when you have lived in the outback as I did for several years you realise the need to become innovative and how to improvise and we are very good at that. Australia has both the potential and the capability to increase its productive capacity but it can only be realised if the government becomes more supportive of manufacturing industries through policy changes particularly in the sense of providing the nation with cheap, reliable, renewable clean energy from thorium-based nuclear-powered reactors.** If you were to embrace this technology manufacturing would become more competitive on the world stage. We could reopen our smelting plants, our car manufacturing plants, and bring back other industries that have moved offshore because of past failed government policies. As a government, you need to have the will and intent to change and look at things from a new perspective and ask yourself "What is it that I can do for the people of this nation" along with the following questions then look seriously at your answers.

- a. Why do we not have a National Infrastructure Bank?
- b. Why do we not have a National Development Bank?
- c. Why have we allowed our productive capacity to fall?
- d. Why are we being denied these nation-building services?
- e. Why are we not building Nuclear Thorium based reactors?
- f. Why are we not drought-proofing this nation?
- g. Why is the Australian tax system acting as a disincentive for Australian Superannuation Funds and Equity Fund managers to invest here in Australia?
- h. Why haven't we built the iron boomerang railroad?
- i. Why haven't we got a superfast magnetic levitation transport system?

All of the above issues need to be addressed and it will take a very courageous strong leader with a vision for the future of what this country could be and who has the willpower to put the interest of the people first before that of the banks and big corporate businesses.

Allowing foreign corporations into this country so that they can set up shop and compete against our manufacturing industries and pay no tax just because they have a head office somewhere overseas needs to be reviewed and changed? Because of the short-sighted

ideology, we have not been given the opportunity of having any of the above. This is an injustice that is holding this nation back from being self-reliant and a fully competitive manufacturing nation.

2. **We have the resources, we have the know-how, and we are capable of growing and developing our manufacturing industries. What is lacking is access to affordable low-cost loans to bring ideas to reality through manufacturing along with low-cost energy and government support in buy Australian made.**
3. Many great inventions and good products have gone offshore to be made due to the lack of financial backing. This would not happen if we had a national Development Bank issuing low-cost loans to manufacturers. Such a bank would be able to finance opportunities to expand manufacturing facilities in Australia that would contribute to the wealth of the nation.
4. Currently, we have many manufacturing plants like the Ford engine plant in Geelong and Ford's car manufacturing plant at Campbellfield sitting idle. We also have Aluminium smelters at Geelong and Portland that are sitting idle. We could reopen all of these plants if the incentives were there to do so. (Low-cost energy, low-cost loans from a Development Bank, and a buy Australian made policy from all levels of government).

E Which sectors of Australian manufactures enjoy a natural advantage in energy, access to primary resources, and skilled workers over international competitors, and how to capitalise on those advantages?

1. I do not know of any Australian manufacturers that are currently enjoying a natural advantage in energy, access to primary resources, and skilled workers over international competitors. The continuing increase in the cost of electricity and gas has driven most manufacturing businesses to close and forcing many to go offshore. The cost of energy is too prohibitive.
2. I do know of any Australian manufacturing industry enjoying a natural advantage in accessing primary resources. Most materials and ingredients required for manufacturing and processing come from overseas. Making our manufacturers vulnerable to supply chain breakdowns caused by shipping or an increase in demand. Eg, Many manufacturers are unable to obtain the full range of Steel, Stainless steel, Copper, Brass, and Bronze rods. This situation requires the manufacturer to turn down a larger metal rod in a lathe costing lost time and material wastage.
3. Due to the lack of access to qualified skilled workers, the Australian manufacture has no natural advantage over international competitors.

F Identify new areas in which the Australian manufacturing industry can establish itself as a global leader?

1. We could be world leaders in the production of first-grade metals such as steel, Aluminium, Lithium, copper, etc. We have vast amounts of raw materials in the ground. If the government got behind a National Infrastructure Bank to fund infrastructure projects that provided the nation with reliable low-cost electricity like safe Thorium Molten Salt Reactors or Thorium Pebble Bead Reactors we could reopen manufacturing plants and smelters that have been closed and become competitive on the world stage. We could become world leaders in car manufacturing and automotive components including Lithium-Iron battery production.

G The role that government can play in assisting our manufacturing industry, with the regard to:

- **Research and development;**
- **Attracting Investment;**
- **Supply chain support;**

- **Government procurement;**
- **Trade policy;**
- **Skills and training;**
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1. **If the government was to make genuine Research and Development costs 100% tax-deductible and allow the expenditure to be written off in the same year that it is incurred** would encourage manufacturers to constantly improve their products and product range without fear of incurring losses from Research and Development.
Government grants could be given to assist manufacturing industries to develop new and improved products.
2. **Attracting investment for manufacturing in Australia from Australian Equity Fund managers and Australian Superannuation Funds who are currently flush with funds will require a change in Taxation law section 855 of the 1997 Tax Act.** If foreign-based Equity Fund managers can invest in Australia without paying any tax then the Australian-based Equity Fund managers and Superannuation Fund managers need to be able to invest on the same level playing field and should not be taxed. This would increase the amount of money being invested in Australia from Australian fund managers. **OR You could simply pass a law requiring a set percentage of all funds held by these Australian entities to invest in Australia. You could demand that they hold a percentage is in infrastructure, manufacturing, and government bonds.**

If we established a National Development Bank and offered only Australian Equity Funds and Australian Superannuation Funds the opportunity to purchase long term government-backed bonds that offer a higher rate of interest 1% or 2% above the current standard rate you would have every man and his dog wanting to invest in government-backed bonds which could be used to finance low-cost loans to manufacturers. By doing this the bank would not have incurred a foreign debt and the Australian fund managers would benefit their members by having government-guaranteed investments.

3. Supply chain support. **I think the best way to support the supply chain for manufacturing is for the government to establish a list of materials that are not readily available in Australia but are critical to the needs of manufacturing and look at making stockpiles here in Australia of these materials** so that in the event of a crisis we are still able to manufacture required products for the defense of this nation without being held to ransom for critical supplies. You can also look into what raw material deposits Australia has in the ground that is not being developed due to the high cost of energy. The government could look at ways to assist mining companies to develop these ore bodies for the common good of Australia.
4. **The Australian government must put the Australian people first and make it mandatory that all levels of government and government departments procure all their supplies where possible from local firms and businesses that support locally manufactured goods and services.** Buying from smaller firms, locally is an important aspect of sustainable procurement in the public sector. But it should not stop there. The department of defence should have awarded an Australian shipbuilder the contract to build our submarines here in Australia and any future naval vessels. The cost runouts and time delays certainly have not made them any cheaper. This is an embarrassment that could have easily been avoided if the government decided to build them here in Australia. The flow-on effects for manufactured parts made locally and the building of these submarines are enormous and would have guaranteed employment for many Australians for many years. Instead of paying unemployment benefits to the unemployed, they could have given these people an opportunity to work. That way you would have raised the standard of living for those who were unemployed, received Pay as you go tax from their employment, and GST from the things they purchased. **This has been a lost opportunity that must never be repeated.**

5. **Trade policy.** The current free trade agreements that we have do not deliver us a level playing field for our primary producers and manufacturers. Overseas governments subsidise many of their producers and manufacturers. Any product that has been subsidised by a foreign government needs to have a tariff placed against it to protect the Australian manufacturer. Trade agreements should be designed to protect the Australian manufacturing industry from foreign dumping of goods. This policy should Not allow overseas producers and manufacturers to exploit our market at the expense of our manufactures.

6. **Skills and training.** In the post-World War II boom, we used to make just about everything required for everyday life in Australia. We had close to full employment, and manufacturing jobs accounted for more than 25 percent of the workforce. Progressively that number has fallen to approximately 6.9 percent of the total workforce. This has declined since the 1970s. has seen us losing many of our aging skilled workforces so now we have to rely on overseas workers to fill the vacancy.
Government can assist manufacturers by properly funding TAFE so that TAFE can help deliver technically minded, competently trained high skilled workers to operate Computer Numerical Control (CNC) machines and complement the needs of the manufacturing industry. This will require close collaboration between TAFE and Australian manufacturing industry leaders to design training programs that would fill the needed requirements. This would also call for a major injection of funding from the government but to encourage participation the course fees need to be affordable. Any expenditure by the government must be viewed as an investment in the future of Australia.

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.

The only way the manufacturing Industry can support delivering reliable, cheap, renewable energy is for the manufacturing Industry to demand from the government a change in its position on Nuclear energy and demand they build nuclear-powered reactors. Today we have new technologies that have allowed scientists to develop safe Thorium Molten Salt Reactors or Thorium Pebble Bead Reactors that could never have a melt-down, have no waste material, no CO2 emissions and the thorium cannot be used for the production of nuclear weapons. This type of power generation is by far the best option as it has a high-density energy flux.

Manufacturers should all be demanding the government establish both a Nation Infrastructure Bank and a National Development Bank that would allow for the immediate construction of thorium-based reactors to produce reliable, cheap, renewable energy to keep Australia's manufactured exports competitive. which would create demand from local manufacturers.

Manufacturers should also demand that the government construct the Bradfield Scheme that would not only drought-proof Queensland and Northern NSW it would also produce water for inland irrigation, mitigate flooding along with the Eastern seaboard, and produce clean reliable hydroelectricity.

Realistically unless you as a government have the will and the intent to change your policies for the benefit of the people, and give this nation a National Infrastructure Bank along with a National Development Bank that can issue sovereign credit backed by the nations sovereign wealth to fund nation-building infrastructure projects without causing inflation it will never happen. Australia DOES NOT NEED FOREIGN CAPITAL at all the economy functions better without it. I suggest you speak to Senator Gerard Rennick about this.

If you wish to discuss any of these matters with me I am happy to talk to you. I can be contacted on [REDACTED]

Kindest regards Keith Kerr – Citizen of the year for the Shire of Bulla