

29 May 2000

Inquiry into increasing the value-added to Australian raw materials

Thank you for providing Australian Business Ltd with a copy of the Committee's first report, *Of Material Value?* and inviting our comments on the next stage of the Inquiry.

Australian Business Ltd (ABL) concurs with the Committee's initial finding that there is scope for the Federal Government to encourage more investment in raw materials processing in Australia.

ABL has conveyed to member companies that you are seeking input for compiling some case studies on the aluminium, magnesium, wine, dairy and grains industries - to document successes already achieved and the challenges faced in adding further value to Australia's raw materials.

In this submission, ABL would like to raise our members concern that Federal Government incentives for investment should be managed better.

Lessons from other industries show that the Strategic Investment Incentives Program presently fails to ensure maximum use of Australian inputs and broader industry growth. This is evidenced by Visy Industries accepting a \$40m Federal Government grant and then importing steel from China to build its paper pulp processing mill in Tumut, NSW.

ABL considers that if the Government financially assists in getting new or expanded raw materials processing operations set up, then the investors need to be encouraged to specify contractually how they will provide employment, enhance R&D capacity, develop export markets, source locally and foster wider industry development. These commitments could be compiled into industry participation and/or development plans.

Performance against these commitments would then need to be regularly reported and rigorously assessed, so that only companies which return a significant net economic benefit to Australia, continue to receive Government assistance. Where an investor fails to meet acceptable performance standards, then penalties should be applied.

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Members of ABL are keen to work co-operatively in order to develop strong networks and supporting infrastructure for raw materials value-adding operations in Australia. Organisations like ABL and ISONET can help businesses to make their investments work better for all concerned.

ABL would welcome the opportunity to comment further on how major investment incentives could be better managed by the Federal Government, if that would help the Committee in its deliberations.

In due course, we may also be providing the Committee with further information from members as input to the case studies being compiled.

Yours sincerely,

Paul Orton
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