

## **Notice of Motion**

We need to be a country that makes things! Manufacturing in Australia – Positioning the Gladstone Region as a powerhouse for manufacturing for the Post-COVID economy.

### **Motion:**

1. Gladstone Regional Council note the report from the Australia Institute – A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-COVID Economy.
2. The Gladstone Region needs a policy framework conducive to growth and sustainability in the manufacturing sector by local, state and federal governments.
3. Gladstone Regional Council facilitate a Gladstone leader's group roundtable of stakeholders to discuss the findings of the Australia Institute report and potentially identify gaps and opportunities.
4. Mayor to invite key stakeholders to roundtable:
  - a. Member for Gladstone, Glenn Butcher – Minister for Regional Development and Manufacturing
  - b. Gladstone Ports Corporation
  - c. Gladstone Chamber of Commerce and Industry
  - d. Gladstone Engineering Alliance
  - e. Gladstone Industry Leaders Group
  - f. Industry – LNG, RIO, etc
  - g. Trade unions – Australian Manufacturing Workers Union, Electrical Trade Union, etc
  - h. Other key stakeholders
5. Develop advocacy plan for State and Federal Governments to implement policy that drives sustainability and growth in manufacturing in the Gladstone region, capitalising on Gladstone's skilled workforce, multi commodity port, State Development area, and other beneficial attributes.

On the 28<sup>th</sup> July 2020 the Australia Institute, an independent and non-partisan public policy think tank, released the report: A Fair Share for Australian Manufacturing – Manufacturing Renewal for the Post-COVID Economy.

The 8 page summary of the reports main findings can be found here:  
Summary Report

[https://d3n8a8pro7vhm.cloudfront.net/theausinstitute/pages/3332/attachments/original/1595694401/Fair\\_Share\\_for\\_Manufacturing\\_Summary\\_FINAL.pdf?1595694401](https://d3n8a8pro7vhm.cloudfront.net/theausinstitute/pages/3332/attachments/original/1595694401/Fair_Share_for_Manufacturing_Summary_FINAL.pdf?1595694401)

The full 81 page comprehensive report can be found here:

Full Report

[https://d3n8a8pro7vhm.cloudfront.net/theausinstitute/pages/3332/attachments/original/1595693276/A\\_Fair\\_Share\\_for\\_Australian\\_Manufacturing.pdf?1595693276](https://d3n8a8pro7vhm.cloudfront.net/theausinstitute/pages/3332/attachments/original/1595693276/A_Fair_Share_for_Australian_Manufacturing.pdf?1595693276)

The following extracts and summaries are from the report:

“While the report documents the decline of domestic manufacturing in recent years, it also reveals the enormous potential benefits that would be generated by rebuilding manufacturing back to a size proportional to our national needs: including \$180 billion in new sales, \$50 billion in additional GDP, and over 400,000 new jobs. If Australia were to produce as much manufactured output as we consume (just like most other industrial countries do), this would drive welcome and substantial growth and benefits in all areas of our national economy.”

“Australia ranks last in manufacturing self-sufficiency among all OECD countries. Australians use \$565 billion worth of manufactures each year, however, we only produce \$380 billion. Therefore, Australia produces only 68% (just over two-thirds) of what we use: less than any other OECD economy.”

“It is often suggested that as a remote, resource-abundant, high-wage economy, Australia is not suited to manufacturing, and there is no point trying to compete with low-wage manufacturing jurisdictions. Economic evidence strongly refutes that pessimistic assumption. Other OECD countries, with equal or even higher wages, have grown their manufacturing. And Australia possesses many strategic advantages that could contribute to stronger manufacturing for decades to come.”

“Since the COVID-19 pandemic began, Australians have been reminded of the importance of being able to manufacture goods domestically. Inter-national shortages of medical equipment and personal protective equipment, made worse by restrictions on exports from several countries, sparked fears Australia might run out of essential supplies. Australia’s government and manufacturers

scrambled to convert domestic facilities to produce medical equipment and supplies. Even supplying simple products like masks proved to be a challenge. Thankfully critical shortages did not emerge, but this crisis has reminded Australians that our ability to produce a full range of essential manufactures is a matter of national wellbeing. The health of our economy is not separable from the health of our people.”

“It is impossible to imagine an economy *without* manufacturing: human beings will always have material needs and wants that can only be met through the production and transformation of material goods.”

“Manufactured products are essential for extracting and harvesting resources and agricultural output. And they are also vital to the production of all services (called ‘tertiary’ industries). In short, there is no job in society that can be performed without the use of manufactured goods. So manufacturing is not just ‘another’ sector of the economy. For several concrete reasons, manufacturing carries a strategic importance to our broader economy, society and security.”

“Australians purchase and use more manufactured goods over time; and manufacturing output is growing around the world. Allowing domestic manufacturing to decline, while our use of manufactured products grows, undermines national output and trade performance.”

“Manufacturing is the most innovation-intensive sector in the whole economy. No country can be an innovation leader without manufacturing. Manufactured goods account for over two-thirds of world merchandise trade. A country that cannot successfully export manufactures will be shut out of most trade.”

“Manufacturing anchors hundreds of thousands of other jobs throughout the economy, thanks to its long and complex supply chain. Billions of dollars’ worth of supplies and inputs are purchased by manufacturing facilities, which support many other sectors of the economy.”

“Manufacturing offers relatively high-quality jobs, more likely to provide full-time hours and above-average incomes. And thanks to strong productivity growth and the capacity to apply modern technology, manufacturing offers the prospect of rising incomes in the future.”

The report outlines how Australia has focussed on extracting and exporting raw resources such as raw lithium (spodumene) and bauxite which yield low value returns, rather than refining, processing and manufacturing those materials into higher value add products which yield much higher returns such as vehicles, aluminium parts for vehicles, batteries and electric vehicles and components etc.

The report outlines the flaws in our vocational education training system and the need to prepare our people with knowledge, skills and qualifications that will be beneficial in future advanced manufacturing industries such as Industry 4.0 and the ‘internet of things,’ additive manufacturing and 3D-printing, and application of robotics and automation.

“The bigger structural problem facing businesses in manufacturing is the failure of small businesses to *survive* and *grow* – to become larger, more capable firms with the potential to innovate, accumulate capital, adopt new technologies, boost productivity, and sell into export markets. Comparative international studies have confirmed that the presence of a vibrant economic ‘ecosystem’ of growing, innovation-intensive medium-sized enterprises is vital to international success in specialised advanced manufacturing.”

Countries with successful manufacturing industries with vibrant medium-sized industrial ecosystems include Germany, Switzerland, Austria, Sweden, Korea, and Japan.

“A key focus of future policy interventions must therefore be providing mid-sized manufacturers with support of all kinds (including sources of long-term capital, innovation and research support, and partnerships to increase exports) to help them survive and grow.”

“Management expertise is another area in which Australian manufacturing businesses must lift their performance. International economic evidence confirms that management knowledge and technological capacity is a critical factor in explaining lags (relative to global leaders) in total factor productivity performance. And qualitative and quantitative data indicate that the education level, technological expertise, and leadership qualities of Australian managers lag behind those of their peers in countries with superior productivity and innovation performance. Investments in management training, leadership development, and faster diffusion of technical and economic knowledge among top managers and executives may be among the most cost-efficient of strategies

for enhancing the capabilities of Australian manufacturing enterprises in the future.”

The report outlines the large and chronic trade deficit in manufactured products due to a number of negative pressures including one-sided trade deals and currency fluctuations which discouraged manufactured exports from Australia.

### **Principles for Modern Industry Policy**

The document sets out the principles for modern industry policy that should become the focus of government and industry to ensure a thriving manufacturing sector that is proportional to our countries needs moving forward.

The detail of these policy areas can be found on page 66 of the full report but the principles set out are *Sector Strategies, Domestic Content in Public Procurement, Networks, Eco-Systems and Clusters, Innovation, Targeted Fiscal Supports for Investment, Industrial Infrastructure, Mobilising Capital, Leveraging Energy, Skills and Capacities and Trade that goes both ways.*

### **Action Plan: Six Immediate Priorities for Industrial Rejuvenation**

The in depth Action Plan can be found on Page 72 of the full report but the steps are as follows:

1. *Establish a network of Advanced Manufacturing Councils,*
2. *Capitalise a new Advanced Manufacturing Investment Fund*
3. *Establish a manufacturing advanced vocational educational training board*
4. *Implement an Australian-Made Medical Equipment Strategy*
5. *Establish a Buy Australian Infrastructure Council*
6. *Implement Accelerated depreciation provisions*

The complacent theory of successive leaders and governments that Australia does not need to be a country that ‘makes stuff’ anymore has led to Australia having the most undersized manufacturing industry of any industrial country in the world. The benefits of a vibrant manufacturing industry in our economy stretch out across all states and are especially important in anchoring regional communities.

The biggest question is whether our leaders have the political will and imagination to seize the opportunity presented by the current moment, and start the process of revitalising our domestic value-added industrial base.

As the industrial and manufacturing powerhouse of our state and nation, the Gladstone Region is uniquely positioned to spearhead the campaign to lead the way in ensuring our country can once again be a nation that makes things! Revitalising our economy, bringing jobs to our people, creating commercial opportunities and ensuring our country's self-sufficiency moving forward in uncertain times.