

The Future of Manufacturing

Dave Oliver speech to Ideas & Society forum
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***** CHECK AGAINST DELIVERY *****

Thank you for the invitation to take part in this forum today about a topic very close to my heart: the future of Australian manufacturing.

I'd like to congratulate Robert Manne on putting together this event, and I look forward to the discussion with the other two panellists, and some tough questions from the audience.

Today's forum is a testament to the important ongoing role of our universities as the home of independent, provocative discussion and debate – and long may that reign.

In the same vein, I'd also like to briefly acknowledge Robert's other hat, as chairman of the editorial committee of The Monthly magazine.

The Monthly is a valuable addition to Australia's media landscape, and in the current environment of an ideologically bent government which is intent on reviving the culture wars and silencing any dissent or opposition, independent media – like an independent voice for academia – is essential.

And thirdly, I'd also like to acknowledge the presence on this campus, and others around Australia, of the National Tertiary Education Union.

The NTEU does a fine job not only in standing up for the working conditions and pay of its members, but also advocating for a properly funded, accessible and independent tertiary sector.

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The future of Australian manufacturing is an issue I care deeply about for personal reasons.

My working life began in manufacturing as a 15-year-old apprentice fitter and then as a lift mechanic, and my career as a union official has predominantly been with the Australian Manufacturing Workers Union.

Over the past two decades, I have seen manufacturing in this country go through some enormous challenges, and those challenges are far from over.

Unions fully understand the pressures the sector has been under for several years from the high value of the Australian dollar, which is a major burden on domestic producers.

The dollar has compounded other pressures from free trade and the emergence of low-cost, low-skilled manufacturing in developing economies in our region.

Other domestic factors, including rising energy and other costs, a tougher competitive environment and slowing demand have left many parts of manufacturing doing it tough.

I think it is important to recognise that despite the doomsday predictions, manufacturing

continues to employ close to a million people, generates billions of dollars in export income and makes a huge contribution to our skills base and to research and development.

The contraction of manufacturing has been taking place over a long period, but we have to acknowledge that the last couple of years, when the number of jobs in manufacturing fell below a million for the first time in several decades, is not business as usual.

This requires extra vigilance against government inaction, because we should not allow Australia to become just a farm, quarry or a nice place for the rest of the world to visit.

Only through a broad-based economy, with a strong and advanced manufacturing sector, can we generate the jobs that Australians need to fulfil their potential, grow their prosperity and support a decent, safe and fair society.

I'm a strong believer that Australian manufacturing has a bright future, as long as we have the right settings in place with strong government support.

Those settings must include:

- Investment in infrastructure;
- Incentives for research and development;
- Attraction of investment through co-investment programs;
- Investment in skills and training and apprenticeships;
- Removing barriers to overseas markets through trade negotiations;
- Strong anti-dumping measures;
- And an environment that fosters collaboration, not confrontation.

At a time when manufacturing has been under intense pressure for the reasons I've outlined, you would expect that a government would provide strong support for industry.

But here, since the election of the Abbott Government a year ago this Sunday, we have seen the opposite.

When he was Opposition Leader, Tony Abbott, of course, never let pass an opportunity to have his photo taken in a hard hat and a high-vis vest as he sought to convince Australian workers that he was their friend.

He boasted of creating a million new jobs in five years.

But actions in government speak louder than words in opposition, and within a couple of months of the Coalition being elected, we had seen the demise of the domestic car industry, and this will have a significant impact on innovations, skills and training in this country.

What government behaves in this way, by actively goading global employers to leave our shores?

As the Productivity Commission reported recently, the result will be 40,000 jobs lost from Australia's auto sector.

Other nations are fighting hard and investing to keep local industries and encourage exporting and innovation because they can see the urgency and value.

But this government is more than happy to sacrifice the jobs of Australian workers on some ideological, free market altar.

Again, when the future of SPC Ardmona was in jeopardy in February this year, and it sought investment to restructure and modernise, the government turned its back.

Instead, loyal, hardworking employees at the factory had their reputations dragged through the mud as the government sought to make a political point in its campaign to cut wages and conditions.

Demonising workers, their pay and conditions, isn't justified by the facts and is counterproductive if we want to build prosperity.

Recent economic data has blown out of the water the case for changes to our workplace system based on false claims of a wages blow out.

The opposite is occurring: real wages are actually falling, while labour productivity and profits are growing.

It seems that under this government, if you work in manufacturing you can expect no assistance whatsoever – unless, of course, your business happens to be in a crucial marginal electorate and is called Cadbury.

Then you can win the jackpot of \$16 million in assistance, no questions asked.

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Recently, Australia's rate of unemployment was reported at a 12 year high of 6.4%.

What is of most concern about this figure is that unemployment in Australia is heading up at the same time as it is heading down in the United States and Britain, where it has recently fallen to the lowest level since the Global Financial Crisis.

The youth unemployment rate is three times the overall figure. One in five people aged between 15 and 19 in the labour market are out of work.

Despite its boast of a million jobs over the next five years, we are fast approaching 800,000 unemployed people, almost 100,000 more people looking for jobs than before the Coalition was elected.

The government has pulled \$1 billion out of vocational education and training, while creating a cost incentive for employers to overlook local workers through the use of 457 visas.

The employment situation will be worsened by this year's tight Budget, and the cuts of thousands of public sector jobs, along with outsourcing and privatisation of services.

Rather than work with unions and community groups to find work for the unemployed, the government instead has launched a series of vindictive and punitive measures to make life even harder for jobseekers.

On top of all this, the scrapping of the price on carbon, and the uncertain future of the Renewable Energy Target, add to these concerns.

Without clear and direct incentives to drive investment in renewables and clean energy technology – and the jobs they will create - Australia will miss out on gaining a slice of a multi-trillion dollar – and growing – global industry.

Take, for example, Australia's last remaining solar panel manufacturer, Tindo Solar, which says last week's Warburton report into VET puts at jeopardy 600 potential jobs.

Rest assured, the union movement will not give up on Australian jobs and Australian manufacturing.

We maintain that the government must play a positive role in growing industries and jobs.

Manufacturing is crucial because only a broad-based economy can generate long-term prosperity.

So what is the answer for manufacturing?

As we have seen with the closure of carmaking, the mining boom, high Australian dollar and other short-term pressures are causing long-term damage to our economic base.

Governments need to respond, not by sending in the ambulances after a closure has been announced, but by planning ahead with longer term policies to transform and upgrade the industrial base.

We need policies which enable businesses to take advantage of and encourage local innovation, to support investment and the take up of advanced manufacturing processes and products, and to access new markets and global supply chains.

Two practical solutions proposed by the AMWU could include:

- A corporate tax break for manufacturing that uses patents based on locally-developed research, development and innovation;
- The establishment of a publicly-funded Manufacturing Finance Corporation – based on the successful Clean Technology Finance Corporation, which this government wants to abolish – which has the task of supporting investment that moves Australian businesses up the value chain and enables them to deploy advanced manufacturing techniques and products.

In addition, a raft of policies slated for cuts or closure by this government need to be retained, including:

- Industry Innovation Precincts;
- Industry participation plans, supplier advocates and industry participation officers;
- Support for research and education, by reversing the cuts to the CSIRO and backing the apprenticeship and vocational education and training systems, alongside universities.

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Of all the ways governments can back manufacturing, none is more immediate and direct than procurement.

Cost should not be the only factor in assessing procurement contracts for both small and large projects.

Procurement decisions should also be judged on what outcomes they can deliver for industries and jobs in Australia.

There is strong merit in certain industries to be designated as being in Australia's strategic interests to support.

One obvious case here is the Defence industry, where contracts are currently up for grabs for the construction of state-of-the-art Navy ships and submarines.

And it is not only the federal government that has a role.

Here in Victoria, scores of manufacturing jobs in Ballarat and Dandenong – both areas with high unemployment – are under threat because of an outsourced procurement process that has locked out local companies out of tendering for dozens of new public transport trains.

Meanwhile, Australian manufacturers already face considerable hurdles because of the value of our dollar.

I am sick and tired of having the mantra of free trade shoved down our throats when manufacturers know there is no such thing as a level global playing field.

We need to remove barriers to Australian companies getting access to overseas markets.

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Two years ago I had the privilege of standing alongside Julia Gillard and the Australian Industry Group's Innes Willox, for the release of the Smarter Manufacturing for a Smarter Australia report by the Prime Minister's Manufacturing Taskforce.

With a focus on skills, training, research and innovation to deliver real productivity, it was an optimistic report which confirmed Australia's manufacturing can continue to underpin a broad-based national economy.

Under the previous Labor government, unions and industry co-operated successfully in forums like the PM's taskforce and the Manufacturing Leaders Group, which encouraged collaboration and forward planning.

This was in contrast to the period between 1996 and 2007, when the Howard Government shut down every tripartite body and as a consequence we endured a decade of decline.

I must say that it now feels like Groundhog Day as we again have a government more intent on conflict than collaboration.

Unfortunately, some employer groups have now also jumped on the bandwagon.

I was disappointed last week to see Innes Willox now arguing that only cutting penalty rates will save manufacturing.

Well, I say there is another way.

Unions are ready and willing to work with industry to secure manufacturing's future by taking the high road of innovation, investment and skills.

No-one wins by taking the low road of cutting workers' pay and conditions.

Thank you.

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