A Prosperous Australia is an Australia with Strong Manufacturing:

We need a Government that stands up for jobs.

The challenge we face

The announcement on 11 December 2013 that Holden would cease manufacturing cars in Australia is a body blow costing thousands of workers their jobs and leaving tens of thousands in the lurch. In addition, due to the central role of automotive manufacturing in the broader manufacturing base; as a supplier of skills, technology and cutting edge processes, both manufacturing and management, the closure will have a profound and negative impact on the broader manufacturing industry and the economy as a whole.

The AMWU has been warning this Government since coming to office that in order to maintain a strong industrial base and to support a broad based economy, the Government must reconsider its policy of cutting automotive assistance by $500 million and address the dramatic drop off in assistance to the automotive industry that was planned to 2020.

Those warnings went unheeded and as a result Holden has announced its withdrawal from manufacturing in Australia. This will put incredible pressure on firms in the supply chain, as both their business and their ability to access credit will dry up. This in turn will put incredible and likely irresistible pressure on Toyota, the sole remaining automotive manufacturer in Australia, to also cease manufacturing operations in Australia.

The automotive manufacturing industry is the only complete global manufacturing supply chain that is present in Australia. It is the most advanced of our manufacturing industries and it brings with it skills, technologies, research and development and investment that will not be replaced once it departs. It also provides an opportunity for small innovative niche Australian firms to access international markets and join a global supply chain that will not be replaced.

These are the reasons why it is in the public interest for Government to support the automotive manufacturing industry, and these are the reasons why Governments around the world do exactly that, especially when their industries are under pressure. It is a tragedy and a disgrace that this Australian Government has failed to recognize this reality and has stood idly by and let automotive manufacturing in Australia cease due to an ideological aversion to the global reality of industry support and largely short term pressures brought about by the strength of the Australian dollar.

While it will be impossible for the Government to provide the same benefits to the broader manufacturing industry that the automotive industry provides, the industry's impending departure makes it even more essential for the Government to support the broader manufacturing industry. Without additional support, workers made redundant from the Holden closure, whether they are workers from Holden or its many suppliers, will not be able to find suitable employment when the time comes to find new work. In addition, without significant support, Australia is in serious jeopardy of losing its manufacturing base entirely, leaving the entire economy and the prosperity of future generations in serious jeopardy.

There can now be no doubt that Australia is suffering from a serious and prolonged case of Dutch-Disease, where a broad based and well balanced economy is hollowed out by the currency effects of a mining boom. Without serious and urgent action, Australia risks an economic hollowing and a post boom hangover that will leave us out of the advanced industrial economies for the first time in our history.

In order to minimize the dislocation that Holden's decision will cause to already disadvantaged communities and to provide the best prospects for the tens of thousands of workers affected, it is incumbent on the Government to also provide support programs for the communities and non-auto businesses affected.

These measures will require very significant funding from the Federal Government. In the AMWU's view, in order for these programs to truly make a difference this funding will need to be larger than what was required to secure Holden's viability in the first place, for the very reason that the Government cannot provide the positive spillovers to the broader economy and in particular the manufacturing industry, that an automotive industry does.

The below is not an exhaustive list of what measures the AMWU deems will be necessary to ensure Australia retains a manufacturing capacity and workers and communities affected by the Holden decision are adequately assisted, but they do provide an outline of what the AMWU deems is an appropriate immediate response from Government.

An outline of what is needed

Support for manufacturing businesses.

As a matter of urgency, the Government needs to implement programs to assist automotive components manufacturers to diversify their businesses, secure export markets where possible and assist in providing access to capital to invest.

These measures need to extend beyond the automotive component manufacturing sector to all manufacturing businesses so that the manufacturing base can transition to a situation where it does not rely on an automotive manufacturing core.

A package of support for manufacturing businesses should include:

- Expansion of specialist advice and support currently provided through Enterprise Connect and Austrade to assist businesses to identify areas of potential specialization and new products, as well as potential export markets,
- Expanded Grants to allow manufacturing businesses to invest in new capital, products and processes,
- Access to co-funding and funding guarantees to allow businesses to attract private finance for investment and diversification,
- A commitment to, and expansion of, recent Australian Industry Participation reforms,
- A reform of WTO Safeguards procedures to give better access for businesses to this important WTO remedy against unfair and damaging trade practices,
- A commitment to Industry Innovation Precincts/Partnerships to assist in economic diversification and expansion of businesses and jobs, and

- A recommitment to Australian naval shipbuilding by bringing projects forward to preserve the capacity of the industry and support Adelaide and Victoria in avoiding a recession as a result of Holden's and Ford's closure.

Access to the business support services that Austrade and Enterprise Connect (EC) provide need to be expanded, especially for automotive components suppliers, to assist these suppliers in identifying and developing new non-automotive business opportunities as well as to improve management and other processes. Such an expanded and specialist service will require engineering, as well as business expertise on the part of advisers and therefore the programs of EC and Austrade will need to be built upon, not simply expanded to auto component suppliers. A new Automotive Diversification Stream of EC, with expertise in engineering and other relevant fields should be developed, which could provide these expert services to firms in the sector wishing to transform into niche manufacturing businesses. As has been the subject of some rumour, Enterprise Connect certainly shouldn't have its funding and activities cut or folded. This will require additional administrative funding from the Government.

Currently, the Government has in place the $47 million Automotive New Markets Program, which seeks to assist in the diversification of automotive components firms. This program needs to be dramatically expanded to be at least $150 million to 2016 and the criteria for successful applications needs to be adapted to ensure as many firms as possible are able to access these grants, preferably after recieving expert advice from EC's Automotive Diversification Stream as outlined above.

In addition, the Government's election promises to increase funding through the Manufacturing Export Market Development Grants program and the Manufacturing Transition Grants program need to be increased, with a dedicated funding stream for automotive component manufacturers under both programs. This will provide component suppliers with the greatest opportunity to expand their businesses as niche global manufacturing firms and be able to access new global markets. This commitment should be no less than an additional $100 million to 2017.

Component businesses which rely on Holden and Toyota will find it increasingly difficult to access private capital due to an increasing perceived level of risk associated with these businesses. In addition, it has long been known that SME manufacturers have difficulty accessing private capital in Australia due to the finance sector's unwillingness to lend to what are perceived as businesses in a 'risky' sector.

To overcome this manufacturing credit squeeze, the Government should provide funding guarantees and/or co-financing for these businesses, once an agreed due diligence process has been passed.

In order to do this, a Government owned Manufacturing Finance Corporation (MFC) modelled on the Export Finance Insurance Corporation or the Clean Energy Finance Corporation, should be established to support this activity. A board comprising business leaders, experts in finance and union representatives should oversee the work of this corporation to ensure it is providing the support necessary to the sector. This corporation should be endowed with at least $2.5 billion dollars from the Federal Government.

The Government should immediately commit to supporting the former Governments reforms of Australian Industry Participation (AIP) Plans, which made these plans mandatory for all investment projects over $500 million and established the AIP Authority to administer plans and related government programs aimed at improving access to global supply chains for Australian businesses.

As the mining boom continues to wind down, and the number and size of investment projects falls, the threshold for mandatory AIP plans should be lowered to $300 million, so that the greatest benefit for local manufacturing firms can be achieved. This will require a small increase in administrative funding from the Government.

The Government should immediately notify the WTO that the designated safeguard authority in Australia is being changed from the Productivity Commission to the new Anti-Dumping Authority.

Not only is the Anti-Dumping Authority better placed to investigate cases where businesses seek the imposition of safeguards to remedy injury from sudden spikes in imports due to its access to Customs import data, but the Anti-dumping Authority does not suffer from the same anti-protection ideological bias that the Productivity Commission does (even in cases where protections are sought from behaviors that violate trade obligations of trading partners), as is evidenced by the recent discrepancies in the canned tomatoes dumping and safeguards cases.

The Government should commit to supporting all 12 Industry Innovation Precincts/Partnerships as announced by the previous Government, in order to support the diversification of the economy, the development and uptake on new technologies and the growth of new businesses and jobs.

The Australian Navy, as well as civil authorities, have a large list of future projects which require the acquisition of new ships. The Government should commit to having these projects built domestically where possible, with as much local content as possible, to support the economies of South Australia and Victoria, to provide work for workers from Holden, Ford and component suppliers and to maintain and build Australia's shipbuilding capacity.

As a start, the Government should immediately order additional Air Warfare Destroyers and link these builds into the future frigate project so a continuous build program can be developed that supports our Navy and our manufacturing industry. In addition, the projects to replace the Armidale Class patrol boats and the supply ships HMAS Success and Sirius should also be brought forward, with a commitment to build replacements in Australia.

Additional recommendations concerning the future shipbuilding program will be brought forward by the AMWU in the coming weeks.

Support for Workers

The support outlined above as support for manufacturing businesses also functions as support for workers. Regardless of what qualifications or experience workers have, if there are no jobs for them they will not be able to transition to a new position which will allow them to once again play a full and active role in society. That is why support for the manufacturing sector more broadly is crucial, for the economy as a whole but also for affected workers in particular. It is through the dignity and security good, well-paid work brings that the devastating effects of unemployment on individuals, families and communities can be best mitigated.

In addition to the broader support of manufacturing, so there are jobs that auto workers can go to, the Government needs to ensure that workers are able to access sufficient training and skills recognition programs to ensure their skills are transferable and recognizable once the time comes for them to find a new job.

This will require an expansion and additional funding under the Automotive Industry Structural Adjustment Program (AISAP). The Structural Adjustment Support stream of this program, closed in 2009, needs to be immediately re-introduced to support both firms and workers in the supply chain to both consolidate and help workers find new jobs. An additional $5 million per year should be allocated under this stream of AISAP and the program should run to at least calendar year 2019 to provide component makers and their workers with the support they need, when they need it.

The Labour Market Support stream of the AISAP will also need to be significantly expanded both in breadth and time, to provide additional services to workers while they are still employed, not just those that have already lost their jobs and their income.

An agreement between the Government, unions, Holden and component businesses needs to be urgently sought which will allow workers to take time during the day to both have their skills certified and to be trained in new skills. This will require additional administrative funding from the Government.

Support for communities

Even if all the measures outlined above are relatively successful, it will still be the case that the closure of Holden and those components suppliers not able to transition to new businesses will leave a significant portion of unemployed workers, and other workers on lower incomes.

This will have an impact on communities and local businesses. In order to address these impacts, and to ensure these communities which in many cased are already facing high unemployment and social disadvantage do not suffer additional hardships and disadvantage, the Government will need to provide support through community structural adjustment funds.

Such programs have been a common feature of Government programs in response to large business closures. However, these programs should not be confused with programs designed to support workers finding new jobs. These are funds designed to support economic activity in local communities, to compensate for the loss of income that the community will experience from having members who were Holden and component supplier workers.

Structural adjustment funds have been previously calibrated based on the size of the employment impact from closure and based on the size of past funds. In the current circumstance, a National Community Support Fund should be established for affected communities not only in South Australia and Victoria, but across all communities with significant densities of automotive manufacturing businesses. Based on the average size of funding per affected worker for past Investment Funds, a fund of $1.8 billion would need to be established to maintain a consistent level of support, assuming Toyota will also announce its closure in the coming year.

In the mean time, an immediate fund, to last to 2020 at least, of $877 million should be established based on the estimate of 24,000 total job losses Holden's closure will cause in SA and Victoria[1].

Conclusion

The AMWU believes a detailed and very significant set of policies will need to be implemented in response to the closure of Holden and the likely announcement of the closure of Toyota in the coming year, not only to deal with the immediate employment and regional impacts of these closures, but to support the broader manufacturing industry. This support is seen as crucial if Australia is to stem the further hollowing out of our manufacturing sector and ensure a broad based economy capable of delivering security and prosperity for future Australians is maintained. The policy proposals presented above are not a comprehensive set of proposals, but are a preliminary estimate of what will be required both to overcome the dislocation of the Holden closure and to secure our manufacturing base for the future.

The total additional call on the Federal budget outlined above equates to an additional outlay of $3.6 billion dollars and does not include the cost of shipbuilding projects or additional administrative funds for programs.

The AMWU will be presenting a comprehensive set of policy proposals to the Parliament of Australia to support and grow our manufacturing sector in the new year.

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[1] This estimate is based on work done by the University of Adelaide's ,Australian Workplace Innovation and Social Research Centre.