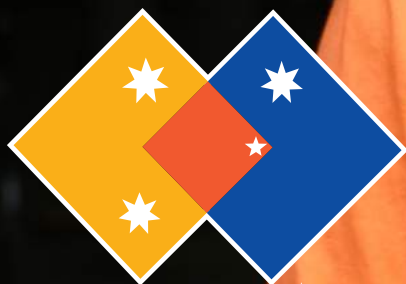


Australian Manufacturing Workers' Union

Submission to the Senate Economics
References Committee's inquiry into the
Australian Manufacturing Industry 2021



AMWU





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Introduction from the National Secretary

For almost 170 years, our union has organised and represented workers in the Australian manufacturing sector. Today, the Australian Manufacturing Workers' Union (AMWU) represents over 70,000 members in every Australian city and region. We are proud of the work we do. We build Australia's trains, buses, and ships. We process the food our farmers grow. We service Australia's mining equipment, cars, and aircraft. We manufacture sustainable packaging. We build whitegoods, manufacture energy infrastructure, and print newspapers. But we believe the Australian manufacturing sector can contribute even more.

As we emerge from the worst of the COVID-19 pandemic, major economies around the world are deploying radical policy initiatives to protect, grow and diversify their manufacturing sectors in response to the challenges highlighted by the crisis. So far, Australia's policy response has been inadequate.

In the context of the biggest peacetime disruption of global supply chains our nation has ever experienced, the Australian government has taken a business-as-usual approach. Despite its hefty price-tag, the \$1.3 billion Modern Manufacturing Initiative seems to be little more than a marketing exercise. Nearly a year after it was announced, less than \$100 million has been committed.

At the start of the crisis, the AMWU and business leaders joined with the federal government to develop a strategy to help protect our industries. We acted in good faith because, with the world in crisis, we knew how critical domestic manufacturing would be to

recover from the pandemic. As has been well publicised, the government's manufacturing taskforce was co-opted by advocates for a gas-led recovery, rather than a manufacturing-led recovery.

I've spent a lot of time listening to our members across the nation since becoming National Secretary. They are skilled, passionate, and have deep insights into the issues facing their industries. That is why our contribution to this inquiry is based on our workplace leaders' lived experiences and their vision for a manufacturing-led economic revival. Between them, these workers have decades of experience from across the entire manufacturing sector and around the country.

Our submission is designed to give you, the policymakers, the opportunity to see the manufacturing sector through their eyes, to understand what it means to the workers it employs and the communities it supports. They believe, as I do, that with the right policy leadership Australia can enjoy a manufacturing-led recovery that creates secure, high-skilled jobs; promotes economic development in our regions; increases our sovereign capabilities; and diversifies the nation's economy.

At present, the Australian manufacturing sector is battered but resilient. Despite decades of policy negligence –and, at times, deliberate governmental sabotage – manufacturing remains a major employer in this country. But that neglect has left Australia as one of the world's least self-sufficient industrialised nations when it comes to manufactured goods.¹

I hope that this inquiry is an opportunity to reassess the policies that have led to Australia's industrial decline and to reconsider the role the government should play in rejuvenating Australian manufacturing. If Australia were to achieve manufacturing self-sufficiency – to make as much as we use, and export as much as we import (something already achieved by countries like Spain,

France, and New Zealand) – we would create 400,000 new manufacturing jobs and a further 265,000 in the supply chain.²

To do this, we need to upskill our already highly skilled workforce and train new workers for the jobs of the future. We need to encourage businesses to invest in new production technologies and processes to increase productivity and make sure our workers are operating the best equipment money can buy.

We need to build the infrastructure to harvest Australia's abundant supply of cheap renewable energy to make us a global leader in energy intensive manufacturing. This way, we can develop export industries for manufactured goods like carbon neutral metals, lithium-ion batteries, green hydrogen, and green steel, all of which will be in huge demand as the world transitions to net zero emissions.

We need the government to use its powers of procurement to invest in Australian jobs and industries and rebuild our domestic supply chains. Most of all, we need a government with the vision and commitment to make that happen.

So far, we have lacked policy leadership—we hope this inquiry represents a turning point. There is so much potential to grow the manufacturing sector in Australia, but governments hold the keys to unlocking that potential. Below, some of our union's leaders begin to sketch a policy framework for a reindustrialised Australia. These policies alone would not be enough to make Australia the advanced manufacturing superpower we believe it can be, but they would be an excellent start.

— Steve Murphy, AMWU National Secretary.

¹ Stanford, J. 2020. *A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-COVID Economy*. The Centre for Future Work at the Australia Institute.

² Stanford, J. 2020. *A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-COVID Economy*. The Centre for Future Work at the Australia Institute.

Skills for the future of manufacturing



Any policy initiative aimed at revitalising Australian manufacturing sector must address significant issues with our current vocational education and training (VET) system. After decades of underfunding and failed marketisation policies, our VET system is struggling to meet our country's need for highly skilled manufacturing workers.

VET will be essential to facilitate the adoption of new, advanced manufacturing technologies which our sector needs to remain globally competitive. Workers will need greater technical and problem-solving skills as global manufacturing shifts to increasingly advanced digitally enabled technology and more specialised, disaggregated production processes. This shift to advanced manufacturing offers a major opportunity for our manufacturing sector provided we have the capacity to produce highly trained production workers, skilled tradespeople, and high-level technology specialists.

Keith Lang, heavy plant mechanic, Sydney Trains

Keith began his career in the rail industry with an apprenticeship as a heavy plant mechanic at Sydney Trains in 2003, where he still works today. He is responsible for the maintenance, repair, and overhaul of Sydney's track rolling stock. In his nearly 19 years on the job, he has witnessed significant change since coming into the industry.

"There has been a shift from viewing our work as providing a service to seeing us as providing a profit."

This shift has been especially noticeable in two areas: workplace health and safety - a central part of Keith's role as a union delegate and health and safety representative is to ensure the working environment is a safe one by holding the employer to account.

"My employer is good at talking the talk on safety, but we spend a lot of time making sure they walk the walk."

Second, Keith has witnessed an erosion of the respect and value management places on his skills and work and those of his colleagues. He points out that Sydney Trains, as well as other government agencies and enterprises, previously played a central role in training apprentices for industry. These apprentices formed the basis of a highly skilled workforce which would then support Australian industry more broadly. More recently, however, “an ideology of outsourcing and privatisation” has taken hold in the industry. For Keith, this privatisation and outsourcing has meant less investment in skills and training which, in turn, undermines and diminishes Australia’s broader manufacturing capabilities.

Keith strongly believes that the government’s role in the rail industry should be to take considered risks, invest in skills and training, and assist in building a highly skilled workforce to support the manufacturing industry in Australia. Not only does he want Australia to design, build and maintain our own rolling stock, but to manufacture equipment for export markets as well. He points out that, in recent years, some state governments have prioritised local content in government procurement, including transport infrastructure, and that this is helping to build industrial capacity and a skilled workforce. He contrasts this with his home state of New South Wales, where recent transport infrastructure like trains and ferries have been procured from overseas. Federal industry policy should view essential public infrastructure like rail and ships as critical to Australia’s future prosperity and, Keith concludes, as an opportunity for “Australia to build the skills, jobs and industries for our future.”

Recommendation 1:

The AMWU supports a minimum ratio of apprentices to tradespersons on all projects that attract government investment, finance, and other forms of support. Furthermore, the AMWU advocates a national ‘common benchmark test’ for apprentices, to ensure that apprentices graduate with the skills they need, and employers can’t simply ‘tick and flick’ apprentices to meet their ratio requirements.

Recommendation 2:

Australia needs to develop a National Rail Manufacturing Plan to create jobs and capabilities in the industry.

This plan should ensure that all rolling stock—both public transport and freight—that we need in Australia, is made in Australia - emphasising the development of the skills of workers in Australia and the collective capabilities of Australian industry.

Skills for the future of manufacturing



Haromi Pepe Jones; Process Worker, Darrell Lea NSW

Pepe got involved in her union because she wanted to do something about bullying in her workplace. “We got people together and worked on an anti-bullying policy,” she explains.

“Now it’s a much better place to work because there is that fairness.”

Pepe has now worked as a process worker at Darrell Lea in Sydney for eight years and has the skills to work across different lines and work in a variety of different capacities.

“I sort of float across different lines. I can work on the liquorice stream, the chocolate stream, the sugar panning stream. It gives me different perspectives and the perspectives of different union members.”

Pepe is passionate about her work and wants to make sure that future generations of Australians can get secure, well-paid jobs in a manufacturing sector where they are treated with respect. Key to making this happen is ensuring Australia’s Technical and Further Education (TAFE) system is funded properly and preparing people for the manufacturing jobs of the future.

“We need to get people’s skills up, and that means getting the TAFE system back up and running,” she adds.

In terms of industry support, Pepe believes the government can do a lot to onshore manufacturing supply chains, both for primary and secondary industry.

“Before we look outside our borders, we should prioritise our products first. They always go on about ‘Oh, it’s a little bit more expensive to get it from Australia.’ But we should support our other manufacturers and farmers by looking here first.”

Not only would this help create Australian jobs, she argues, but it could help develop a skilled manufacturing workforce and create new opportunities to develop sustainable production in areas like recycled packaging and lithium-ion batteries.

Recommendation 3:

The AMWU supports nation-wide free TAFE— similar to the policies in place in Victoria and Queensland. Within this framework, the union supports establishing a national Manufacturing VET policy board tasked with developing and implementing measures to build a more coherent and constructive framework for VET manufacturing.



Gordon Entwistle, spray painter; Komatsu, Welshpool

Originally from New Zealand, Gordon is a spray painter and panel beater by trade. He has worked at Komatsu in Western Australia for 16 years. Komatsu employs around 500 workers at its Welshpool plant who manufacture a range of equipment for civil and mining applications.

“We make small excavators for civil projects, right up to giant haul packs and excavators for the mining industry. Civil engineering probably makes up around 30 per cent of what we do. Mining probably makes up around 70 per cent of what we do. Over here in WA, we tend to supply a very large amount of mining equipment,” he explains.

Recently, the COVID-19 pandemic has resulted in WA closing its’ borders to other Australian states, while Australian borders have remained largely closed to the rest of the world. For Komatsu, this has caused a severe shortage of skilled workers in its WA facilities.

Gordon says there is a shortage of high voltage electricians and heavy-duty mechanical fitters.

“To give you some idea of how bad it is, we’ve been advertising for the last two months, and we’ve only managed to pick up one heavy duty mechanical fitter.”

Gordon says that the shortage of skilled workers is not simply the result of closed borders but reflects a long-term lack of strategic thinking on training and industry policy. He argues that firms and governments have a long history of failing to invest in training the manufacturing workforce and instead relying heavily on temporary immigration and recruiting workers already trained by other employers.

“Our company is fairly good in terms of training apprentices, but a lot of companies aren’t. They either rely on poaching tradespeople who have been trained elsewhere or they bring in 457 visa holders or the equivalent work visa.”

To develop Australia’s manufacturing workforce—and with it our manufacturing capacity – Gordon argues that we need to conduct robust market testing before issuing worker visas and develop a national plan for apprenticeships and training to ensure we have a highly skilled manufacturing workforce.

“Serious local market testing before any migrant workers can be brought in is essential,” he concludes.

Recommendation 4:

Government policy must prioritise local employment and the development of the local workforce. This means the government must require vigorous and meaningful labour market testing and skills assessments to be conducted prior to engaging visa workers to ensure the Australian workforce is developed and prioritised for employment opportunities.

Recommendation 5:

The skilled migration program needs to be urgently reviewed. Where there are jobs available in Australia, employers must be required to actively train young workers to fill them. Where a skilled visa worker is brought in the AMWU believes that there should be a requirement for their employer to also undertake domestic training of workers in the same skillset. Ultimately, we believe that no job should be allowed to stay on the skills shortage register for longer than it takes to train an Australian worker to do that job. The current system is failing workers and must be overhauled.

Worker centred technological adoption

A recent report commissioned by the AMWU found that Australia is ranked 93rd in the world for economic complexity.³ China's 'Made in China 2025', The United Kingdom's Catapult Network, and the United States' 'Smart Manufacturing Leadership Coalition' all reflect the fact that the world's leading economic powers are redoubling their efforts to develop and grow their advanced manufacturing capacities. Australian underinvestment in innovation means that we are not building the jobs and industries of the future.⁴

The AMWU believes that Australia should be pursuing an ambitious agenda of technological change, embracing the digital revolution in the manufacturing sector, and ensuring that these technologies are worker centred. A worker centred policy agenda for technological advancement can help Australia create large scale employment opportunities in high-skilled, high-paid jobs, where workers have a high level of autonomy over the work they perform.

³Stanford, J. 2020. *A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-COVID Economy*. The Centre for Future Work at the Australia Institute.

⁴Stanford, J. 2020. *The Robots are NOT Coming (And why that's a bad thing...)*. The Centre for Future Work at the Australia Institute.



Worker centred technological adoption

Jason Chrimes, Machine Operator; Opal Packaging, Western Australia

Jason is a Machine Operator at Opal Packaging in Perth where he is one of 69 workers. Opal employs around 1,000 people nationally, manufacturing renewable fibre packaging, among other products. He has worked for Opal—and the previous owners of the factory—for around 20 years, and before that he worked as a contractor delivering goods for the firm for about five years. “A normal day for me involves bringing in the blank cardboard from the paper machine and then printing, folding, and gluing the product to the customer’s requirements, then sending it out on pallets,” he explains.

Union management relations have undergone significant change while Jason has worked at the plant. Previously, industrial relations across the business were highly antagonistic, and industrial disputes were frequent. “There was a realisation that relationships were broken and were almost broken beyond repair,” he says.

“We were too busy fighting amongst ourselves instead of making sure the business was successful.” Management met with union delegates and explained that the firm was in a dire financial situation and many millions of dollars in debt. The then board of directors made the decision that the business would either offshore or close if drastic changes were not made for the business to remain viable in the Australian market. In response, management and union representatives set up a series of new channels of communication and alternative dispute resolution procedures

aimed at getting the business back to profitability in a way that benefitted workers as well as the firm.

“We did it in 12 months and generated a massive profit, so the workers really stepped up,” Jason explains.

One of the key areas identified for improvement was updating production technologies.

“Through the new communication processes, we identified that machinery was outdated and that the workers themselves couldn’t possibly deliver the business improvements that they needed on the old equipment.”

With the leadership of AMWU representatives like Jason, the firm was able to update its existing processes and machinery with a heavy emphasis on upskilling workers.

“We’ve got an internal skill-based pay system built into our agreement. We have on-site assessors, which I also do, building the skill matrix, identifying the gaps in skills through regular skills audits. That stuff has made a big difference.”

Recently, the firm has come under new management, but Jason hopes that the constructive processes the union has built can survive the change of ownership. He believes that the experiences of his firm demonstrate that Australian manufacturing can grow and thrive given the right policy settings, and that workers and their unions will have a role in decision-making.

Recommendation 6:

Research and development tax credits are in urgent need of reform. Rather than pursuing its current legislation that would encourage firms to offshore manufacturing jobs, a newly designed R&D tax credit must encourage increased innovation and complexity in the Australian manufacturing sector. Further, accelerated depreciation provisions for intellectual property and new machinery and equipment should also be investigated.

Worker centred technological adoption

Jessie Rea, machine operator; Simplot, Bathurst



Jessie started work at Simplot in Bathurst 10 years ago this month. She works as a machine operator producing a range of fish products which supply major retailers and restaurants, including Woolworths, Coles, McDonalds, and KFC. Jessie holds a certificate III in food processing. Her role can be highly technical, it involves troubleshooting, repairs, and maintenance on production robotics that the entire factory relies on to maintain product flow and quality. She argues that for the food processing sector to continue to thrive in Australia, employers and governments need to invest in worker training.

“I think skills and training are so important. As a union, we are really pushing for the recognition of skills and training in manufacturing and in food manufacturing especially,” she says.

“I think a lot of people, and some bosses, treat manufacturing workers like anyone could come in and do your job. But it takes a lot of skill to be good at this work.”

For Jessie, secure jobs are an essential part of recognising and developing the skills and expertise of Australia’s manufacturing workforce. She worked for her current employer for almost ten years before she won an application for casual conversion with the help of her union.

“It’s a huge relief to have a secure job,” she says. Jessie argues that investment is needed to grow manufacturing employment opportunities, especially in regional Australia. To win several large contracts, her employer now needs to invest in a multi-million-dollar air fryer: “They’re applying for government grants, but it’s not looking very promising.”

Jessie describes as “mind-blowing” the idea that dozens of good jobs in regional Australia are at risk because of this lack of investment. Jessie believes that the government has a role

to play in ensuring the long-term viability of Australian manufacturing through investment in industry and by generating globally competitive renewable energy supplies.

“Not only will renewable energy make Australian manufacturing more competitive, because it’s cheaper, we could be creating good, secure jobs by investing in environmentally sustainable technologies here, like electric vehicles.”

Recommendation 7:

The government should establish a Manufacturing Industry Fund to assist local manufacturing businesses to invest in new advanced production technologies through the provision on low-interest finance, government share capital, loan guarantees and other mechanisms. The aim of this fund should be the reindustrialisation of the Australian economy with worker centered technologies and to ensure that no Australian firm needs to go off shore in order to expand, seek capital or break into global supply chains.

Recommendation 8:

That the government immediately reverse the recent changes to casual conversion clauses, which have doubled the length of time that manufacturing workers must wait before accessing these important workplace rights. A further, comprehensive overhaul of provisions in the Fair Work Act and Award system - including casual, labour hire, rolling-contract and contracting out - that allow insecure work to flourish.

Australia's energy transition

Australia possesses abundant renewable energy resources, and this represents a tremendous opportunity for the Australian manufacturing sector.⁵

The AMWU has long maintained that a strong Australian manufacturing sector would need globally competitive energy costs, which may be achieved most sustainably via significant investments in renewable energy infrastructure. We also believe that the Australian manufacturing sector can and should play a central role in the research and development of renewable energy technologies and building the necessary infrastructure for a transition to renewable energy.

⁵ Garnaut, R. 2019. *Superpower: Australia's low-carbon opportunity*. Carlton: La Trobe University Press.

Australia's Energy Transition



Cam Brady, printer; NewsCorp, Melbourne

Cam works as a printer at NewsCorp in Melbourne. In this role he and his colleagues are responsible for printing many of Victoria's daily newspapers, among other things. Print work of this kind requires highly skilled tradespeople. One of the things he enjoys about his job is how varied his work is.

"There's a mechanical side, a scientific side, and an artistic side," he explains.

Cam says he's frustrated with Australian companies that don't support Australian industry and jobs. He notes that recent paraphernalia produced for a major supermarket chain which depicted Australian Olympic athletes were printed overseas.

"It's all good to get behind the Aussie athletes, but what about getting behind Aussie workers?"

For Cam, the COVID-19 pandemic has demonstrated the strategic need for Australia to rebuild its capacity to make things and develop greater manufacturing self-sufficiency. He points to two policies that would help rejuvenate Australia's manufacturing capacity. First, he suggests that the federal tax system could be used to incentivise firms to support local jobs and local industry.

"What about we tax companies according to, for example, how many people they employ locally? The more they employ Aussies, and use locally sourced products, then the less tax they should pay, that should be their incentive."

Second, Cam argues that the federal government needs to invest in making energy more affordable to make Australian manufacturing more internationally competitive.

"The cost of energy is killing manufacturing in Australia," he points out.

Cam believes the government has a central role to play in facilitating a transition to renewable energy and investing to renew the infrastructure of the national energy grid. He also holds that Australian industry can and should play a central role in developing and manufacturing sustainable energy technologies.

Recommendation 9:

The AMWU is calling for major investments in the development of renewable energy resources including offshore wind, solar and hydrogen. This should be complemented by major investments in the infrastructure of the national electricity grid, including firming technologies - like batteries and pumped hydro - that don't lock carbon emitting assets into our future energy mix.



Mick West, automotive electrician; Brisbane Bus Build, Brisbane

Brisbane Bus Build is a joint commercial arrangement between Volgren and Brisbane City Council. It builds buses for Brisbane City Council's bus network, other Australian public transport systems, as well as private buyers. Mick West, an automotive electrician and AMWU delegate, is one of around forty workers at the Brisbane factory. Mick and the other workers at Brisbane Bus Build take an imported, shortened chassis and build them into a bus.

"We get a shortened chassis, which is basically a set of chassis rails, four wheels, a motor, a steering wheel and a little seat. And we start by chopping the chassis, we make a subframe and weld the subframe in so it's the full length of the bus. And then we build the body around them. Basically, we fit all the seats and windows and make a bus out of it." Recently, workers at Brisbane Bus Build have endured serious employment uncertainty caused by insecurity in the firm's pipeline of contracts.

"It's a great place to work, and management is pretty good, but we need consistency in contracts," he says.

Recently, he and his co-workers were forced to take annual leave while they waited for more work. "The only thing I'd change about my job is just having some certainty. More longevity in the contracts would mean we know we've got work for the next few months instead of waiting for another contract of one or two buses."

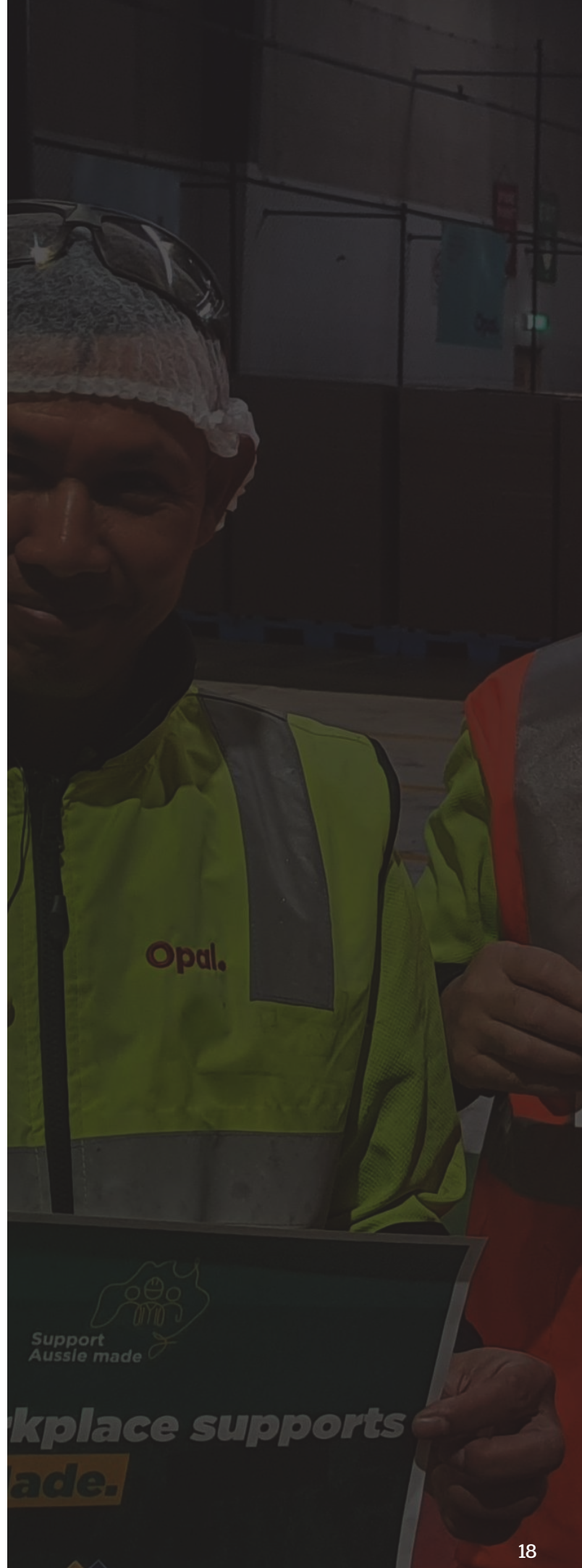
With certainty in contracts Mick argues that Brisbane Bus Build could significantly expand its productive capacity. combustion engine, it's an electric one."

Mick says that as transport providers around the country are switching to electric vehicles, this represents a major opportunity to grow Australian industry and create good jobs. He sees the role of governments as providing the certainty businesses like Brisbane Bus Build need to provide secure jobs and build 21st century, environmentally sustainable public transport systems.

He says that cost minimising policy makers sometimes miss the bigger picture, emphasising the multiplier effect of jobs in the manufacturing sector. “They just seem to think about price, and not the value that making things in Australia adds to communities in terms of jobs, and skills, and taxes and the rest. For every job you create here, you’re also creating jobs for suppliers and hospitality businesses and all sorts of things.”

Recommendation 10:

The federal government should support local efforts to develop a domestic vehicle industry. This should be focused on supporting existing SMEs to expand, investing in research and development, and supply chain development as part of a broader manufacturing policy. As demand for electric vehicles grow, local, state, and federal governments will spend billions on procuring new electric vehicles - everything from fleet cars to highly customised specialty vehicles. These billions could either be used to support a domestic capability or shipped offshore to support jobs in another country.



The role of government procurement

Supporting Aussie Made is one of the simplest ways for the Australian government to assist our manufacturing industry. Australian governments are massive consumers of manufactured goods. They buy equipment to support our health and education services; major specialised equipment for our armed forces across land, sea, and air; and for civil applications such as trains, busses and ferries.

Governments are major consumers of manufactured products in infrastructure projects like our energy grid, new roads, and railways. A strong Buy Australia program from governments would not only help rejuvenate Australian manufacturing, but it would also help reduce the final net cost of procurement. Supporting Aussie Made helps to create jobs, build skills and it improves government revenue.

As research commissioned by the AMWU has noted, other countries notably the U.S. regularly utilise domestic content targets in procurement to support domestic producers, all within the constraints imposed by free trade agreements.⁶



This workplace supports Aussie Made.



Published by Skills Training Australia (formerly Manufacturing Skills) 2019. 4/22 Melbourne Road, Melbourne, VIC 3000



This workplace supports Aussie Made.



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⁶ Stanford, J. 2020. *A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-COVID Economy*. The Centre for Future Work at the Australia Institute.

The role of government procurement



Tracey Davis, supply quality assurance co-ordinator; Department of Defence, Melbourne

As a supply quality assurance co-ordinator, it is Tracey's job to ensure that suppliers of clothing and personal protective equipment to Australia's Defence Forces are delivering products that accord with their contracts. It is a highly skilled position. Tracey started out with the equivalent of an advanced diploma in clothing studies and has continued her training throughout her career.

Her role is essential to ensuring that the Australian Defence Forces are well equipped for whatever challenges they face. Her work has illustrated to her the strategic importance of maintaining a domestic manufacturing capacity in this country.

"Australia needs to ensure we have the capacity to manufacture not only what we need to survive and thrive but also be ready to protect our nation from all threats."

She has witnessed Australia's capacity to make things diminish significantly during her time at the Department of Defence.

One of the factors she identifies as undermining Australia's capacity to maintain the strategic capacity to make the things it needs is the proliferation of so-called 'free trade agreements.' "It has been harder since we've been required to apply the free trade agreements to our procurements," Tracey says.

"Very quickly, savvy suppliers were putting in two offers. One would be an offer for Australian products at a certain price and one would be an offer for an overseas manufacturer. Clearly, the prices were different."

Tracey argues that being forced to compete with countries with low labour costs, and to constantly bid for new contracts, has

undermined Australian business's capacity to compete.

To rebuild Australia's capacity to make things for its Defence Forces, she says, local businesses need certainty in contracts.

"I would like to give business the certainty that if they were to establish industries in Australia, and if they were to pay workers a fair wage for the work, if they were to reinvest their profits back into Australian industry, and pay taxes in Australia, that we would support them and their business."

She concludes that rebuilding Australia's capacity to make the things it needs is inherently linked to valuing the work of people in the manufacturing sector: "Valuing workers in Australia is central to the whole thing."

Recommendation 11:

The Government's Commonwealth Procurement Rules should be rewritten to explicitly require government bodies and procurement officers to preference local suppliers, manufacturers, and service providers. These rules should be geared towards creating clear social value: creating good jobs, sustaining industry, and reviving communities. This needs to be matched with a concerted effort to change the culture of procurement within government, where the lowest bid-cost is always the biggest driver.

The role of government procurement



Michelle Owen, machine operator; McCain Foods, Ballarat

Michelle is a machine operator at McCain Foods in Ballarat. During her time at McCain, Michelle has worked across a range of product lines including potato products, pizza, and frozen meals. She currently works as a machine operator on the frozen meal line. Things have been extremely busy for her and her co-workers since the COVID-19 pandemic reached Australia in early 2020.

“The business has definitely grown during COVID, I mean, as you can imagine, there’s a lot of people stuck at home who can’t go out to eat and things like that. So, particularly in my area—frozen meals—we’ve been really busy.”

McCain’s is a major employer in the Ballarat area. Michelle says people in her community are concerned about defending and creating good local jobs, and that they are very receptive to the idea of buying Australian made.

“I was recently talking to my neighbours—one of them is in healthcare and the other works in human resources in the Catholic school system—and they were very receptive to the idea of buying Australian made to support local jobs.” Even her boss is sympathetic to the AMWU’s campaign to buy Australian to support the manufacturing industry: “he commented that he liked my campaign shirt and asked if I could get him one!”

In terms of policy, Michelle thinks the government has a role to play in incentivising business to onshore supply chains, both for manufactured goods and primary produce. “One of the policies would be with regards to procurement and supplies,” she says.

“We should use the tax system and whatever other mechanisms we have to push businesses to look in their own backyard first, so to speak, so Australian manufacturers should exhaust

all Australian made avenues before seeking supplies elsewhere.” This way, Michelle argues, Australia can rebuild its own industrial supply chains and develop a launching pad for increased exports of manufactured goods.

Recommendation 12:

The AMWU supports a policy mandating local content requirements in any project attracting government support, including improved and harmonised definitions of "local content" that ensure only value that is added by workers in Australia is included.

Investing in supply chain resilience

The COVID-19 pandemic and associated health measures have significantly disrupted global supply chains. At the height of the crisis, when imports were uncertain, many Australian manufacturers and their workers stepped up and helped produce essential equipment, including facemasks and hand sanitizer. For many firms, disrupted supply chains saw production grind to a halt and forced them to re-learn how to produce components themselves, or find domestic companies that could step in.

Coronavirus has demonstrated the strategic importance of maintaining significant domestic supply chain capacity. As we come out the other end of the crisis, Australia can rebuild this capacity in a way that creates secure jobs for workers in Australia, drives economic development in our regions, diversifies our nation s economy, and boosts our sovereign capability.



Investing in supply chain resilience

Denis Webber, fabricator; Incat, Hobart

Denis is a trained cabinet maker who has worked on-and-off at Incat for 30 years. Incat employs around 500 people in Hobart and builds catamarans for buyers in Australia and internationally. As a fabricator, Denis and his co-workers build ferries and other vessels ranging in size from small vessels around 30 metres long, through to vessels well over 100 metres.

“We build everything on a modular basis, so we have a particular section to build, from one bulkhead to another particular bulkhead, and then the cradle takes it away to be put on the boat,” he explains. Building these vessels is highly skilled work, and Denis emphasises the role that he thinks Incat should play in developing a highly skilled manufacturing workforce in Tasmania.

“Apprenticeships should be designed to teach people a high level of skills—not just the basic minimum. That way, we can send them out into the workforce to learn new skills from other people.”

Government procurement should play a key role in developing a highly skilled workforce, says Denis. He points out the Spirit of Tasmania I and II were built in Finland, while the capacity existed to build them in Tasmania. More recently, he points out, the government of New South Wales has sourced ferries internationally rather than domestically.

“Sydney Ferries recently bought a bunch of boats from Indonesia, and when they got to

Australia, they were a total disaster.”

He goes on to argue that these decisions represent significant missed opportunities to develop Australia’s industrial capacity.

“We might get them a bit cheaper from elsewhere, but that doesn’t mean that product is any good, and it comes at the cost of workers in Australia and Australian industry.”

For Denis, the COVID-19 pandemic has exposed the folly of failing to maintain Australia’s domestic manufacturing capacity.

“We can’t get marine grade aluminium plate in Australia anymore because nobody does it,” he says. “We’ve lost that capacity as a country.”

This meant that the workers at Incat were forced to wait months for international shipments as COVID-19 disrupted supply chains. Denis emphasises the strategic importance of onshoring manufacturing capacity.

“We need to rebuild our manufacturing capacity so we can be more self-sufficient as a country, but also so we can create good jobs for people.” He concludes that while international trade is necessary, it should not come at the cost of local workers or our manufacturing industry.

Recommendation 13:

The AMWU supports the creation of more manufacturing common user facilities in the model of the Australian Marine Complex in Western Australia. These facilities have a demonstrated track record of building the capacities of small and medium enterprises and strengthening Australia’s supply chain resilience.

Recommendation 14:

To rebuild our heavy industry supply chains, we recommend the establishment of a sustainable manufacturing cluster for green (i.e., carbon-neutral) primary metal manufacturing. This would support and promote adding value to our minerals like bauxite and iron ore, support Australian jobs, and strengthen our sovereign capabilities.

Investing in supply chain resilience



Dominic Vignale, boilermaker, Komatsu, Rockhampton.

Dominic has been active in the AMWU since he began his apprenticeship in 1988. He's a boilermaker at Komatsu in Rockhampton and workshop is responsible for the maintenance, repair, and overhaul of underground mining machinery, servicing many of the mines in the Rockhampton area. Work on this kind of equipment is complex and requires highly skilled workers.

"We work on shuttle cars, continuous miners, long wall equipment. It's basically all the nuts and bolts of underground mining equipment." His workshop employs over fifty workers, including several apprentices.

The COVID-19 pandemic has exposed the fragile nature of the international supply chains that the workers at Dominic's workshop rely on to get the job done. The business relies on imported parts from the United Kingdom, South Africa, and other places, many of which have been severely delayed during the global health crisis.

"I would like to see some of the parts we use manufactured here in Australia," he says. Dominic points out that some of the parts that have been delayed could be produced in Central Queensland.

"There are parts that we are waiting on that could be manufactured at a workshop just up the road." Not only would this employ local workers, but it would also reduce the industry's reliance on increasingly volatile global supply chains. He argues that Australian manufacturing could be revitalised in part through onshoring some of these supply chains:

If a company is making a part in Australia, and it's going to contribute towards Australian industry and creating jobs, then the government should be doing all they can to help make sure that these businesses and workers can do that.

Dominic notes that the economy of Central Queensland is heavily reliant on cattle farming and coal mining— an industry he acknowledges has an unstable future. “In central Queensland, if it doesn’t have a hole underneath it, it’s got a cow on top of it,” says Dominic.

He adds that the people in his community are intensely worried about their economic and working futures. This knowledge bolsters Dominic’s conviction that any effort to revitalise the manufacturing sector must prioritise employment security and long-term economic well-being of workers in Australia, especially in regional areas.

Recommendation 15:

The AMWU believes that any effort to support the manufacturing industry needs to have a focus on delivering jobs in regional communities. Not only does this approach deliver good jobs where they are needed, but it takes advantage of the natural advantages that these regions have. In a time of significant change, investment in manufacturing, and the infrastructure needed to make it successful will help these regions diversify their economies and provide new and exciting opportunities for skilled workers.

Investing in supply chain resilience



Matt Hastings, production employee; Electrolux, Adelaide

Alongside around 450 co-workers at his Adelaide factory, Matt builds Electrolux ovens. More specifically, he runs a robot cell that assembles oven doors.

“If you picture an oven door, you’ve got the glass, the handle, the columns and trims that hold it all together. I load the parts into two different sections of the robot cell and monitor the robot as it picks up the components and glues them together.”

Previously, Matt’s plant employed as many as 850 people and produced other products such as cooktops, but some of these functions have since been sent overseas. Electrolux also had plants producing washing machines and dryers in Adelaide, but the cookware factory where Matt works is “the last one standing.”

When COVID-19 disrupted global supply chains in early 2020, the Adelaide Electrolux factory was forced to shut down for a month because they couldn’t get the parts they needed.

“We found that due to the company outsourcing so much stuff overseas, that we just couldn’t get parts in. To get back up and running, Electrolux was forced to bring several functions that had previously been offshored back in house.

“We started introducing parts back into our press shop which we had been getting from overseas just so we were able to get up and running again,” he explains.

For Matt, this experience has demonstrated the fragility of complex international supply chains, especially when combined with just in time inventory management. He says that this experience has underlined the strategic need to maintain domestic manufacturing capacity.

“The cost difference isn’t that much when you make it here, but obviously some bigwig at the time decided to ship it off overseas to make it there.”

Matt concludes that he hopes the disruptions caused by COVID-19 will motivate policy makers and senior managers to reconsider the benefits of strong domestic supply chains.

“I hope they’ve learned some lessons and that the government is going to get behind local manufacturing.”

Recommendation 16:

To improve our resilience and develop vital sovereign capabilities, governments should require large Australian businesses to make every effort to onshore their domestic supply chains if they want to access tax benefits (instant asset write offs, for example).

This would ensure that the government got the best bang for its buck, by using new or existing business support to help drive economic growth in domestic supply chains.



Conclusion

In their own words, the AMWU's workplace leaders have sketched a policy plan for a strong, manufacturing-led recovery. Much of it is based on the previous research commissioned by the AMWU, the research of other policy makers, and the cumulative expertise of our union's members and delegates. The recommendations made in this submission are ambitious, and will start the Australian economy on the path to manufacturing self sufficiency—producing much as we consume.

We need to rebuild Australia's industrial capacity in a way that prioritises good, secure jobs; economic development of our regions; bolstering our sovereign capacity; and diversifying our nation's economy. The AMWU welcomes the opportunity to contribute to this inquiry and looks forward to continuing to work with the committee as it develops its report.

Summary of Recommendations

Recommendation 1:

The AMWU supports a minimum ratio of apprentices to tradespersons on all projects that attract government investment, finance, and other forms of support. Furthermore, the AMWU advocates a national ‘common benchmark test’ for apprentices, to ensure that apprentices graduate with the skills they need, and employers can’t simply ‘tick and flick’ apprentices to meet their ratio requirements.

Recommendation 2:

Australia needs to develop a National Rail Manufacturing Plan to create jobs and capabilities in the industry.

This plan should ensure that all rolling stock—both public transport and freight—that we need in Australia, is made in Australia - emphasising the development of the skills of workers in Australia and the collective capabilities of Australian industry.

Recommendation 3:

The AMWU supports nation-wide free TAFE—similar to the policies in place in Victoria and Queensland. Within this framework, the union supports establishing a national Manufacturing VET policy board tasked with developing and implementing measures to build a more coherent and constructive framework for VET manufacturing.

Recommendation 4:

Government policy must prioritise local employment and the development of the local workforce. This means the government must require vigorous and meaningful labour market testing and skills assessments to be conducted prior to engaging visa workers to ensure the workforce in Australia is developed and prioritised for employment opportunities.

Recommendation 5:

The skilled migration program needs to be urgently reviewed. Where there are jobs available in Australia, employers must be required to actively train young workers to fill them. Where a skilled visa worker is brought in the AMWU believes that there should be a requirement for their employer to also undertake domestic training of workers in the same skillset. Ultimately, we believe that no job should be allowed to stay on the skills shortage register for longer than it takes to train an Australian worker to do that job. The current system is failing workers and must be overhauled.

Recommendation 6:

Research and development tax credits are in urgent need of reform. Rather than pursuing its current legislation that would encourage firms to offshore manufacturing jobs, a newly designed R&D tax credit must encourage increased innovation and complexity in the Australian manufacturing sector. Further, accelerated depreciation provisions for intellectual property and new machinery and equipment should also be investigated.

Recommendation 7:

The government should establish a Manufacturing Industry Fund to assist local manufacturing businesses to invest in new advanced production technologies through the provision on low-interest finance, government share capital, loan guarantees and other mechanisms. The aim of this fund should be the reindustrialisation of the Australian economy with worker centered technologies and to ensure that no Australian firm needs to go off shore in order to expand, seek capital or break into global supply chains.

Recommendation 8:

That the government immediately reverse the recent changes to casual conversion clauses, which have doubled the length of time that manufacturing workers must wait before accessing these important workplace rights. A further, comprehensive overhaul of provisions in the Fair Work Act and Award system - including casual, labour hire, rolling-contract and contracting out - that allow insecure work to flourish.

Recommendation 9:

The AMWU is calling for major investments in the development of renewable energy resources including offshore wind, solar and hydrogen. This should be complemented by major investments in the infrastructure of the national electricity grid, including firming technologies - like batteries and pumped hydro - that don't lock carbon emitting assets into our future energy mix.

Recommendation 10:

The federal government should support local efforts to develop a domestic vehicle industry. This should be focused on supporting existing SMEs to expand, investing in research and development, and supply chain development as part of a broader manufacturing policy. As demand for electric vehicles grow, local, state, and federal governments will spend billions on procuring new electric vehicles - everything from fleet cars to highly customised specialty vehicles. These billions could either be used to support a domestic capability or shipped offshore to support jobs in another country.

Recommendation 11:

The Government's Commonwealth procurement rules should be rewritten to explicitly require government bodies and procurement officers to preference local suppliers, manufacturers, and service providers. These rules should be geared towards creating clear social value: creating good jobs, sustaining industry, and reviving communities. This needs to be matched with a concerted effort to change the culture of procurement within government, where the lowest bid-cost is always the biggest driver.

Recommendation 12:

The AMWU supports a policy mandating local content requirements in any project attracting government support, including improved and harmonised definitions of "local content" that ensure only value that is added by workers in Australia is included.

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Recommendation 16:

To improve our resilience and develop vital sovereign capabilities, governments should require large Australian businesses to make every effort to onshore their domestic supply chains if they want to access tax benefits (instant asset write offs, for example).

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