



Submission
Senate Economic References Committee Inquiry
'The Australian Manufacturing Industry'
From
The Australian Sovereign Capability Alliance

General

The Australian Sovereign Capability alliance (ASCA) is a new industry grouping, which has come together to make the case for greater Australian sovereign industry capability. This submission draws attention to Australia's dependence on overseas industry and foreign governments for our vital manufactures and essential needs and provides new data to support the case for Australian manufacturing. The submission notes that Australia is presently the lowest producer in the OECD of the manufacturing products it consumes, and that our dependency on imports is therefore the highest of OECD nations.

The COVID-19 pandemic has highlighted this dependence on foreign enterprises and governments for PPE, respirators and essential vaccines and pharmaceuticals during this crisis. This submission establishes that the problem extends to other key industry domains and concludes that Australia's lack of manufacturing resilience leaves the nation dangerously exposed to other crises such as war, grey zone conflict, trade disputes, cyber-attack, natural disasters, future pandemics, and other events.

To argue the case for greater Australian sovereign capability is therefore to make the case for Australian manufacturing reform. The evidence in this submission related directly to each of the eight terms of reference given to the committee listed below.

Committee Terms of Reference

The Australian manufacturing industry, with specific regard to:

- a. what manufacturing capacities Australia requires for economic growth, national resilience, rising living standards for all Australians and security in our region;*
- b. the role that the Australian manufacturing industry has played, is playing and will play in the future;*
- c. the drivers of growth in manufacturing in Australia and around the world;*
- d. the strengths of Australia's existing manufacturing industry and opportunities for its development and expansion;*
- e. the sectors in which Australian manufacturers enjoy a natural advantage in energy, access to primary resources and skilled workers over international competitors, and how to capitalise on those advantages;*
- f. identifying new areas in which the Australian manufacturing industry can establish itself as a global leader;*

- g. the role that government can play in assisting our domestic manufacturing industry, with specific regard to:*
- i. research and development;*
 - ii. attracting investment;*
 - iii. supply chain support;*
 - iv. government procurement;*
 - v. trade policy;*

 - vi. skills and training; and*
- h. the opportunity for reliable, cheap, renewable energy to keep Australia's manufactured exports competitive in a carbon-constrained global economy and the role that our manufacturing industry can play in delivering the reliable, cheap, renewable energy that is needed.*

Research

The Australian Sovereign Capability Alliance commissions industry funded tertiary research by leading Australian universities to inform public policy debate and government decision making. The first academic research report by Flinders University's 'Australian Industrial Transformation Institute' (attached) which overviews the challenge ahead, was published on 13 September (media release attached). The ASCA report findings which are both revealing and of concern to the nation, were widely reported in the national press (AFR, New Daily, ABC, Newscorp daily papers, Commercial radio) on that day and subsequently. Articles covering the report are now emerging in industry publications. ASCA has passed the report to the Prime Minister, Leader of the Opposition and State Premiers for a response.

A key recommendation in this first report is that further detailed sector research is commissioned to examine the supply chains in five key industry sectors (health, defence and space, energy resources and infrastructure, science communications and technology and advanced manufacturing). Independent research is needed to identify what must be made or controlled within Australia if we are to remain sovereign. ASCA is engaged with industry about funding and commencing that subsequent research, though it would be better if government took up the task.

ASCA Findings and Recommendations

Definitions. The report reveals that there are no nationally agreed definitions of terms such as 'Australian Work', 'Austarlian Industry content' and 'Sovereign Capability' and there exist an array of interpretations over what is, and what is not, a genuinely Australian owned company or enterprise. Consequently, governments, industry and academia are all talking about the challenge of manufacturing reform in different and disconnected conversations. It is difficult to solve a problem if the definition of the problem has not been agreed by stakeholders.

Sovereign Operational Capability and Sovereign Industry Capability. The operational capabilities the nation requires need to be determined before launching into conversation about manufacturing capability. For example, before deciding what specific PPE, medical equipment's or devices or pharma must be manufactured locally it is important for

government to decide with stakeholders exactly what operational capabilities the health system needs to do its job independently from foreign suppliers in a crisis. Similarly, before a determining which component parts or systems in a warship, military vehicle or aircraft must be built or controlled within Australia it must be decided what we want the warship, vehicle, or aircraft to be able to do independently, where, for how long and under what operational conditions. The industrial 'cart' has been at times placed in front of the operational 'horse'.

The Role of Government. Individual ministers and departments, through successive governments over many years, appear to have been working in silos on Australian manufacturing policy. The research has not found an overarching 'whole of government' strategy or plan of action for manufacturing. The research makes clear that federal and state government spending and investment behaviour has encouraged imports of essential items rather than local manufacture. In some cases, multinational companies and overseas owned industry primes have outmanoeuvred both governments and local industry to dominate markets, marginalising genuinely Australian owned businesses and their workers.

Request of the Senate Committee. Lifting levels of Australian sovereign capability in key domains can form the basis of a revitalised national manufacturing strategy. ASCA asks that the Senate References Committee consider the following recommendations contained in this submission for inclusion in its inquiry and report to parliament.

1. That government appoint a senior minister for sovereign capability supported by a dedicated agency to determine, implement a plan of action, and that a separate agency under a different minister be tasked with independently reporting performance.
2. That cabinet form a dedicated committee for sovereign capability, chaired by the minister for sovereign capability which brings together all relevant portfolios.
3. That government conduct a President Biden style (Executive Order 14017) 100-day top-down review of Australia's sectoral supply chain resilience that is underpinned by nomination of key operational capabilities for independent sovereign control and ownership.
4. That government resets its industry policy, the \$1.5bn 'Modern Manufacturing Strategy', the \$800m Australian Research Council Grants programme and whatever additional resources are needed around ensuring Australia's essential manufacturing requirements are under sovereign control. That the alternative government consider a similar manufacturing policy position using its proposed \$15Bn 'National Reconstruction Fund'.

ASCA notes that the government has already acted on many of the challenges noted in this research but that much remains to be done, requiring new approaches and a concerted

effort. We look forward to seeing the committee's report and thank you for considering this submission.

Martin Hamilton-Smith

Hon Martin Hamilton-Smith
Director Australian Sovereign Capability Alliance

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15 September 2021

1. Attachments:
1. Report
 2. Media Release
 3. Facts Sheet
 4. letter to PM

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