

Jamestrong⁺ Precision Packaging

March 2023

Submission to the House of Representatives Standing Committee on Industry, Science and Resources (the Committee) Inquiry into developing advanced manufacturing in Australia

Jamestrong Packaging Australasia (Jamestrong) welcomes the opportunity to make this submission to the Committee regarding the future of advanced manufacturing in Australia.

About Jamestrong

Jamestrong is a leading Australian metal packaging manufacturer and supplier. From food and nutrition steel cans to aerosol cans, everything is precisely, reliably and sustainably manufactured to top global benchmarks. It has six manufacturing sites in Australia and NZ. Our Australian sites are in Kyabram (Vic), Taree (NSW), Milperra (NSW) as well as our support office in Richmond (Vic).

Our business currently turns over around \$240 million annually across Australia and New Zealand. The business is profitable, and has engaged in major projects in both Australia and New Zealand over the past several years, installing operations with a capital investment of between \$500,000 (Taree oxidiser 2021), to \$12,000,000 (Milperra Printing press, 2016), and \$NZ15,000,000 in manufacturing facilities (2018) in New Zealand. These projects have all been funded internally or from established financial lending institutions.

While Jamestrong has carved out a leadership position and is recognised for the quality of its output, there remain challenges that constrain the company's ability to grow.

Jamestrong strongly believes in the benefits and importance of a thriving advanced manufacturing sector in Australia, and that the government can help advance domestic manufacturing through a range of measures including tailored grant opportunities, investment in local skills, greater immigration flexibility for skilled workers, and support for companies to pursue a range of sustainability initiatives.

We address these issues in more detail and respond to particular areas of the Terms of Reference below. We have not responded to every Term.

Response to Terms of Reference

The opportunities of advanced manufacturing for Australia – including in relation to job creation, productivity and capability

Australia has a proud history in manufacturing but has unfortunately seen activity decline for a range of reasons, including the availability of cheaper imports, shortages in the local workforce, and local input raw materials and energy costs.

Nevertheless, Jamestrong believes Australia is well-positioned, with the right supports, to reignite its manufacturing capacity. Our nation has strong R&D capabilities, excellent connections with educational institutions, an engaged (but ageing) workforce and access to capital.

Rebuilding this industry has the greatest chance of success where government, industry and the research and education sectors work together to build scale. Jamestrong is in active discussions with the University of NSW on an aluminium recycling initiative that offers to provide a component of the circular economy.

This collaboration would deliver numerous benefits to both Jamestrong and the local community of Taree. Such corporate-university partnerships are a way of delivering a range of positive outcomes and should be encouraged.

Our recent investment in a new aluminium casting line at Taree will enable us to produce slugs used in the manufacture of aerosol cans creating local jobs. Having our own casting line will resolve supply chain challenges, while also reducing the lead time for customers from four months to less than four weeks, while providing customers the option of 'clean' hydro powered smelted virgin aluminium from Tasmania.

This improves our ability to respond quickly to our customers' opportunities in the market. It also removes over 11,000 sea miles of carbon footprint and gives us the option to use Australian-made low carbon aluminium ingot (removing as much as 48,000 tonnes of CO² from the atmosphere). Jamestrong's multimillion dollar investment in the new casting line and plant upgrade is supplemented by a \$240k grant from the NSW Government's Regional Job Creation Fund. The new 'line' will be commissioned in late 2023 but is already delivering benefits through local construction jobs.

We would like to see additional state and federal grants supporting plant upgrades to ensure Australian manufacturers can compete with offshore competitors. Similarly, the continuation and expansion of favourable tax treatment for research and development investment and write-offs for capital investment would also help bolster the position of the domestic manufacturing industry.

Manufacturing is particularly important to regional economies - in our case, in Taree and Kyabram. Growth in regional manufacturing delivers not only secure employment for those associated with the company, it also contributes to strengthening local communities and their economies.

International trends in advanced manufacturing;

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Competitive strengths and advantages of Australia in advanced manufacturing, including Australia's comparative international position in advanced manufacturing;

Australian manufacturers have made significant progress in transitioning to renewables. An emphasis on sustainability has seen local companies work to eliminate waste, cease use of problematic materials, and reduce single-use plastic. Driven by our own [CSR Plan: Protecting what matters](#) we are pursuing initiatives across five environmental objectives: reduce energy use, source energy from sustainable sources, reduce packaging waste internally and externally, reduce use of raw materials and source responsibly, and comply with our environmental licences and emission targets.

Collaborations between universities and manufacturers, such as the UNSW example above, provide significant opportunities to enhance manufacturing operations through the application of new technologies. Such partnerships deliver benefits to both the education and manufacturing sectors, ensuring Australia maintains a leading position in the development and application of knowhow.

Barriers to the growth of advanced manufacturing in Australia – including barriers to existing manufacturers, particularly small and medium enterprises, adopting advanced manufacturing technologies and processes such as AI and robotics;

The most significant barriers to growth from Jamestrong's perspective are:

- Skills shortages, together with an ageing workforce
- Supply chain issues – for example there is currently a global shortage of industrial CO², an essential component in our manufacturing process.
- Energy prices
- Lack of tax/other incentives that encourage investment.

In terms of potential solutions to these barriers we offer the following thoughts.

Skill shortages are an international problem and no more so than in regional Australia. We note the recent report from the Productivity Commission which said ‘...A more coherent approach to lifelong learning and ongoing skill development is based on targeted tax incentives, and the improved availability and recognition of flexible, short form training options...’¹ We would like to see whether the Committee could explore this issue more fully. It is our hope that attracting young people to regional employment opportunities should be a key focus of this reform.

Likewise, the Productivity Commission’s Reform Directive 20 provides some guidance to governments about changes to taxation arrangements to invigorate industry and productivity growth².

Supply chain issues were brought into stark relief during the pandemic. In our sector, there remain critical shortages of key goods and business inputs, including CO² as we noted above. Any assistance from the relevant government agencies to either build our local supply options or to provide Australian businesses with preferential access to international supplies would be greatly appreciated.

Energy prices have always been a barrier to business growth, and this has been heightened with the restrictions as a result of the war in Ukraine and the need to protect our country’s long term gas export contracts. We welcome the Federal Government’s interventions to help reduce energy costs and we would encourage that to continue. We are happy to play our part in reducing our carbon footprint but it is crucial that Australian manufacturers are supported now, in the midst of the most significant energy transition in history.

Turning to the barrier of *taxation*, we note that other countries encourage regional business opportunities by a reduced corporate tax rate on profits earned in the regions. This might be a worthy matter to be considered to help stimulate regional employment in advanced manufacturing businesses (see details in the next section).

Financial and non-financial investment opportunities or possible reforms to support the growth of advanced manufacturing in Australia in: renewables and low emission technology; medical science; transport; value adding in agriculture, forestry and fisheries; value adding in resources; defence; and enabling capabilities;

Jamestrong has particular interests in the ‘value adding in agriculture, forestry and fisheries’ and ‘value adding in resources’.

In order to ensure the viability and success of manufacturing businesses in this area, we need to grow our customer base. We believe this will only happen if there is significant investment in value-adding Australian resources. In Jamestrong’s case, this means value-adding in agricultural and fisheries products.

Currently, there is a lack of value proposition for investment in those activities in Australia. We have high cost labour, high green hurdles, and as noted above, uncompetitive corporate tax rates. In China, for comparison, the corporate tax rate can be as low as 15%. In Canada, the corporate tax rate is 28% but, for companies earning profits in regional operations, there is a potential 10% discount on this. Jamestrong believes Australia’s one size fits all approach misses a significant opportunity. To address this, we would like to see additional supports for businesses investing in regional communities, and suggest the Canadian approach is worth considering.

There are also opportunities for lessons from other industries to be shared and applied in manufacturing. The construction industry has benefitted from significant investment in infrastructure and major construction projects in recent years, and as a result we have seen an upskilling of the local workforce as well as increasing participation by women in roles traditionally predominantly filled by men. The construction industry has also seen an increase in the involvement of workers from CALD communities which has flow-on social benefits within the community.

Tapping into insights from those industries would be a worthwhile exercise.

¹ Productivity Commission 2023, *5-year Productivity Inquiry: Advancing Prosperity*. Recommendations and Reform Directives, p1

² *Ibid*, p24

The opportunities to increase the number of workers employed in advanced manufacturing, including consideration of ways to increase the participation and retention of women and other historically underrepresented groups

See above.

Jamestrong is currently undergoing a generational transition with many of its long-standing employees reaching retirement age. We have commenced a recruitment program to replace retiring employees with local young employees. There is an opportunity for government to support this generational transition through subsidised mentorships and skills programs.

Skills needs in advanced manufacturing

There is currently a shortage in workers with a range of skills needed to allow Australia to meet its full manufacturing potential. In the past, manufacturing rested on a large, low-skilled workforce, many of whom transitioned from the training ground of government institutions (railways, utilities etc). In today's world, fewer workers are needed thanks to technological developments, but higher skills are required, mostly in engineering, electrical and electronic controls – and those government training grounds are far fewer. At the same time, the decline in private manufacturing (eg in the automotive industry) has seen training by the private sector also decline.

In our own business, there is a significant shortage of qualified can makers, a role that requires a combination of mechanical and electrical skills. With added automation, especially in robotic automation, such as machine loading and packing stations, the need for electronics skills is critical. Even in a scenario where the automation systems are imported from overseas suppliers, there are significant skills required to manage, and more importantly trouble-shoot and maintain, this equipment.

A key challenge with skilling up the Australian workforce is the reluctance to invest without a clear return on that investment. Employers and government have little interest in investing in building skills if there are no jobs for the workers to use those skills – and yet without a sufficiently skilled workforce the manufacturing businesses that might employ workers will not survive or emerge. This 'chicken and egg' problem requires a concerted and strategic effort from government, acknowledging that costs in the short term will be outweighed by benefits over the longer term as Australia carves out a manufacturing niche in areas where it has a competitive advantage. Obvious areas of competitive advantage include in the areas of forestry, agriculture, fibre, aquaculture, mining and minerals. In our view, government support for training programs in these industries – whether through subsidies, favourable tax treatment or other means – will pay dividends over the longer term as those skilled workers become available across the identified industries, encouraging the private sector to build and maintain a manufacturing presence in Australia.

Conclusion

In conclusion, Jamestrong wants to ensure Australia is a country that makes things now and into the future, to help keep talent and businesses on our shores growing this nation. The government has a key role to play in supporting local manufacturing and encouraging private investment so that innovative businesses can be scaled up and new ideas commercialised in a way that benefits not only individual manufacturers, but the country.

We encourage the Committee to take the innovative ideas that will be captured in the submissions and provide a roadmap of those suggestions plus the work being pursued by the Government via the National Reconstruction Fund and related policy initiatives.