



**Inquiry into the provisions of the Export Finance and Insurance Corporation Amendment
(Support for Commonwealth Entities) Bill 2016**

Submission to Senate Foreign Affairs, Defence and Trade Legislation Committee

13 January, 2017

The Advanced Manufacturing Growth Centre (AMGC) was formed in 2015 as part of the Australian Government's key plank of its Industry Innovation and Competitiveness Agenda. It is an industry led, membership-based, not-for-profit organisation which supports the development of a world-leading advanced manufacturing sector in Australia.

The AMGC membership model invites Australian and international manufacturers to become partners in creating a diverse, highly competitive, innovative and globally oriented economy. Members include Thales, Siemens, GE, Quickstep, Laing O'Rourke, HiFraser and other local and globally successful manufacturing firms.

In addition to its membership structure, the AMGC has established Collaboration Hubs with the intention of showcasing advanced manufacturing technical leadership. There are currently two Hubs based in Victoria: the National Additive Manufacturing Collaboration Hub in Clayton, Victoria. This has been created in conjunction with the CSIRO's Lab 22 and Monash University, and the National Carbon Fibre and Composite Manufacturing Collaboration Hub in Geelong, Victoria, created in conjunction with Deakin University and the CSIRO Fibres of the Future Laboratory. A Centre of Excellence has been established at Swinburne University focusing on Industry 4.0 processes.

The AMGC co-funds projects as another lever to accelerate advanced manufacturing techniques. The AMGC provides financing on a dollar-for-dollar basis to Project consortiums that includes manufacturing SME's and research institutions. The criteria for funding these projects is informed by the AMGC's Sector Competitiveness Plan and pave the way for other actors in the sector to model these best practices with similar initiatives. The AMGC recently announced co-funding of \$250,000 for the Advanced Fibre Cluster Geelong to kick-start projects on advanced fibre and composite manufacturing located at the Carbon Nexus facility at Deakin University.

The AMGC has developed a Sector Competitiveness Plan in consultation with companies, research organisations, industry associations and governments. The plan sets out a strategy to enhance the competitiveness of the advanced manufacturing sector in order to become and remain globally competitive. The Plan was launched in December 2016 and a full copy can be downloaded [here](#).

The Sector Competitiveness Plan provides in-depth sector analysis and delivers surprising results. Traditionally, studies of the manufacturing sector tend to focus on Australia's cost competitiveness with the emphasis on our ability to compete on price vis-à-vis low cost manufacturing markets. However, while

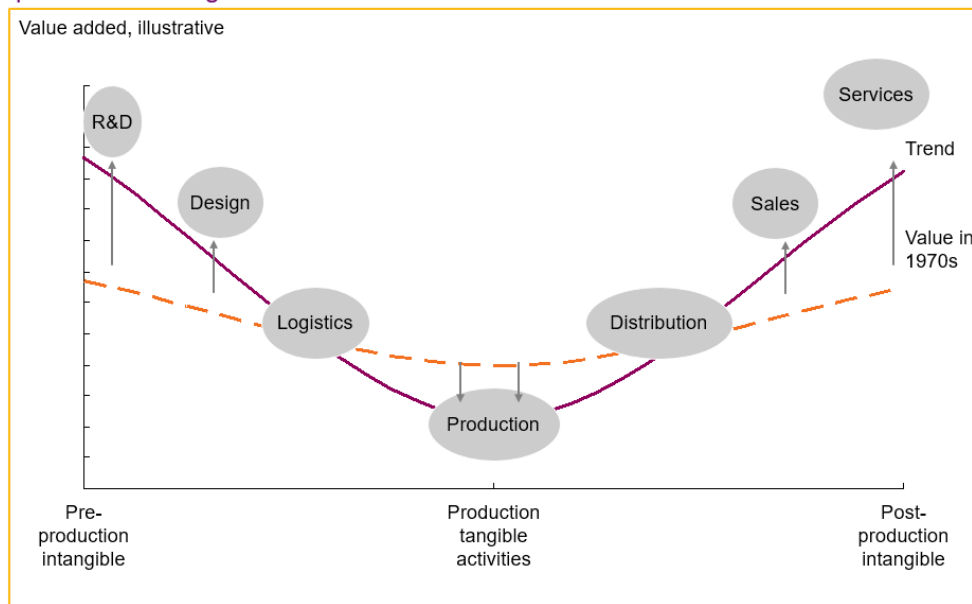
the AMGC's Plan acknowledges cost being a relevant factor in our industry's competitiveness, it is not the key driver for the future of our manufacturing sector.

The Plan shows that when customers buy from Australian manufacturers versus a cheaper or geographically closer competitor, they usually do so because the Australian product offers something different. This difference could stem from an innovative design, or exceptional reputation for reliability and collaboration or an outstanding service offer.

Therefore, a crucial step in lifting Australia's manufacturing competitiveness is by increasing the 'value differentiation' of products and associated services. The Sector Competitiveness Plan indicates an increase of up to 20 per cent potential value added, or \$36 billion, to the national economy over the next ten years through focusing to compete on value, not on cost.

Furthermore, manufacturing is not about production alone. Manufacturing includes the full spectrum of making things starting with design, research and development, logistics and production through to marketing and after-sales services. As illustrated below, the value in manufacturing is shifting from production to pre- and post-production intangibles. In other words, the potential for Australian manufacturers must now comprise of other factors which do not entirely depend on where the product is physically made, but where the IP resides and value adding steps other than production are being added, which can continue to be in Australia.

Value in manufacturing is shifting from production to pre- and post-production intangibles such as R&D and services



Source: Curve adapted from: 'Interconnected economies benefiting from global value chains', OECD 2013

With this trend moving away from production and to strongly embrace the full value chain of manufacturing, the industry and its associated ecosystem of supporting partners, including financial systems and services, must also adapt to the new way of operating.

Relying on a financial system dictating that a large majority of production must be local runs the risk of curtailing the very small, yet important, momentum underway in transitioning to a highly-sophisticated and valuable manufacturing industry. In other words: a system that honours 'old school' manufacturing rewards the wrong recipients to the detriment of those manufacturers who successfully transform themselves.

Moreover, without the facility to finance export ambitions where production does not comprise of a large majority signals an inconsistency in the alignment of the Commonwealth's vision to promote a robust sector growth initiative across all its departments. To drive manufacturing innovation, productivity and competitiveness, requires a coordinated response from all corners of government.

The AMGC supports Efic's amendment to its bill. It confirms the desire to meet the local Australian manufacturing market need for a financial facility to support the growing demand for exporting Australian ingenuity where production is just a small component amongst others. It enables Australian manufacturers to keep pace with global trends and ensures that the more relevant value adding steps such as R&D, IP, and design stay in Australia. The proposed amendment empowers Australian exporters to remain competitive.