



10 September 2021

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretariat,

Inquiry into the Australian Manufacturing Industry

InfraBuild's manufacturing history in Australia spans more than 100 years and we welcome the opportunity to provide this submission to the Australian Senate's Economics References Committee Inquiry concerning the Australian manufacturing industry.

InfraBuild is Australia's leading integrated long steel products manufacturing, distribution and recycling business, providing materials and innovative solutions for commercial and residential construction, large scale and nation-building infrastructure, and our primary producers and rural sectors.

What manufacturing capacities Australia requires for economic growth, national resilience, rising living standards for all Australians and security in our region;

A readily available supply of quality fit-for-purpose steel products, produced via low carbon emission processes, underpins sustainable economic growth and resilience in the economy. The existing Australian domestic steel manufacturing capacity is well positioned to fulfil this market need. Recent experience through the Covid-19 pandemic has demonstrated the impact that shipping delays and lack of availability of products can have on an economy dependent on off-shore procurement for critical goods. Particularly as security and trade tensions in the Oceania region continue to escalate, it is imperative that sovereign manufacturing capability for supply of goods critical to security and infrastructure delivery, such as steel for bridges, houses and hospitals, is retained and strengthened. To ensure that this essential manufacturing capability is sustainable, investment to support low carbon emission production processes must be increased and supported by Federal and State Government Policy.

The development and commercialisation of competitive low emission energy technologies, such as renewable electricity and green hydrogen are essential to support the sustainability of the manufacturing and transport sectors.

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The role that the Australian manufacturing industry has played, is playing and will play in the future;

The Australian manufacturing industry has played and continues to play a critical role in Australia's future. As a relatively isolated country geographically, it is important that Australia retains broad based manufacturing capability in products that are essential to its sovereign interest.

The absence of robust domestic manufacturing industries would likely lessen competitive price pressure on imports, resulting in greater variability in pricing and overall cost and process inefficiencies. Additional inventory would need to be held at all levels of the supply chain to ensure continuity of supply and to reduce risks of late/non-delivery. The longer and more complex a supply chain, the greater the risk that it is disrupted by one or more factors, as is being experienced in the current pandemic.

Sustainable domestic manufacturing industries provide downstream customers with greater security in knowing the products they need will be of the right quality (Australian Standard requirements), readily available through flexible, secure local (short) supply chains. , which in turn leads to optimised project outcomes. Changes to material demand or product type requirements through the course of a project and addressing product quality concerns are also particularly difficult to manage for Australian customers when products are imported. Domestic manufacturing also means that the downstream sectors can have a higher level of confidence that their supply chain is supportive & cognisant of social sustainability objectives such as ensuring robust processes to eliminate Modern Slavery.

The drivers of growth in manufacturing in Australia and around the world;

Pragmatic and co-ordinated whole of government policy settings are an essential driver of growth in manufacturing in Australia. This is a common approach adopted by overseas countries that have strong manufacturing industries - however has been largely absent in Australia.

Policies that drive growth have settings that deliver low cost renewable energy, access to capital and continue to ensure that Australian manufacturers have access to skilled workers via ongoing training and development in new areas supporting industry 4.0 initiatives. In addition, they have modern trade defence policies to prevent imports of dumped goods from distorting normal competitive markets. Other important policy settings for driving growth in manufacturing include continued R&D incentives, taxation and industrial relations reforms.

The strengths of Australia's existing manufacturing industry and opportunities for its development and expansion;

Among the strengths of Australia's existing manufacturing industry are its resilience and ability to create value for consumers by supplying quality (fit-for-purpose) products on shorter lead times. This has been achieved by focusing on innovation, value adding and responsiveness to the markets' needs with skilled and adaptive work forces, despite the high social cost of doing business in Australia relative to many competing economies. Resilient manufacturing businesses often have a

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strong domestic market supply focus and their capacities are sized accordingly. Investing in manufacturing capacity in Australia that is dependent on supplying export markets has always been challenging due the variability of the Australian dollar and geopolitical risks.

Opportunities for the development and expansion of domestic manufacturing will be greatly enhanced with the provision of low-cost renewable energy improving Australian manufacturers' ability to cost-effectively displace imports in existing and emerging domestic markets.

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;

Whilst it is recognised that Australia has an abundance of natural resources that include energy and minerals, these have not readily translated to a competitive advantage for Australian manufacturers. Successive governments have squandered many of these advantages by allowing them to be exported without reserving sufficient supply for the domestic market, as was the case with liquified natural gas exports to Japan. Australian manufacturers in most instances pay export prices or higher for access to Australian resources.

Changes to government policy settings in relation to energy could significantly enhance the natural competitive advantage for energy intensive industries such as the steel and aluminium industries.

The role that government can play in assisting our domestic manufacturing industry, with specific regard to:

i. research and development;

The government has an important role in assisting Australian manufacturing industries by not only continuing, but increasing funding for research via bodies such as the ARC steel hub.

ii. attracting investment;

The government has a crucial role in assisting domestic manufacturing to attract investment by maintaining modern robust trade defence policies. The current practice of the Anti-dumping Commission to apply a level of profit as low as zero to establish an acceptable 'non-injurious' price point at which it will allow dumped goods to injury Australian manufacturers, is a practice that should be changed to a level of profit that will retain and attract investment.

For example, the European Commission has determined that a minimum 6% level of profit is required for the steel industry in their calculation.

The government also has an important role in attracting investment by committing further research and development funding support for projects that relate to low carbon emission manufacturing processes and the expansion of low carbon embodied solutions. The introduction of an Australian Carbon Border Adjustment Mechanism or similar will be critical to supporting

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these investments and assisting the manufacturing industry to successfully transition to a low emissions economy.

iii. supply chain support;

The government has an important role in assisting manufacturing by continuing to invest in transport infrastructure to reduce supply chain costs and increase the reliability and speed of delivery of products to market. The government should consider policies that minimise the cost to businesses for relocating key resources and promoting a circular economy.

iv. government procurement;

It is important that there be increased recognition in government procurement guidelines of the intrinsic value of local supply chains in delivering economic, environmental, social & governance sustainability outcomes. Specification of the Infrastructure Sustainability Council's rating tool for government funded construction projects should be standard. Government procurement policies should contain guidelines that promote a circular economy.

The government has a role to support and drive increased material circularity, through optimised design, sustainability, procurement and construction criteria as well as support via systems that make it easy for project teams to select highly circular materials, for government projects.

v. trade policy;

Australia's trade policy should be balanced such that a focus on exports is not to the detriment of retaining and attracting investment in Australian manufacturing and jobs.

Trade defence instruments should be modernised so that they remain robust and effective within the WTO's international trade laws and allow existing competitive Australian manufacturers to maintain the critical mass required to sustain the level of capital returns required for reinvestment.

Australian manufacturers would welcome the government's serious consideration of a number of the European Union's WTO compliant new regulations, including those that ensure that the non-injurious price established to remove injury caused by dumped goods, contains a level of profit that is higher than a zero, and those that provide a more effective remedy against exporters who tranship dumped goods via a third country or benefit from cross border subsidies.

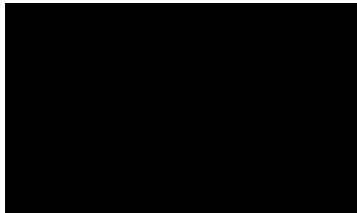
the opportunity for reliable, cheap, renewable energy to keep Australia's manufactured exports competitive in a carbon-constrained global economy and the role that our manufacturing industry can play in delivering the reliable, cheap, renewable energy that is needed.

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Access to reliable, cheap renewable energy is fundamental to keeping Australia's high energy intensive manufactured products competitive in a carbon-constrained global economy, irrespective of whether the products are sold on either the domestic or export market. The planned introduction of the European Union's Carbon Border Adjustment Mechanism sends a strong market signal that consumer choice and trade flows will be influenced by the amount of carbon emitted during the manufacturing process.



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