



22 August, 2014

To: Senate Select Committee into the Abbott Government's Budget Cuts

Dear Committee Members,

The Australian Manufacturing Workers' Union welcomes the opportunity to make a submission to the Select Committee into the Abbott Government's Budget Cuts.

The Australian Manufacturing Workers' Union (AMWU) represents approximately 100,000 members working across major sectors of the Australian economy. AMWU members are primarily based in manufacturing industries, in particular; metal, vehicle, and food manufacturing, but also in the industries of mining, building and construction, printing and graphic arts, repair and service and laboratory and technical services.

The AMWU has a long and proud history of engagement on economic and social policy issues. This is largely a result of the significant impacts of government policy on our members, both through economic and social policy on members as individuals and members of communities, and through the impact of policy on employers. In the AMWU's view, this engagement has led to a more informed and broad based policy discussion in Australia and the AMWU remains committed to playing this role in future.

The AMWU strongly supports the submission lodged by the Australian Council of Trade Unions, of which we are a member. However, the AMWU would like to take this opportunity to highlight specific budget cuts that impact our members as manufacturing workers.

As is outlined in the ACTU submission, the AMWU believes the budget's disproportionate impact on the least well off in society goes against basic principles of equity and fairness that Australians hold dear and that should guide all public policy. The fuel excise indexation, GP co-payment, lower pension indexation, higher education loan costs and university fee deregulation and youth unemployment benefit access changes are just a few of the changes that impact low income households much more than high income households.

As well as being plainly unfair, these and similar changes can only increase income and wealth inequality in Australia. This is itself a bad economic and societal outcome. Even traditionally conservative institutions like the IMF have recently cited rising inequality as a challenge that needs to be addressed through policy, as it not only leads to bad outcomes for those at the bottom, it hurts the growth and health of the economy overall. The fact our government is seeking to implement policies that will rise not lower inequality is evidence that they see inequality as a desirable thing or at the least are willing to increased inequality in order to pursue other goals.

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In terms of support for innovation, worker training and industry, this budget is full of the government giving with one hand while taking with the other, with cuts far outstripping new programs designed to replicate what abolished programs were doing.

Support for skills is cut by \$1 billion on the one hand, by the ending of programs such as the highly successful National Workforce Development Fund, while on the other hand they introduce a new skills program that is worth less than half of the cut (so a total cut of \$524 million over 5 years, just when we should be increasing support for skills to boost productivity and competitiveness).

Support for innovation is cut with the end of programs such as Commercialisation Australia, Enterprise Connect, Industry Innovation Precincts and others, totalling a cut of \$846 million, while on the other hand their new innovation program (Entrepreneurs' Infrastructure Programme) is only providing \$482 million of support, so just when we need to be supporting innovation, investment and competitive new industries, the government is cutting a total of \$362 million from innovation support.

In addition, the government is abolishing the Innovation Investment Fund, which was responsible for the \$380 million Venture Australia fund. This fund sought to partner with private finance providers to provide vital support for innovative start up businesses, resulting in new business and job creation based on Australian innovations.

The budget cuts the \$1 billion Tools for Your Trade program, which provided support for trades people and has replaced it with a \$439 million loans program for trades. Not only is this a cut of support of \$561 million, but it replaces direct support with loans.

In a heartless move, the government is cutting the support announced by the previous government for workers affected by the closure of Ford. Not only have they cut training support for workers by \$4.1 million, they are cutting Jobs Services Australia by \$50 million.

The end of the Australian Renewable Energy agency (cut of \$1.3 billion) will ensure Australia falls behind, not only in using renewable energy, but crucially in being a part of the whole renewable energy industry.

While the government claims it supports new science and research, especially when linked to industry, they are cutting \$147 million from industry linked research from the CSIRO and other organisations, and in its place allocating \$5.5 million for the PMs science prize. This is replacing real research support with symbolic platitudes and will do nothing to improve our economic competitiveness or long term growth prospects.

In addition, the government is risking prompting the early closure of Ford, GMH and Toyota, as has been recently been stated by Holden management themselves, by cutting and additional \$200 million (in addition to their \$500 million cut announced at MYEFO) from auto industry support in 2013-14 and 2014-15. If the auto industry closes earlier than planned, it will squarely be due to the governments own actions.

It should be noted by the committee that the economy is currently subject to significant pressures. The mining investment boom is winding down, leading to a fall in income, while the Australian dollar remains at historical highs, even though commodity prices have moderated. This means that non-mining trade exposed sectors like manufacturing are experiencing sustained pressures, as is evidenced by the announced planned closure of all three automotive manufacturing operations in Australia. While at the same time, Australian sovereign debt retains a AAA credit rating from all three international rating agencies; a fact that dispels beyond all doubt any argument that a dramatic fiscal consolidation is needed or justified.

These industry budget cuts have received little public attention since the release of the budget as they are less divisive than the attacks on education, health and other components of the social wage contained in the budget. However, they represent a significant abrogation of government responsibility to promote an advanced, broad based economy, capable of generating non-mining wealth.

The AMWU fears that such an abrogation will lead to the further hollowing out of Australian industry, in particular manufacturing, and a greater reliance on resource extraction for our economic prosperity. Not only is this a risky strategy, it is a strategy that cannot support the well paying, high value and high income jobs that are required to keep Australia an advanced high income country. We urge the Senate Select Committee to recommend these short sighted and unjustified cuts be reversed.

Yours sincerely,

PAUL BASTIAN  
NATIONAL SECRETARY