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Speech - National Reconstruction Fund

Deputy Speaker

Introduction

We have the capabilities and expertise in this country to manufacture a range of high-quality products.

The Previous Coalition Government understood how we could harness the potential of our manufacturing base – particularly in advanced manufacturing – to drive our economy and ensure our sovereign capability.

That’s why we implemented the \$2.5 billion Modern Manufacturing Strategy, designed to position Australia as a globally recognised, high-quality and sustainable manufacturing nation.

This support sought to bolster our sovereign manufacturing capability and empowered over 200 projects across Australia.

It was all about government backing enterprise-led growth.

Strategically investing and harnessing our world-class science and research to secure our manufacturing future.

Labor’s National Reconstruction Fund is the Modern Manufacturing Strategy’s polar opposite.

Issues with Labor policy

This policy sets the tone for the overarching policy direction of this Labor Government.

An agenda guided by sheer arrogance.

It sets out to tell business what Labor thinks they need, instead of addressing what they want.

The Coalition Government's manufacturing funding model centred around competitive grant programs with extremely robust processes, awarding funding to businesses which were 'investment-ready'.

Labor's preference is for a poorly designed funding model built on the Government having to provide equity and loans scheme, which have raised far too many unanswered questions.

In increasing Australia's manufacturing output, the role of Government should not be to dictate, but ensure that business able to operate in an environment where they are best placed to compete on a global scale.

Government equity and loan schemes are less accessible than grants, and manufacturers may struggle to meet return on investment thresholds or put together detailed business cases in-house.

Furthermore, what will happen to failed or failing loans?

How will eligibility be met on these loans, where certain industries might have margins which are too small or approval is seen as too risky?

What about private equity?

The Australian Banking Association has stated that banks are already involved, and providing loans, in the priority areas identified in the consultation paper, meaning that the Government will be discouraging further private investment, instead of addressing current issues noted by stakeholders in the industry - such as input costs.

Compounding their poor policy direction is the failure of this Labor Government to offer any plan to deal with the economic issues facing businesses let alone manufacturing.

Without policies that create strong economic conditions, any government spending is in vain.

Rising energy prices, labour market shortages and disrupted supply chains must be addressed, if our manufacturers are to succeed.

Power prices are forecast to spike by 56% over the next two years, when many businesses across the country may be pushed to the brink.

Inflation remains far too high, with ever-increasing interest rates not only impacting consumer spending, but curtailing business confidence.

This Labor Government loves to congratulate itself on the extensive Budget repair it is undertaking, from their mid-year Budget last October.

However, when pressed Labor to struggle on the specifics - only noting that they have some sought of vague plan, while spending continues.

While manufacturers across the country struggle with rising power prices, inflation and rising interest rates, Labor are failing to enact any productive policy.

Labor has no plan to address the economic conditions which are impacting our economy and it will be everyday Australians and local businesses that will be left to deal with the consequences.

Coalition Record

The failure in this Bill to provide any substantial support to manufacturers is in stark contrast to the real measurable actions the previous Coalition Government took to support the industry in Australia.

As I mentioned earlier, and as part of our economic recovery from the pandemic, the Coalition set up the Modern Manufacturing Strategy.

A \$2.5 billion policy, the Strategy provided pathways for manufacturers to expand across six key priority areas:

- Medical Products,
- Resources Technology and Critical Minerals Processing,
- Food and Beverage,
- Defence,
- Recycling and Clean Energy, and poignantly,
- Space

The Modern Manufacturing Strategy's aim was to secure our sovereign manufacturing capability and unlock a new generation of high-wage, high-skill, high tech jobs.

By listing it as a National Manufacturing Priority, the Coalition understood and appreciated the extensive opportunities that could be taken advantage of by developing our local space industry.

We founded the Australian Space Agency and worked with high-tech, advanced local manufacturers to grow a space industry to a level of global importance.

From satellite manufacturing, to artificial intelligence and communications, growth in the space industry encapsulates so much more - and requires far less capital - than manned missions into our near orbit.

That's why it is highly disappointing to see that the Labor Government has chosen to effectively wipe out the Coalition's efforts to develop our space industry manufacturing by removing it as a priority area - the space industry itself and the Australian public are yet to understand the basis in which this shift in focus was made.

Delving deeper into the Modern Manufacturing Strategy, grant rounds and programs, were broken up between differing streams - such as funding for global supply chain access opportunities or production scalability - under the Modern Manufacturing Initiative.

This diversification allowed the Coalition Government to capitalise on a broad range of research and development opportunities.

The largest component of the Initiative was the \$800 million research Collaboration Stream.

This Stream was designed to encourage local businesses to work together, combining research and development assets in order to draw on each other's strengths and harness the potential of their capabilities, as a whole, across all six of the Coalition's National Manufacturing Priority Areas.

Again, through this policy, we see the incredible deviation in direction from the Coalition's and this Government's Bill.

Where we created the environment where businesses could pool their resources, to innovate, evolve and guide their direction within the globally competitive and ever-changing fields of high-tech, advanced manufacturing, Labor are dictating their path through restrictive loans and equity schemes.

Paths which could very well be redundant once these loans have been spent.

The pace of change is so fast, and the global supply chain so fragile, in advanced manufacturing, that what Government deems to be an appropriate direction to take, could not only turn out to be against the will of the market, but detrimental to the businesses who enter into these schemes.

Government should provide our manufacturers with the ability to set their own course and get out of the way.

It is important to note that our support for manufacturing did not end with the Modern Manufacturing Strategy.

We significantly reduced the small business tax rate to 25% and expanded the instant asset write-off, significantly improving cash flow for businesses, allowing them to invest in growth.

Rollout delay

The Coalition's track record of delivering on manufacturing has not sat well with the new Government.

In their haste to remove any trace of the previous Government, Labor failed to first properly set up what would replace the Coalition's Manufacturing Initiative.

While they have already stripped funding away from what remained of the MMI, the NRF has taken almost a year to be introduced to the parliament, even though it was a long standing election commitment from this Government.

Labor have stated that the NRF should be up and running by next financial year but have not yet committed to a launch date.

The only thing worse for manufacturers than a policy developed by this Labor Government, is a complete lack of certainty.

Industry feedback suggests that the type of funding mode Labor plans to rollout takes years to get right and those will be

lost years for manufacturers – setting them back even further in a highly competitive environment.

Local Coalition grants

When looking at what was actually delivered to business, I struggle to see why the Government would be so quick to shut the Modern Manufacturing Initiative down.

In my electorate of Forde, many local manufacturers benefitted from the Coalition's Manufacturing Modernisation Fund, receiving grants which have enabled them to further expand their operations.

I would like to put on the record, the type of investment that we are now forgoing to bring in Labor's new Fund.

Merino Country in Shailer Park received over \$400,000 to adopt new technologies in sewing machines and garment production, to support international expansion of their wool clothing business, while Masalem in Taneh Merah received \$100,000 to employ additional staff in the manufacture of dental and facial prosthetics.

On the border of Forde in Meadowbrook, ATP Science is at the forefront of the fitness industry, which is experiencing tremendous growth. To support demand ATP received \$1 million in funding to expand production of their unique high-protein products.

Under the Sovereign Industrial Capability Priority Grants, Holmwood Highgate at Loganholme received \$1 million to enhance their manufacture of bulk liquid transport equipment

for commercial aviation and defence industries, while Frontline Manufacturing in Meadowbrook received \$710,000 to purchase equipment which allows them to manufacture metal plates for armoured fighting vehicles.

Competitive grants processes provide businesses with the freedom to follow the most appropriate roads to prosperity and growth.

These successful local grant recipients developed a vision for their future and in turn have reaped the benefits.

This successful process of delivery is in direct opposition to the Government's plan of loan and equity schemes rolled against an investment mandate, which crudely dictates how a business must implement its strategies for growth.

Conclusion

Labor may be promising the world to manufacturing in Australia with their new Fund, but as I like to always point out, look at their actions, not their rhetoric.

This Bill move away from the tried and tested successful advanced manufacturing strategies of the Coalition Government.

It moves away from a grant model, which allowed businesses to receive funding when successfully prosecuting their vision for the future - to equity and loan schemes, which forcibly direct business into areas the Government deems most appropriate.

The underlying structure of the Fund is flawed, utterly failing to address any of the key economic concerns of our day.

The Government must address the critical issues affecting our manufacturers, not tinker with a proven model.

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