

Australian manufacturing's quality add-ons

“Australia’s economic and social strength go hand in hand. The fundamental requirements include building a more dynamic and higher productivity economy; achieving a more inclusive economy and society; and ensuring that Australia moves decisively to net zero emissions by 2050. Australian manufacturing will play a central role in securing all these objectives.” – Australian Industry Group

Boosting the Australian manufacturing sector has never been more important. The COVID-19 pandemic and recent disputes with a belligerent China have highlighted the risks and vulnerabilities of our heavy reliance on offshore manufacturing.

But there are many other reasons why local manufacturing should be supported in major project procurements.

Manufacturing drives considerable benefits to the Australian economy: employment, productivity, self-sufficiency and innovation. Australian manufacturers invest heavily in equipment, technology, workplace safety, industrial relations partnerships and remuneration for their skilled workforce. We choose to do these things because we value quality, innovation and most importantly, our people.

Because we as a nation choose to invest in these quality factors, our manufacturing sector is not always the cheapest option for tenders or contracts. But these quality add-ons have considerable societal value – and that should be recognised and prioritised in government tenders.



Workplace health and safety

Australia is a world leader in workplace health and safety. Australians have confidence that when we go to work, the conditions, equipment and requirements won't put us in danger. When accidents do occur, the workers' compensation insurance schemes in each state

provide injured workers with important financial support. The framework for each state includes legislation, industry regulations, codes of practice and industry regulators who oversee compliance.

The *Safe Work Australia Act 2008* and the *Australian Work Health and Safety Strategy 2012–22* drive improvements in work health and safety in Australia. Our standards are something to be proud of. They require vigilance and agility to maintain. But they come at considerable cost to businesses who implement and manage them.

The investments in workplace health and safety made by Australian businesses contribute to the health and wellbeing of working Australians. We wouldn't have it any other way, but the considerable investments by businesses to maintain and improve workplace health and safety should be recognised and respected.

Minimum wage safety net

In 2019 Australia had the highest minimum wage in the OECD, and we are consistently ranked in the top three. It is a hallmark of our respect for each other and the value employers recognise in our people. The minimum wage helps our society avoid the polarising gaps in wealth and it underpins the egalitarian nature of Australian society.

Our high minimum wage comes at a cost for businesses who struggle to compete with international competitors who do not need to factor it.

Industrial relations protection

Australia's Fair Work system was created by the *Fair Work Act 2009*. Features include national employment standards, awards that apply nationally for specific industries and occupations, the national minimum wage and protection from unfair dismissal.

Our industrial relations system ensures that workers' rights are respected and their voices heard. Our best businesses have positive and productive relationships with employee groups and union representatives. Their input and feedback is valuable and contributes to productivity and innovation.

But when international competitors don't need to invest the time or resources in employee and industrial relations, the playing field is not level, and again our efforts are added to the load to bear.

Superannuation

Superannuation became compulsory in 1992 under the Keating Labor Government. It was part of a wider reform package addressing Australia's retirement income dilemma. Australia is now the fourth largest holder of pension fund assets in the world. As of 30 June 2020, the balance was AU\$2.9 trillion^[1]. Employers manage the administration and contribution payments for their employees.

Superannuation is an incredibly valuable system for Australian society to have in place, but the administration of payments falls to our companies. It's another cost many of our international manufacturing competitors don't necessarily have to factor.

A net zero emissions economy

As the world moves to more energy efficiency and reduces emissions, Australian manufacturers are moving too. Many already have. There's no question this is a priority for

Australian businesses. But what of our international competitors? Are they evolving their systems and processes to have reduced environmental and emissions impacts? Once again, by doing the right thing, Australian manufacturers may find themselves at a competitive disadvantage.

A mutually beneficial choice

We all believe in a competitive business environment, but it is often impossible for Australian manufacturers to compete on price. Cost is a one-dimension aspect of a procurement. Quality, environmental and ethical considerations are increasingly shaping consumer choice. They should also be a considerable influence on government procurement for major projects.

Manufacturers don't ask for hand-outs. We do ask federal, state and local governments give Australian manufacturers the most serious consideration on major procurement contracts and ensure local procurement targets are met. The trickle-down effects to local tier suppliers will be considerable, and the manufacturing sector will return the support with considerable interest.

Australian businesses like ours have done the work to invest in the standards and compliances that add residual value to our local products. We bring with our tender submissions the considerable quality add-ons that are part of the cost of doing business in Australia. Governments should respond by recognising these add-ons. A mutually beneficial relationship depends on it.

[1] <https://www.superannuation.asn.au/ArticleDocuments/269/SuperStats-Dec2020.pdf.aspx?Embed=Y>