



A M W U

Submission to Identifying world's best practice by
governments to effectively stimulate employment
opportunities in Queensland

an Inquiry by the Economic Development Committee of
the Parliament of Queensland

August 2009

21 August 2009

The Chair
Economic Development Committee



Dear Evan Moorhead

The Australian Manufacturing Workers Union welcomes the opportunity to provide a submission into the inquiry by the Economic Development Committee of the Parliament of Queensland into *identifying world's best practice by governments to effectively stimulate employment opportunities in Queensland*.

The Australian Manufacturing Workers Unions (AMWU) is a registered trade union and is a national organisation of over 120,000 members Australia-wide, with more than 19,000 in Queensland. The AMWU represents a wide range of workers within Australian manufacturing, engineering and science, from production and trade employees and their supervisors to planners, designers and technical employees.

In this submission the AMWU has primarily focused on that part of the terms of reference related to:

How does Queensland ensure that opportunities for employment creation are maximised in existing industries?

How can Queensland promote innovation in Queensland industry to create employment opportunities?

What other strategies have been used successfully by other governments? Is it possible for an Australian state government to implement similar strategies to stimulate employment?

In relation to these areas, the focus of the AMWU submission will be in particular focused on the manufacturing industries.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Dettmer', is positioned above the printed name.

Andrew Dettmer
State Secretary – Queensland

Australian Manufacturing
Workers' Union
Registered as
AFMEPKIU
Queensland State Office
366 Upper Roma Street
BRISBANE QLD 4000
PO Box 13006
George Street QLD 4003
Telephone 07 3236 2550
Facsimile 07 3236 2089
amwuqld@amwu.asn.au

Background

In the period from January 2002 to July 2008, employment in the state grew 29%¹, with much of this growth in construction, mining and manufacturing sectors. In the five years to June 2007, Queensland's manufacturing industry generated over \$17 billion for the economy and experienced a 9.2 per cent average annual growth².

Since July 2008, the Queensland economy has been adversely affected by the financial crisis in the United States and the ensuing global economic crisis. Unemployment has risen in Queensland from 3.7% in July 2008 to 5.8% in July 2009³ with male full time unemployment most prominently affected, jumping from 3.1% to 6.6%.⁴ While Australia has so far avoided a statistical recession, the global predicted decline in growth of 1.3% and the recessions by almost all of our major trading partners have had a significant impact on the Queensland economy. As part of this impact, employment in manufacturing Australia-wide has declined from 196,500 to 187,100 in the last twelve months; a decline of 4.8%.

The AMWU continues to assert that the Queensland government should be doing all it can to preserve and grow manufacturing capacity and industry during the current economic downturn. Manufacturing accounts for 9.3% of all jobs in Australia, 11.2% of all full time jobs and more than 13% of all private sector jobs. In many regional centres, manufacturing remains the largest employer and main provider of apprenticeships for young Australians.

Every \$1 billion spent on goods manufactured in Australia creates or sustains:⁵

- 17,000 full time equivalent jobs (4,000 direct jobs and 13,000 indirect jobs)
- \$600.8 million in extra government tax revenue
- \$170 million cost-reduction to government in welfare payments such as unemployment benefits
- Generates nearly \$1.8 billion in value added to the economy.

Queensland has grown from 12% to 18% of the total proportion of Australia-wide manufacturing, and Queensland manufacturing has become not just a significant component of the Queensland economy, but indeed Australia's economic strength.

The scope of this submission

The AMWU strongly supports the actions of the Queensland Government to build innovation, productivity and development of Queensland industry through active government involvement. The AMWU has played a key role in the creation of the following Queensland Government policies;

¹ From 1,718,500 to 2,219,900, total employment, ABS Labour Force, July 2009

² <http://www.investqueensland.qld.gov.au/dsdweb/v4/apps/web/content.cfm?id=12456> accessed on 20 August 2009

³ ABS Labour Force, July 2009.

⁴ Seasonally adjusted figures, ABS Labour Force, July 2009

⁵ AEC Group: Report Prepared for ICN December 2008.

- World Class Manufacturing – a Manufacturing Development Plan
- the Smart Industry Policy,
- the Local Industry Policy,
- the Queensland Skills Plan and,
- the Advanced Manufacturing action plan and other specific industry action plans.

The objective of this AMWU submission is to ensure the deepening of the Government's involvement in industry policy, innovation and support for the development of skills and education programs that support Queensland industry.

We see this committee inquiry as one element in an ongoing series of consultations, reflections and investigations by the Queensland Government into innovation, skills, industry development and productivity, and seek to engage with this by providing specific recommendations against the backdrop of broader support for Government action.

The AMWU strongly supports the significant investment by the Queensland Government and Federal Government in infrastructure in Queensland. We believe the use of public borrowing to invest in infrastructure that will both improve long term economic productivity and provide social goods, and provide an essential short term stimulus in response to a global economic downturn is sound Government policy.

In this submission, the AMWU proposes that the Queensland government ensure employment for Queensland and stimulate skills development and economic growth, in part through continuing its strategy to develop and support the manufacturing industry. To this end, we have identified a number of specific recommendations for policy improvement and change.

These recommendations do not reflect the entirety of the AMWU's position on development of the manufacturing in Queensland, and should be seen as specific elements in and of themselves, not as a complete broader strategy. These recommendations reflect separate proposals that the AMWU can offer in relation to particular policy areas, drawing from knowledge gained as a result of specific areas of work and research by the AMWU, both in Queensland, and through our experience as a national union of effective government policies across Australia.

In this submission, the AMWU makes specific recommendations with regards to two areas. These are:

1. Preservation and development of local industry through Government investment in public infrastructure; and
2. Protection and expansion of our industrial skills base during the economic downturn.

Support for the preservation and development of local industry through Government investment in public infrastructure

The increased investment and spending by the Federal and Queensland Governments on infrastructure since July 2007 has been an appropriate and timely response to the global economic downturn. The initial allocation of funds was correctly fast-tracked to ensure that the resulting stimulus to employment and economic activity came into effect as soon as possible after the rapid contraction of private business and consumer spending.

Currently, in relation to planned future investment in infrastructure, the Queensland Government has the opportunity to improve its tendering, procurement and local industry policy to ensure maximum public benefit and value for money from the public funds being spent, by ensuring that to the extent feasible, funds are used not just to build infrastructure, but simultaneously to build employment, industry, skills bases and a foundation for future economic growth.

Government spending on nation-building infrastructure is sound policy to grow our economy through the boost to productivity and efficiency that such infrastructure provides. Projects improving our ports, roads, rail and telecommunications infrastructure require steel, aluminium and cement as well as other inputs. Local sourcing of such inputs provides:

- a critical advantage to Australian producers;
- a fast start to projects with a quality products; and
- timely and local through-life support.

This maximises the returns on investment, job creation and economic growth that results from such government spending.

The AMWU sees three steps the government should take to ensure the efficient incorporation of local content in Queensland infrastructure programs.

Enforcement and efficient implementation of Local Industry Policy

The AMWU strongly supports the Queensland Government's Procurement Policy and Local Industry Policy, including the contained commitment to ensuring value for money in Queensland government procurement and spending (on a whole of life basis), rather than simplistic preference for the lowest price offered. We also support the preference for local content in government spending, and the use of the Local Industry Participation Plans (LIPP) to seek the greatest practical participation of local industry in manufacturing the content required for government funded projects.

However, it has been the experience of the AMWU that Government agencies and Government owned Corporations have at times failed to implement the Local Industry Policy. This is despite the available expertise and support of the Industry Capability Network (ICN) and the commitment of government officers in the Department of Employment, Economic Development and Innovation to ensure that planning for local industry participation is incorporated in government procurement and investment. An example of this failure was the construction of the Kogan Creek power station by CS

Energy, which in terms of local content was a disaster. In this instance the LIPP was provided some two weeks after tenders were closed, and as a result, very little manufacturing resulted from the construction of the power station, which was built from 87% imported components.

Similarly, the AMWU is concerned that in some instances, LIPPs are being treated by project proponents as merely a box ticking exercise where the project proponents cut and paste lists of local suppliers, without real investigation of the potential maximum level of local content. We are also aware of instances where Government-owned corporations (GOCs) have ignored the Local Industry Policy and have sent contradictory messages in tender workshops by seeking proposals from tender partners that minimise local content.

The AMWU has also been informed by senior Government officers that they do not believe they are required to ensure Local Industry Policy is implemented or accessed in government procurement, as there are no specified legal requirements mandated by the Local Industry Policy, unlike other financial or environmental impact assessments. While it is the opinion of the AMWU that such beliefs are erroneous and in breach of Government policy, it is clear that Government agencies have many aspects to consider in their procurement processes. If there are no deliverable outcomes or requirements to evaluate procurement for local industry involvement, it will not happen.

The AMWU therefore recommends;

- 1. that the Economic Development Committee investigates models for a more effective oversight process for LIPPs, including potentially the Economic Committee seeking an additional mandate from Parliament to investigate the application of the Local Industry Policy.**
- 2. that the Treasurer and Minister for Employment and Economic Development ensures that the Local Industry Policy is updated to clarify its compulsory application in all government procurement and spending that falls within the policy, and to strengthen the requirement for Local Industry Participation Policy to give a real preference for, or weighting to, local content in government procurement processes.**

We submit that the committee should;

- 3. Seek a report from the Industry Capability Network (ICN) on how to best ensure that LIPPs are distributed by all project proponents (including agencies and Government-owned Corporations) early enough during a procurement process to have a real impact on decisions that will affect whether local or international content is selected,**
- 4. request that the Department of Industry provide it with a report on how the Local Industry Policy can be strengthened to ensure that LIPPs have a real impact in shaping the design of projects and submission by tenders that maximise possible local content.**

The AMWU further submits that;

- 5. the Queensland Coordinator-General be required by the introduction of new legislative amendment to report and assess local content in the same way that**

he is required to report on environmental impact, financial probity and environmental sustainability in Government procurement and expenditure.

Greater local industry planning for strategic level government procurement or investment

The AMWU believes the Queensland Government should follow the lead of the Victorian Government and mandate the development of detailed strategic industry development plans for “strategic” Government projects. Further we support the view advanced by the ACTU to the Commonwealth that a lower threshold should apply to strategic projects than under the Victorian VIPP. It is our submission that the threshold for this in Queensland should be more than \$50 million (capital project value).

As in the recently implemented Victorian Industry Participation Policy, under this proposal projects would be identified and declared as strategic to the Queensland economy by the Queensland Government where they fit one or more of the following criteria:

- Contribute over whole of life of the project to the productive capability of the State and make a strategic contribution to the State’s ongoing economic wellbeing;
- Have potential to generate significant local industry participation, employment and skills and training/technology transfer during the project or procurement activity (design, construction etc);
- Have potential for building ongoing industry capability, skills and employment benefits resulting from the project;
- Present a clear choice between using local and overseas suppliers.⁶

The assessment of projects as strategic should be made by Queensland Cabinet on the recommendation of the Treasurer and Minister for Employment and Economic Development, following the proposal of projects by the Department of Industry (now within the Department of Employment, Economic Development and Innovation (DEEDI)). Project proponents should alert DEEDI of any project over \$50 million in project value that could fall within the criteria.

Where projects have been declared strategic, a specific “project by project” determination of the requirements on such projects to advance the objectives mirrored in the criteria above should occur. These requirements should include a minimum percentage of the procurement value (on a whole of life basis) that must be local content. The local content percentage should be determined in consultation with ICN and the Department of Industry and approved by the relevant minister and reported to Parliament annually.

Aside from the minimum local content target, projects of strategic significance should also require detailed Local Industry Development Plans. Such plans should replace the Local Industry Participation Plans that would otherwise be required currently under Local Industry Policy. These should be instead be a detailed plan that both maps potential local

⁶ Victoria Industry Participation Policy Guidelines, p7

industry for participation, and also incorporates programs to develop competitive local capacity and skills to produce content locally over the life of the project, and to seek to link such developed local capacity into the supply-chain utilised in other similar projects, both within Australia/New Zealand and globally. Through this mechanism, such larger projects could serve as industry development projects in their own right.

While the strategic infrastructure project threshold is higher in Victoria (\$100m of capital expenditure or \$250m in whole of life costs) the \$50m is appropriate for Queensland procurement in light of the increased impetus for industry development resulting from the global financial crisis and the enlarged role that public infrastructure and stimulus spending is taking in the market. Such a lower threshold is also appropriate given WTO rules allowing the provision of such programs for economic stimulation for small and medium enterprises.

For strategic projects the \$50 million threshold should relate to capital project values as whole of life calculations are more difficult to define. All the changes proposed here should also be incorporated into the proposed renegotiation of the Commonwealth Procurement Guidelines.

The rationale for greater levels of planning in such strategic projects is the significant impact that the largest public projects can have on employment, industrial development and regional economies. In Victoria, the top ten new projects by value accounted for nearly 60% of the aggregate value of VIPP applicable projects and committed to the creation of approximately 1,531 new jobs.⁷ Similarly in Queensland, given the unprecedented investment in infrastructure by the state Government, there is real scope to utilise this government spending to develop sustainable and internationally competitive manufacturing capacity in common inputs to this infrastructure through the greater planning and strategic oversight that such Development plans would necessarily provoke.

In summary, the AMWU recommends that

- 6. the Queensland Government amend the Local Industry Policy to mandate the development of detailed industry development plans for Government projects that are found to be strategic, with a threshold for the submission of projects for assessment of being all projects with a capital project value of \$50 million or more.**

Industry Supplier Advocates

While the global economic downturn has increased the prominence of state spending and decreased focus on private sector export led growth, the AMWU also believes that the Queensland Government can set in place programs to help industries develop and grow through specific industry policies. While the Queensland Government is acknowledged as currently leading in state practice in the efficiency of its Industry Capability Network and workplace advice and improvement through QMI Ltd, the AMWU believes that, in the area of industry development, there is more that the State Government could be doing.

⁷ Victorian Industry Participation Policy - Report to Parliament - 2007/08, p2.

An area that the Queensland Government could support and participate in is the recent initiative of Federal Government relating to the allocation of more than \$8 million for the appointment of Supplier Advocates. These Supplier Advocates will be “respected industry figures, and among other things, they’ll be charged with building industry teams, developing supply chains, mapping future technological requirements”.⁸ These Supplier Advocates will be able to take an Australia-wide focus on a specific industry, and will ensure advocacy for this industry to companies and agencies during the scoping, planning and construction of new projects, so that utilising their industry expertise and knowledge of local capacity, they are able to persuade or influence projects so that they are designed and envisaged in a form that can benefit local industry, and incorporate inputs from local suppliers.

These advocates will focus on advocacy for their industry to both public and private investment and industry, for the estimated \$700 billion worth of work or major projects currently in the pipeline in Australia⁹. The Federal Government has established and funded the supplier advocate scheme, and the Queensland Government should be examining how it can access this scheme and advocate for the selection of Queensland industry that would most benefit from a Supplier Advocate, such as mining, heavy engineering, machinery and equipment. This could be combined with an application under the supplier access to major projects (SAMP) component of the AIP plan. Given the prominence of the Queensland Heavy Engineering Reference Group a SAMP grant and industry advocate could be developed into a significant proposal to the benefit of Queensland.

The AMWU recommends;

- 7. the Queensland Government investigate the applicability of the Supplier Advocates for Queensland industry, and at minimum propose the recruitment of a Supplier Advocate for the mining, heavy engineering, machinery and equipment, or other appropriate industry, and seeks a SAMP grant for the funding of this position.**

Appointment of a specific portfolio: Minister for Industry

The AMWU welcomes the appointment of a senior minister in Treasurer Fraser to the DEEDI portfolio, however given the workload and major responsibility during a period of global economic downturn, the AMWU strongly submits;

- 8. that the Premier appoint a Minister with specific responsibility for Industry separate from the Treasurer.**

⁸ Transcript of interview with Senator Kim Carr, Minister for Innovation, Industry, Science and Research, 11.30 a.m. Tuesday, 28 July 2009

⁹ Ibid.

Protection of our industrial skills base during the economic downturn

Maintaining the necessary skills base for high skill, high wage economic products that ensure positive balance of trade will be an essential task for the Queensland Government during the current economic downturn, as has correctly been identified in the issues paper for this committee.

There is a significant cost to society and government when an economic downturn results in individuals transitioning from employed to long term unemployed. As the issues paper for this inquiry identifies, it “is especially important during periods of economic downturn for mature-age workers (persons aged 45- to 64 years) to stay working as long as possible to maintain labour force participation rates, which helps to maintain economic activity”. As a result, the AMWU recommends the following programs to help manufacturing firms maintain their workforce, skills and industrial capacity.

Training schemes for industries temporarily stressed by the global recession

With many manufacturing firms forced to bring workers back to a four day week because of the drop in demand due to the global recession, there is both the need and the opportunity for a scheme to help firms train rather than retrench workers. Such a scheme would allow firms to keep their staff in the workforce, ensuring that productive workers and valuable skills are not lost when demand restarts. It would provide income to workers who otherwise may not be able to remain in their current employment, and it could help firms use skill formation as a strategic competitive advantage to build more innovative and prosperous manufacturing businesses.

The objectives of such a skills training during down days program would be:

- Maximise labour productivity by building higher level skills to underpin flexibility, mobility and innovation;
- Development, at the industry and enterprise level, of a workplace training and assessment capability;
- Maximise future skills and labour retention by implementing a skills analysis and workforce planning & development strategy during periods of reduced production demand; and
- Prevent and minimise attrition and maximise opportunities for employees to build and credential their skills through recognition of prior learning and training.

Key Components of the scheme would include:

- Deployment of expertise required to assist with the development and implementation, at the enterprise level, of a skills analysis and workforce planning and development strategy consistent with the objectives outlined above;
- Provision of such preparatory or enabling training, including Language, Literacy & Numeracy and Occupational Health & Safety training as would be required to facilitate effective participation by the workforce in skills and workforce development programs;

- Provision of training, leading to nationally recognised qualifications, including recognition of prior learning to lift the vocational qualifications base of the workforce;
- A level of ‘short time compensation’ support for employees during days in which training occurs.

This type of an approach should exist in any Government’s “downturn tool kit” and, in the current environment, rolled out as soon as possible.

It is the belief of the AMWU that such a program should be implemented for the Mining Equipment industry. This key industry employs 12,000 Queenslanders, and is an essential adjunct to the success of the mining industry in this state and nationally. As a result of the global economic crisis and corresponding drop in commodity prices, this industry has been undergoing great difficulties. Recent analysis by the ICN show that 31% of companies are currently utilising only 50% or less of plant capacity, with companies producing conveyor belts and casting the hardest hit. As a result, there have been significant job losses in the sector.

In the last 2 months, the AMWU is aware of instances where hundreds of jobs have been lost. Bradken Engineering has laid off over 100 workers, PAC Foundry (Maryborough) has also laid off significant numbers, AustCast has suffered significant redundancies and HMG Westhill has been placed in receivership.

While the Government’s Task Force/Rapid Response Group has dealt with these redundancies as they arise, the AMWU understands that this team is only able to respond once companies notify the Government of impending redundancies. There is scope for greater proactive response to crisis in this sector of manufacturing at an industry level. This is particularly the case of industry that is under threat in regional Queensland, where redundancies pose a greater risk of long term unemployment and significant impact on regional economies.

Employers in this sector have made it clear that they don’t wish to retrench their skilled workforce during this current period of reduced demand, knowing that their skilled workforce is the basis of their productivity and knowledge. The AMWU has been contacted by many companies in the mining equipment manufacturing industry seeking the AMWU’s support in retaining their workforce.

The AMWU recommends that;

- 9. the Queensland government should rapidly expand proactive training programs as envisioned above to the mining equipment manufacturing and other similarly stressed manufacturing industries, and if necessary, to urgently appeal to the Federal Government for funding for the short-time compensation support for employees expected to be incorporated in this training program, as they have done for the vehicle industry.**

Financial support to keep workers in jobs during the downturn

It is the belief of AMWU that regional areas of Queensland that are currently economically disadvantaged will require extra efforts to prevent the rise of long term unemployment and the ensuing severe economic and social costs. In regions such as Wide Bay, Burnett and Far North Queensland where unemployment has grown considerably and economic decline has been most pronounced, the AMWU believes that the Queensland Government should expand its programs beyond the Rapid Response Group and the expansion of ICN and QMI Ltd capacity, and explore other options to keep workers in employment, and skills and capacity in place and reconfiguring for new opportunities posed by economic recovery and other factors. One option that the AMWU recommends is the exploration of is the reinstatement of JobStart-style payments or other short term wage-subsidies that could be targeted to specific locations. Such a program would likely require State and Federal Government cooperation.

The AMWU recommends;

10. that the Queensland Treasurer and Minister for Employment and Economic Development explores the possibility of the regional application of a JobStart style wage subsidy or other government payment to keep skilled workers at risk of redundancy in key industries at work, and consult with the relevant Federal authority for training funds available to prevent further redundancies in economically disadvantaged regions.

List of Recommendations

The AMWU recommends that the;

1. Economic Development Committee investigates models for a more effective oversight process for LIPPs, including potentially the Economic Committee seeking an additional mandate from Parliament to investigate the application of the Local Industry Policy.
2. Treasurer and Minister for Employment and Economic Development ensures that the Local Industry Policy is updated to clarify its compulsory application in all government procurement and spending that falls within the policy, and to strengthen the requirement for Local Industry Participation Policy to give a real preference for, or weighting to, local content in government procurement processes.
3. Economic Development Committee requests a report from the Industry Capability Network (ICN) on how to best ensure that LIPPS are distributed by all project proponents (including agencies and Government-owned Corporations) early enough during a procurement process to have a real impact on decisions that will affect whether local or international content is selected.
4. Economic Development Committee requests that the Department of Industry provide it with a report on how the Local Industry Policy can be strengthened to ensure that LIPPs have a real impact in shaping the design of projects and submission by tenders that maximise possible local content.
5. Queensland Parliaments amends the necessary legislation to ensure the Queensland Coordinator-General is required by law to report and assess local content in the same way that he is required to report on environmental impact, financial probity and environmental sustainability in Government procurement and expenditure.
6. Treasurer and Minister for Employment and Economic Development amends the Local Industry Policy to mandate the development of detailed industry development plans for Government projects that are found to be strategic, with a threshold for the submission of projects for assessment of being all projects with a capital project value of \$50 million or more.
7. Queensland Government investigate the applicability of the Supplier Advocates for Queensland industry, and at minimum propose the recruitment of a Supplier Advocate for the mining, heavy engineering, machinery and equipment, or other appropriate industry, and seeks a SAMP grant for the funding of this position.
8. Premier appoint a Minister with specific responsibility for Industry separate from the Treasurer
9. Queensland Government should rapidly expand proactive training programs as envisioned above to the mining equipment manufacturing and other similarly stressed manufacturing industries, and if necessary, to urgently appeal to the Federal Government for funding for the short-time compensation support for employees expected to be incorporated in this training program, as they have done for the vehicle industry.

10. Queensland Treasurer and Minister for Employment and Economic Development explores the possibility of the regional application of a JobStart style wage subsidy or other government payment to keep skilled workers at risk of redundancy in key industries at work, and consult with the relevant Federal authority for training funds available to prevent further redundancies in economically disadvantaged regions.