



AUSTRALIAN MADE

PRODUCT OF AUSTRALIA

AUSTRALIAN GROWN

AUSTRALIAN SEAFOOD

A U S T R A L I A N

SUBMISSION TO

THE MINISTER FOR INDUSTRY, THE HON IAN MACFARLANE MP,

IN RELATION TO

**THE GOVERNMENT'S ECONOMIC REVIEWS OF SOUTH AUSTRALIA AND VICTORIA
AND THE NATIONAL INDUSTRY INVESTMENT AND COMPETITIVENESS AGENDA
TASKFORCE**

**AUSTRALIAN MADE CAMPAIGN LTD
January 2014**

1. INTRODUCTION

This submission is made by Australian Made Campaign Ltd (AMCL), the not-for-profit public company that promotes and administers the Australian Made, Australian Grown (AMAG) logo.

It is in response to the Government's call for submissions to "the reviews that will guide Australia's transition to a new era of manufacturing and competitiveness, in preparation for the 2016 and 2017 departure of Ford and Holden." (Minister Macfarlane's website, 27 December 2013).

The issues confronting the auto industry in Australia are not dissimilar to those confronting industry generally – the lack of an overall strategy, high costs, restrictive labour practices, a tax system which still penalises employment, inadequate infrastructure and a small domestic market; with the collective impact of all this on competitiveness greatly exacerbated by the persistent high value of the Australian dollar.

It would appear from recent media reports that labour costs and work practices were particularly damaging to the competitiveness of both Ford and Holden's Australian operations, certainly unsustainable in an increasingly globalised industry. The consequences of allowing this situation to arise are now there for all to see and unfortunately will create a very challenging environment for the Australian economy, and particular communities within that economy, in the immediate years ahead.

This is also a challenging time for industry and Government revenues generally, as demand from the resources sector subsides and uncertainty continues about the strength of the global economy when the North American and European central banks eventually stop printing money to create demand.

The economic and social benefits of maintaining a strong and robust manufacturing sector in Australia were quantified by the Industry Capability Network in its March 2012 report "Economic Impacts of New and Retained Business in the Australian Manufacturing Industry" as follows:

For every \$1.0 million of new or retained output in Australia's manufacturing industry:

- approximately \$1.2M worth of gross value added is generated in the economy (value-added includes wages, salaries, taxes paid and profits);
- 10 full-time equivalent (FTE) jobs are supported;
- \$101,800 worth of welfare payments are saved (welfare refers to payments made by Social Security in order to assist and sustain unemployed persons); and
- \$365,000 worth of tax revenue is raised.

This submission will not seek to address the broader issue of a manufacturing strategy for Australia, labour market issues, tax policy, infrastructure or other such cost issues – other organisations, such as the Australian Chamber of Commerce and Industry and its network of State and Territory chambers and the Australian Industry Group, are better placed to do that.

Rather it will propose measures that will help Australian manufacturers, processors and farmers actually sell their products, both here and overseas – even the best products, if unsold, will bring a business down (case study of the Australian auto industry ?).

It will also address the vexed issue of Government procurement because of its importance in the domestic marketplace.

2. LEVERAGING AUSTRALIA'S STRONG NATION BRAND

2.1 Greater emphasis on promoting country of origin

AMCL holds the view that the strength and potential of country-of-origin branding as an asset for our trade exposed sectors is consistently undervalued in political and Government circles.

One of the very fortunate things about Australia is our strong nation brand. It is generally a positive in market places everywhere for a product or service to be recognised as 'Australian'. This can generate a much-needed premium for Australia's exporters and import-competitors alike.

It makes sense therefore that in an environment where increased costs and a high Australian dollar have seriously undermined the competitiveness of many Australian products, country of origin is an asset we should be driving much, much harder.

Indeed for many small businesses, particularly those involved in export, the 'Australian' brand is probably their strongest brand in the marketplace.

The same can be said for State, Territory and local government branding activities overseas - generally a very inefficient use of resources. Much more could be achieved if a hierarchical branding platform, incorporating the official Australian brand, were used to establish the national identity of these "sub-brands"

There is an urgent need for Government to work with industry to introduce a suite of policies which will better position Australian businesses to compete on the global stage. Some will impact early, some more gradually over time.

Being far more aggressive about maximising the positive impact of country of origin branding should be in that mix; and it can be done quickly and at very little cost.

2.2 Australia should have an official country of origin symbol

It makes no sense that Australia does not have an agreed symbol that its manufacturers, processors and producers can use to clearly brand their products as Australian which can be the centrepiece of a global marketing campaign.

The advantages of having such a symbol include:

- it will provide more consistent and therefore more effective branding of Australian goods;
- it will provide Australia's public and private sectors with a common branding platform – thereby providing more focus and reducing the current dissipation of resources. The Canadian maple leaf provides an interesting case study in the benefits of consistency;
- in this context, it will provide a platform against which State, Territory and Local Governments can develop their own specific branding, if that is their wish, whilst maintaining the all important 'Australian link'. An example presented to the Victorian Government enquiry into manufacturing in 2009, using the AMAG logo as the national connection, is at Attachment A.
- it will help our exporters market their products as 'Australian' and benefit from Australia's generally good global standing. This is very important for small businesses with limited capacity to establish their own brand and for whom the 'Australian' brand is quite probably their best asset;

- it will assist exporters in combating counterfeiting of their products;
- official endorsement will support the registration and effectiveness of that logo in foreign markets, where on-ground resources and Government-to-Government relationships are important;
- and, the consistent and widespread use of an agreed symbol would highlight Australia's capacities and capabilities as a producer of quality, innovative products. It would be the centrepiece of a collective effort to build Australia's brand globally.

Giving effect to this proposal would simply be putting in place an essential piece of infrastructure available for our manufacturers, processors and producers to use to promote their products in the marketplace as being 'genuine Aussie'.

Because of its 28 years of market capital, its widespread use and recognition, its strong links to Government and to the business community, the AMAG logo should be Australia's official global product symbol.

Attachment B to this submission shows a number of examples of the AMAG logo being used as branding at international events.

3. GOVERNMENT PROCUREMENT POLICY

The public sector in Australia is a significant consumer of goods within the Australian economy. AMCL recognises that the expenditure of taxpayers' money needs to be in the best interests of those taxpayers. For Government procurement this of course goes way beyond just price and is clarified, to some extent, in the Commonwealth Procurement Rules (CPRs) released in July 2012.

Further principles for Government procurement:

- (i) Government procurement, particularly of capital equipment, should, wherever possible, be seen in a strategic context - an investment by the community in the future capacity and competitiveness of industry in Australia.
- (ii) In large scale procurements or expenditures, Government should be a demanding customer, in terms of quality, price, delivery times, etc, with the overriding objective being that the winning tenderer will be a more competitive, capable organisation at the end of the contract than before.
- (iii) Government must take a long-term approach to procurement which will take into account 'whole of life' costs for the products purchased, rather than just the upfront cost. Such an approach will take into consideration the availability and cost of maintenance and support, conformity with quality standards and the spillover economic and social benefits associated with local manufacturing.
- (iv) AMCL supports the points made by the AI Group in its submission to the Senate Finance and Public Administration Committee Inquiry into Commonwealth Procurement Procedures on the barriers facing Australian businesses in accessing Government procurement and major projects.

- (v) The Government's procurement rules should also recognise the revenue that flows to Government through taxes, fees, excises etc, when the manufacture of the product takes place in Australia.

By way of example:

Australian manufacturer Australian Paper lost a contract for the supply of envelopes to Centrelink during 2013 by \$8,256, a margin less than 1% of the winning tender (\$843,744).

Australian Paper estimates the Government lost tax and excise revenue of approx \$173,760 on the production of the 240 tonnes of paper that would have gone into the envelopes had the Australian product been selected.

The net 'cost' to the Government was thus in the order of \$165,000. This is not taking account of any secondary, or multiplier, effects throughout the economy resulting from the manufacturing process taking place in Australia rather than overseas.

The difficulty in accessing the relevant information in such instances is recognised, but the procurement rules should include such a consideration or an agreed margin as a de facto measure.

It may be that where the tender margin between a cheaper imported product and an Australian made equivalent is below a certain level, say 15%, then the decision to purchase the imported product over the equivalent Australian product needs to be specifically justified.

- (vi) The procurement guidelines should also recognise the need to treat certain purchases as being in a special category of 'national pride'. This would include defence materiel as well as items used at official venues or ceremonial occasions where the context needs to reflect all things 'Australian'. Examples are:

- Australian flags , particularly those being used in an official or ceremonial context;
- equipment used at official venues, such as the furniture and crockery for Parliament House or the PM's residence;
- official gifts;
- uniforms worn by our defence personnel.

4. CONCLUSION

Australia's nation brand is a key asset in helping Australian businesses, particularly SMEs, sell their products. Australian businesses should have access to an official country of origin product symbol that is promoted consistently and widely in global markets by our public and private sectors. The federal Government should strategically re-engage with the AMAG logo and encourage its use and promotion by Government departments.

Government procurement is an important source of demand in the domestic marketplace and wherever possible decisions about Government expenditure should take into account all the costs and benefits associated with the purchase decision.

Attachment: examples of AMAG logo branding at international trade and retail events



Expo 2012 – Yeosu, Korea



Asia Fruit Logistica, Hong Kong, August 2012



The Food Emporium, New York, USA, January 2010



Big 5, Dubai 2009



CISME Fair—Guangzhou, September 2010



NTUC Fairprice Promotion—Singapore, September 2012



Gulfood, Dubai, 2010



NRA Show, Chicago, 2008 – Australian Pavilion