

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into Manufacturing in Victoria

Melbourne — 6 August 2009

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Mr S. Infanti, Chief Executive Officer, Australian Manufacturing Technology Institute Limited (AMTIL).

The CHAIR — I welcome Mr Shane Infanti to the parliamentary committee Inquiry into Manufacturing in Victoria. The evidence that you provide today, Mr Infanti, will be protected by parliamentary privilege, and comments you make outside the hearing are not afforded such privilege. Can we begin by you please stating your full name, your address, your position within the business, and your business address.

Mr INFANTI — Yes, I am Shane Andrew Infanti of 29 Juniper Road, Wantirna. I am the Chief Executive Officer of AMTIL. The address of AMTIL is suite 1, 673 Boronia Road, Wantirna.

The CHAIR — Thank you. Could you begin by giving us your evidence, and then we will ask questions. In the past we have attempted to keep our questions to the end, but I warn you: we do not normally keep to what we plan. We will try.

Mr INFANTI — Thanks, Christine. I thought long and hard about what sort of format I was going to give this presentation in. We did a 45-page submission to the national innovation review at a federal level last year, and it contained an awful lot of facts and figures and detail and a lot of case studies and recommendations. In re-looking at that, I thought a lot of it was appropriate to Victorian manufacturing as well as at a national level. The more I delved into it, the more I thought that for this particular forum it might be less appropriate to go into great detail and that, given we had a time frame of 15 or 20 minutes to work with, it was probably more important for me to highlight a few key industry issues that we felt were important to Victorian manufacturers and then to look at the sorts of activities that are involved in addressing those issues currently and what is working.

We should not lose sight of the fact that we have a lot of infrastructure in place that is working, and we should not always look at what is not working and what action is needed to be taken. I am going to highlight some of the areas that I believe are being worked on and need consolidation, as well as some of the areas where I feel action needs to be taken or where we can take some further steps in improvement.

I will not go into great detail on AMTIL, but it is important that you understand who we are and where we work. AMTIL is the national association that represents people involved in the precision engineering and manufacturing technology sector. We have 450 company members and 8500 associate members. Company members is self-explanatory; associate members are individuals who have an involvement in the precision engineering and metals manufacturing sector. We have a turnover of over \$5 million, full-time staff of 10, and a number of consultants who are involved in delivering services to our members.

We are reasonably self-sufficient. We own and run the major trade exhibition in the country, and we own and publish the major engineering manufacturing magazine, copies of which I will leave with you. We also provide a lot of services, as I said, to members that generate revenue and profit. As I keep saying to my members, my biggest issue is how do I take the money that we generate through them and put it back into industry to the best benefit? Hence our involvement with a lot of government departments and in a lot of industry issues and looking at how we can assist in addressing them.

We have a fundamental belief — and it can be looked at as being fairly simplistic — that in Victorian manufacturing, and indeed at a national level but particularly in Victorian manufacturing, we are really good at the niche areas — at high value adding, design, precision and small volume. That is what we are good at; that is what we need to showcase to the world. That is not to say that we cannot compete globally on widget making, but that should not be a focus and should not be something that we progress infrastructure towards.

From that point of view we think there are three areas that we need to focus on. The first one is innovation and technology and how we use the technology in order to be globally competitive. The second one is that we have to keep building the skills, not just upskilling our existing workforce but reskilling people who are not currently in the workforce. A third part of that would be making sure that we have the next generation of the right people coming through and making sure that those skills are at a world-class level. The third one is showcasing to the world the space in which we play. If we want to be known worldwide, I think we have a good basis to work on. We are recognised worldwide for high value add and high design, and our engineers are on a par with Germany's. I travel a lot around the world and I see a lot of this in real time. But we have to keep promoting ourselves in that space. If you want titanium knee joints and you want only five of them and they have to be precise, we are the country that can make that sort of stuff. That flows on to some of the industry sectors in which we can play a predominant role, being areas like automotive, aerospace, high-precision titanium parts,

defence and medical. Those sorts of industry sectors are the ones where, I think we would all agree, potentially growth is available for us.

I will touch a little bit on those three issues, and very briefly on a fourth and a fifth. The fourth one is government assistance and involvement, and the fifth one is what we would call addressing areas of compliance, intellectual property rights, research and development and those sorts of things. I will not spend a lot of time on that or we might run short of time. They are what we call the five drivers for success.

On the first one, technology and innovation, a great challenge for us is to encourage the early adoption of technologies. You will hear me use the words ‘methodologies’ and ‘techniques’, because I think they are just as important. It is not just about the investment in the actual technology. We have got to make sure that we know better than most in the world how to use it more proactively than them — what we call technologies, methodologies and techniques.

I attend a lot of functions and hear from a lot of ministers, government departments and stakeholders. We are all on the same page in terms of companies needing to be innovative and make that investment. That is a common theme that is coming out. A lot in industry get the message and understand it. In terms of one of the areas for consolidation, that is it. We have to keep making sure that we get that message out to them all the time when we have got people standing up and professing what is an area that we have got to play in and how we have got to do it. Innovation and technology are key. If one area needs consolidation, that is it.

We need further consolidation of government-funded programs that are involved in encouraging the early adoption of these technologies and methodologies. We run a program that we have called the Lynx project. We came up with \$2.4 million a couple of years ago, we went to the Federal Government and they have matched it, so we have a \$4.8 million program that is involved in technology dissemination. Over a three-year period we will be running in excess of 100 workshops on new technology and how to use it properly. This is mostly technology that has been imported. We do not manufacture high-end metal-cutting technology in this country anymore. A very small number of companies do it here, but most of it is imported. We have to make sure that we get the latest technology over here. If we have to subsidise the freight to get it over here with an expert from overseas to showcase what that technology can do, even if it has to be shipped back overseas and not sold here, that is one of the functions that we can do. We do a lot of those sorts of activities — a lot of satellite demonstrations, web-based seminars, workshops and case studies. They are promoted in not only our magazine but others. As I said, we have \$4.8 million to spend on technology diffusion.

Mr ATKINSON — Where did the funds you put up to initiate this whole program come from? Is it membership subscription, profit from the magazine and Austech, trading profit from your enterprises that are part of supporting members anyway, or do you receive government grants? Have you said, ‘Okay, we will allocate some of those back towards this’, or what?

Mr INFANTI — A combination of both industry funding and our funding. We went to our members and said, ‘Who wants to be involved in a program like this over the next three years?’, and we raised \$1.5 million through our members. This is cash money, so there is no in-kind contribution in this particular case. We raised \$1.5 million. We put \$900 000 of our funds into it — of AMTIL funds — which came out of consolidated revenue from profits that have been made. That is where the \$2.4 million came from.

Mr ATKINSON — Thank you.

Mr INFANTI — The consolidation of activities and programs like that is important, and probably further promotion of those activities. As an organisation one of the things we are not good at is blowing our own trumpet, so we probably need to do a bit more of that to highlight to a broader industry what activities are on and the advantages to people who attend. This is not just about companies involved in bringing the technology out; it is to showcase to the broader Victorian manufacturers that this is what technology is available and this is the advantage it can have to their business.

We need to consolidate other activities, and we have highlighted them. With our exhibition we had over 10 000 people visit the show in May, 88 per cent of them from Victoria. Almost 9000 Victorian manufacturers are coming and attending a forum that not only showcases the technology but we have innovation seminars and conferences alongside that. We know that stimulates a lot of activity and interest in the marketplace in businesses for that period between the end of May and end of June, obviously leading up to the end of the

financial year. We saw that increase probably twofold this year, with the depreciation allowance incentives for investment. Before the end of June we saw a lot of activity in that last week, which I will touch on a bit further down the track.

Other activities: certainly from a Victorian point of view we advocate and fully support functions such as the Victorian Manufacturing Hall of Fame. I think it is fantastic that we put our manufacturers up on a pedestal, and I think we should do more of it. It is something that I have written to other states about a number of times, and I have written in our magazine that we should do it in other states as well. I know that is not necessarily what we are here to talk about today, but I think other states can take from Victoria's lead in that area and can do similar types of activities. They are the areas I think we can consolidate in terms of the technology side.

Probably the two biggest issues that we would have in innovation and technology are SMEs access to finance. I think there is a lot of work that has been done and a lot of resources that have been put in by the Victorian Government to address those issues. But in terms of just having access to finance this is a huge issue; it is not one that we can particularly go into today. I think a lot of work needs to continue in that area. A lot of reviews have been undertaken. I am yet to see some of the nitty-gritty of programs that have been established through the Government. I believe there is a finance for growth strategy, and again I would say — —

The CHAIR — State?

Mr INFANTI — State, I think. I hesitate only because I think that one of the areas that we are not sure on is how fully effective the promotion of programs is when they are released, because there is not a lot of knowledge out in the marketplace about those programs.

Mr ATKINSON — Most of the membership of the Australian Venture Capital Association is based in Sydney.

Mr INFANTI — Yes.

Mr ATKINSON — To what extent has that been an impediment to Victorian manufacturers? Have we had the opportunity to access venture capital historically? Obviously the GFC has changed some of the dynamics in recent months, but going back that industry seems to be more Sydney-centric than Victorian. Has that been a factor for us?

Mr INFANTI — I would not think so, but that is probably on anecdotal evidence from our Victorian manufacturers. The thing they struggle with is just going to the bank and getting — —

Mr ATKINSON — Commercialisation.

Mr INFANTI — Yes — just getting access to funds to invest in the technology. Other than the depreciation incentive for this year, there has not been any incentive to invest in capital equipment for a number of years, going back to 2000. We abolished accelerated depreciation when the GST came in. That was probably the last real financial incentive to invest that organisations had. We may argue that the incentive to invest should not be based on finance, it should be based on their ability to grow their businesses and deliver more profits for their shareholders or whatever. I have a view that states need to drive this message home with the Federal Government in terms of national incentive programs.

Again, you will hear in the underlying tone to what I say the need for state and federal governments to work more closely together on things like that because it is probably a national program that should be instigated. Programs like the ACIS scheme in the automotive sector could potentially be broadened, not necessarily to cover all industry sectors but they could cover areas of new and emerging technology or something like that, so that it encourages companies to get into that new sector. From a technology and innovation point of view, I think I have highlighted some of the consolidation and improvements.

The second issue for us, which we are quite heavily involved in, is investment in skills and training. Again, there are a lot of businesses out there that have a view that if they invest in training they are going to be penalised through, say, government. I get some companies who have a short-sighted view that says, 'If we invest in training, we have then got to pay those people more, and if we pay those people more, we end up paying more payroll tax'. From a government incentive point of view they are actually penalised for increasing

their skill level. I said that is a short-sighted view because my comment back to them is: would they rather train their staff and have them leave or not train them and have them stay? I think there certainly has to be a level of training and skilling up that needs to be done. I think it highlights the issue of a lack of government funding in the area of encouraging investment in skills. I will not dwell too much on that.

Some of the particular parts of skills and training that we need to look at are a focus on improving returning on training investment; ensuring skills for the future are developed; encouraging new entrants to the manufacturing sector — which is a very big issue at the moment, and addressing the ageing workforce is similar; encouraging investment in training and business knowledge and improved management skills and technical knowledge. Again, I think an area that we probably do not focus on very highly in the manufacturing sector is the business knowledge and management skills. We have companies that have been built up out of a backyard with a guy who has been very strong in engineering and who has built up a business to a point where it is profitable and surviving but who does not have true management skills and certainly not in the area of marketing his business. I think that is probably one key area that we could work on. As I said, work is being done in those areas.

In terms of consolidation, I have seen a huge change in the ability and want of the tertiary system over the past six years in terms of delivering flexible learning environments. If you went back 10 years and went out to industry and said, 'What do you want?', and you went to TAFE and said, 'What can you provide?', in a lot of cases they did not marry up, and the ability to marry them up was very difficult. We have seen a huge change over the past six years. Again, we were involved in a state government initiative called the industry liaison agent program. We played a brokerage role in going out to industry and asking them what they wanted and making sure that TAFE could deliver and marry up that process. That needs to continue.

I am not critical of government but I think that is one of the areas we could improve upon. When we have a program that we know works we have seen huge investment in skills to that particular project. It works and the government accepts that it works but we stop the funding after two years. That is one of the areas where we feel that if we have programs that work, even if initially there has only been seed funding for them, we should continue them. What happens when the government stops the funding? The programs stop. In this particular case we have not, we are continuing to do it. We have four TAFEs that have a liaison officer who comes into our work, sits at one of our desks, uses our database and works with our people in going out and talking to industry. They come in one day every week. We do that because we know it works and we want to do it. It is a drain on our resources but we will not stop doing it because it is making a difference. I think the sort of ongoing funding of programs that work in that area needs to be looked at. At the time of writing this at the weekend I was looking at the coordination of efforts in terms of raising a career in profile in manufacturing in Victoria.

There are a lot of stakeholders involved in this. There are a lot of passionate people out there who are looking at how we encourage our next generation of people in manufacturing. There are too many of them. We have state government-funded local learning and employment networks, we have federally funded local community partnerships working in the same areas doing the same thing. Again, we have federally funded regional careers advisers all in the same place. Consolidation of those efforts is critical because all we are doing is confusing the people who we are trying to get the message through to. We have school principals who do not know who is who and who is coming in next. One follows the other one through the door as another one is walking out. There is a lot of confusion out there. Schoolkids — —

The CHAIR — Is the confusion a waste of money or just confusion?

Mr INFANTI — Both; it is absolutely a waste of money. I will highlight it, because the luncheon I have just come from was a combination of the federal Department of Education, Employment and Workplace Relations and our state department of education talking about bringing together the LLENS and the LCPs through a youth transition fund. We have seen that it is now happening; they are going to bring the two together. They said the federal funding and the state funding will be combined and reduced. I think for each one it was a total of \$1.2 million here and \$500 000 there, but when the two come together they are not going to get \$1.7 million; they will probably get \$1.4 million. We are seeing that where we have had duplication of efforts we can consolidate them, we can spend less taxpayer money and probably get better results. They are the sorts of things that we need to be mindful of. At a state level we need to make sure that we have a good, clear communication policy, not just between the states and the feds but between states and other states.

If I can give you another example along those lines, there is a state government-funded young ambassador program — I am not sure if you are aware of it; it is run through one of the skills advisory boards out in the east — where we take young people through a training course. They go through a two-day training course which is personal development for them on how to speak publicly. The program sends those young people into schools to give talks to other young people, so we have 16-to-19-year-olds being told about careers in manufacturing by their peers rather than by some old fellow in a suit, and it works. We have seen an increase in the level of awareness in manufacturing careers by those people who have been shown that. It is a terrific program — it has been running for about five years, and is certainly a program we support — and it has just been extended further, again at state level.

The organisation that runs it came to us about a month ago and said, 'We believe this is a program that can be taken nationally. We cannot because we are a state-based body'. They could not take it nationally and asked us if we would be interested in being involved in that process. We went through a fairly short time frame of a couple of weeks in terms of going to the Federal Government and looking at it. The feedback we got from the Federal Government was that they could not support it because it was not a new initiative. I find it ludicrous that, again, we have a state-funded program that works, but when you try and roll it out into other states you are told that you cannot do it for such an obscure reason. It is very frustrating, sitting in the position that we are in, trying to make a difference in that area to be told that because something is not new it cannot be funded through a certain department in Canberra.

The CHAIR — Can I intrude? You are up to point 2 of a 5-point presentation, and time is ticking away.

Mr INFANTI — Sorry; I am going to move on. In the skills area improvements need to be made in terms of promoting the programs that are available at state level. I have mentioned a couple of them in my submission. These are very good programs that the State Government funds but not a lot in industry know about them. Enterprise Connect is federal, but I believe the other two are state.

I will move on to market access. This is another area where at a state level we need to work a bit more on our trade fairs and missions program. It is a very good program. We have had some involvement in it over the years. The capability mission level of that has two phases: one is just trade mission, and one is capability mission. Normally it has some ministerial involvement. It is very good at opening doors. I have been involved in a couple and have seen excellent results out of them. The problem is we only run three of them a year. If we are going to be serious about getting companies into overseas markets, at a state level we need to be looking at the things that work well, making sure that we do the homework so they will work well and get on with doing more of them.

On activities that support and promote the building of capability teams and access to major projects, again, we are a strong supporter of the Industry Capability Network in terms of what they do with major projects and maximising the Victorian content of them, so we would encourage those sorts of things to happen.

There is a massive gap at a national level of a major export strategy for manufacturing. I need to emphasise that at state level we need to keep pushing the need for that. We cannot keep saying we have to double the number of exporters in manufacturing over the next five years and take away the buckets of money that assist that to happen.

The CHAIR — You are talking federally?

Mr INFANTI — Yes, federally.

Mr DAVIS — But the state outputs have also been aligned with that, too — the number of exporters rather than the output of these people.

Mr INFANTI — Yes. At a national level we need to encourage more export, but at a state level we can do what we are doing currently, do more of it and do it better, but push the need for a global program.

The CHAIR — A national global program?

Mr INFANTI — Yes. On government interaction and support, I am critical of government procurement policies at all levels. There needs to be some sort of undertaking in those procurement policies that maximises

content, whether they be Victorian at a state level or whatever. I have seen a review of the VIPP that encourages that; that is a good first step, but I think — —

Mr DAVIS — Were you happy with the policy that came out, I think, not that late last year?

Mr INFANTI — Reasonably comfortable. We did not take a huge role in that. We were supportive of the positions that organisations like the Australian Industry Group took on that and supported their recommendations towards that. Yes, I would say that we are reasonably happy with that.

Mr DAVIS — And their requests for enhancements?

Mr INFANTI — Yes. I think there is an underlying feeling out in the industry that government procurement is not quite right — that we do not take the lifetime view of the product into account and we just look at it as a single-purchase item — whereas we need to take into account that, if it is going to maximise Victorian content, it is going to result in more wages being paid and more payroll tax and more tax being paid. That should be taken into account in the purchasing arrangements.

Mr ATKINSON — And trains requiring less maintenance.

Mr DAVIS — Let us be clear here. One of the criticisms of VIPP and the iteration that came through is that basically cleaning the carriages or whatever in the case of trains would be counted in the lifecycle of the whole VIPP local content contribution.

Mr INFANTI — I would not necessarily take that into account.

Mr ATKINSON — But more the longevity of braking systems and so forth.

Mr DAVIS — No, I am saying there is a legitimate aspect to that, but there is also an aspect where things that would occur in any event are counted in as a way of lowering the effective local content.

Mr INFANTI — If they are going to happen in any event, they probably should be outside of the process.

The CHAIR — You have been talking for close to 25 minutes. Can you perhaps finish in the next minute?

Mr INFANTI — Yes, no problem. I am happy to leave it there. I have put a couple of notes there in terms of compliance issues and intellectual property. There is a gap there in terms of the education of companies on meeting compliance issues when they go overseas. If we are going to promote ourselves in the space of high-precision components and get into something like the medical industry and take companies overseas and they potentially have markets there, we do not want to get three-quarters of the way down the track and then find out that they need to go through a two-year accreditation process in the medical field to supply to America, for example. We need to understand that early on and make sure that we are training ourselves in those levels as well, which I think is a gap within industry that needs to be addressed — their knowledge of those types of issues.

The CHAIR — Thank you. I will start with the first question. In passing you mentioned the difficulty for manufacturers in accessing finance. Is there any program that you have ever seen in Australia that works where government is not necessarily being asked to back winning manufacturing companies over others but we get the result that the taxpayers and the workers of this country want — that is, more manufacturing but not totally propped up by government?

Mr INFANTI — I thought you might ask me something like that. No, I am not aware. I actually do not know of a program that has worked in the past — —

The CHAIR — Right. So not with government. Have you got any comment to make in relation to manufacturers' access to finance and our super funds?

Mr INFANTI — Yes. I think that there is potential there for us to utilise existing superannuation funds to provide that finance opportunity.

The CHAIR — Have you got any comment to make on how we can educate them, given they are probably not, at this point, well educated in understanding the risks of certain business operations?

Mr INFANTI — The superannuation funds?

The CHAIR — Yes.

Mr INFANTI — I think we should probably at least start that process. I am not aware that superannuation funds would even have been approached on that issue.

The CHAIR — Exactly. So who would do the education process? Who should be doing that: the manufacturers themselves, the industry groups, government, or a combination of all?

Mr INFANTI — Probably a combination of all, but it is probably something that an industry association should potentially take the lead on.

The CHAIR — Thank you.

Mr DAVIS — You actually asked a question very similar to mine. I would not mind returning to VIPP. Is there a version of VIPP around the country that you think works? Which is the best one?

Mr INFANTI — It is probably a question that I cannot answer, not having intimate knowledge of the state programs. I could take the question on notice.

Mr DAVIS — Who should we ask?

Mr INFANTI — I think the Australian Industry Group would be the most appropriate body to be on top of that.

The CHAIR — That is great. You take it on notice and then we will have our research team follow it up with AIG.

Mr DAVIS — Tax was the second issue. Which taxation change would you see as the most advantageous to your sector?

Mr INFANTI — Payroll tax is always the one gets raised from an industry perspective. I do not know that we necessarily need an abolishment of it, but I think if there were some way in which we could offset payroll tax against things like investment in training, that is probably something that could be investigated.

Mr DAVIS — On that point, in Victoria in the last four or five years the Government has extended payroll tax to apprentice salaries. Do you think that has an impact?

Mr INFANTI — That is probably not widely known out in the industry. Again, I would suggest that not a lot of manufacturers actually know that there is a possibility to do that. I think that comes down to — —

Mr DAVIS — I think they have extended it so that apprentice salaries are in the payroll tax loop whereas they were not previously. It is a new tax.

Mr INFANTI — Okay.

Mr DAVIS — Do you think it is helpful?

Mr INFANTI — I am not aware of that.

Mr ATKINSON — First of all, can I just congratulate you on that overview. What was interesting about it was that it was positive and looked at opportunities rather than whinge, and I think that is really good. Having said that, I am now encouraging you to whinge. Can I just ask you to identify, from your perception, the constraints or the hurdles of manufacturers in Victoria, the things that actually stop them from expanding their manufacturing operations or that have them looking at moving operations or some proportion of their production overseas. What are the things that are really hurting them or providing them with challenges that keep them awake at night?

Mr INFANTI — In terms of expanding their business, I think their fundamental issue is they are not quite sure how to go about getting new business in terms of business growth. As I said, there are a number of ways in which we can assist that through export/import replacement, major projects, whatever it may be. That will come with that. The flow-on effect from us addressing some of those things I have spoken about will be that businesses will have more opportunity to get business — work. That will then have the flow-on effect that they will invest more in technology and so on. That is probably a hurdle that needs to be overcome through helping them open up markets.

The CHAIR — I will press you on this, and you might like to take it on notice. That has probably been a recurring theme from every one of our witnesses this morning. For us to write a good report, we need specific examples of what might work, or what has worked, and how we either ensure it continues or is expanded.

Mr INFANTI — I can certainly forward case studies of where companies have been involved in programs and activities that have resulted in them securing business that they would not have without the assistance of either government or industry bodies.

The CHAIR — That would be really helpful. Thank you.

Mr INFANTI — To answer the second part of your question, in terms of what would stop them from moving offshore or opening up joint ventures overseas or whatever, I do not know that there are a lot of roadblocks there. I think there is a propensity not to do that. I think that there are still Victorian manufacturers that are steering away from that because they want to keep their business in Victoria. I think they are passionate Victorian people who are reluctant to go and move overseas unless they can actually see that it is going to be of benefit to their business. Again, I can give you case studies of that. We had one major company out in Bayswater that put off the move overseas for many years until it realised that it could go and make certain parts of its product in Thailand which was going to be of benefit to its local line, that increased its profitability, resulted in a growth in its business and more employment in Victoria. All of the IP remained in Victoria but the company now has an operating plant in Thailand as well. Again, that is a very good case study.

Mr ATKINSON — Could you get clearance from them to give us that information?

Mr INFANTI — Absolutely. No problem at all.

Mr ATKINSON — Just following up in terms of my question, obviously Victoria has always been advantaged by having cheap energy. We are now facing higher energy costs, higher water costs and carbon emissions trading. What is the impact of those in terms of manufacturers considering expansion, contraction, offshore production? How is that measuring up in their minds?

Mr INFANTI — It is a very negative influence out in business at the moment. Again, I could give you examples of a couple of companies which I spoke to only last week. I went and sat down and talked to them about their carbon footprints and the effect that changes in electricity rates are going to have on their businesses in the coming years. They are looking at potentially having an increase in electricity rates of \$200 000 to \$300 000 a year. Their argument is that they have put measures in place to address their electricity consumption; they are putting measures in place to reduce their carbon footprints. Again, they are going to be penalised as a result of doing that.

Mr DAVIS — These are early adopters, aren't they?

Mr INFANTI — Early adopters. They have actually already started to go through a process. They are putting lights in their toilets that are going out when people leave, and they have systems in place in their production facilities to reduce energy consumption and reuse waste — all of those sorts of things. They have put all of them in place over the last few years and are continuing that process but are going to be penalised as a result. I think that is a very negative influence on their mindset for business. Again, I am not quite sure what the answer is other than not to do that — that is, encourage reduction of carbon footprints in ways other than increasing electricity rates.

Mr DAVIS — Just on that, what is your estimate of what will occur in Victoria with manufacturers?

Mr INFANTI — They will live with it.

Mr DAVIS — And on where Bruce I think was going — their impact on competitiveness?

Mr INFANTI — Yes, they will have a significant impact. We have one company out in Greensborough that is a major player in the overseas aerospace market. They are now saying that they are going to be potentially at risk, in terms of winning major export work in the aerospace industry, as a result but they are going to have to live with it. If that is what is brought in, they will incorporate the increases into their pricing structure.

The CHAIR — Move on.

Mr INFANTI — Yes.

Mr ATKINSON — On import replacement, you mentioned in the overview the Industry Capability Network. Obviously that has played a role, and quite a few of your members would have a reasonable understanding of its work. How do you scale the ignorance, I suppose, of opportunities for import replacement in the manufacturing sector? What are our opportunities there and how do we exploit them, how do we actually improve the understanding of opportunities for import replacement?

Mr INFANTI — That is something that industry has to take a lead role on. That is something that is going to be reliant on organisations like us and the ICN to make sure that we play that role well. As I said, we are a stronger supporter of the ICN. I think that again one of the criticisms of ICN has been that they were originally set up to provide that import replacement role and match up companies with companies and over the years they have got more heavily involved in major projects maximising Victorian content, possibly to the detriment of what they were originally set up to do. I think revisiting some of that work and making sure that they are providing that brokerage role in the import replacement activity could improve — —

Mr ATKINSON — Do you think that is because of government policy direction, or do you think it is simply because that is an area that just opened up with major infrastructure and procurement projects, or is it something that they have just lost sight of as an opportunity?

Mr INFANTI — Yes, they have lost sight of it. To be honest, I think that the ability to work on a major project and get a large amount of dollars for Victorian manufacturers is a lot easier than trying to keep a database of thousands of companies up to date at all times, of what their capabilities are. It is a difficult role to play.

Mr DAVIS — Is it true to say that they have spread their wings a bit nationally, too, rather than the old-fashioned role that was very much, as Bruce said, about that matching?

Mr INFANTI — I am not certain about that. I think that ICN is in each state — I know that they are now a national body, but I think they certainly still operate very much within their states, again possibly to the detriment of the organisation because I do not know that there is a lot of communication between states in those areas. That is a perception. There would be a perception that ICN does not necessarily communicate very well at a national level and its state bodies are very strongly state oriented. I am not sure if they have lost sight because of that.

Mr ATKINSON — What percentage of your members are not involved and perhaps not keen to get involved in export markets? In that context, you spoke about the Federal Government program, which I was also critical of, where they were just talking about sheer numbers — ‘We will increase to X number of exporters over a period’ — and did not count the carnage along the way of those who tried it once and said, ‘No, it’s all too hard’, and for all sorts of reasons never repeated. Have you got a handle on where some of your people are at in terms of preparedness to become involved in export markets and on a continuing basis?

Mr INFANTI — Yes. I could give you those figures categorically, because we have actually done surveys of our members and asked those similar questions. I can certainly pass that on.

Mr ATKINSON — That would be fantastic.

Mr INFANTI — I would suggest that the majority of our members are predominantly SMEs and a lot of them do not do export work or dabble in it without strong commitment. I would say that there is probably also a reasonable percentage that do not view it as something that would be core business to them and may detract from what they are doing here. They have their market here. Whilst they have to make sure that they can

compete globally to keep their local business, they are probably not looking at export markets. Then you have a fair chunk in the middle that need to know how they actually tap into the global supply chain.

The CHAIR — Thank you very much. On that positive note, we will conclude the questions for the afternoon. You will be sent a copy of the Hansard transcript to check for typographical corrections. You cannot change the substance of what you have said, obviously. Then that will go onto the internet. Thank you very much for your time and cooperation.

Committee adjourned.