

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into Manufacturing in Victoria

Melbourne — 18 August 2009

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Mr C. Melhem, Victorian State Secretary, and
Mr B. Crofts, Economist, Australian Workers' Union.

The CHAIR — The Economic Development and Infrastructure Committee welcomes Mr Cesar Melhem and Mr Brad Crofts from the Australian Workers Union. This afternoon we are gathering evidence for our inquiry into the manufacturing industry in Victoria. This is an all-party parliamentary committee, and evidence given is protected by parliamentary privilege. Could you each give your name, your position, the name of your organisation and the business address, please?

Mr MELHEM — My name is Cesar Melhem, and I am the Victorian Secretary of the Australian Workers' Union, 685 Spencer Street, West Melbourne.

Mr CROFTS — I am Brad Crofts, an economist with the AWU at the same address.

The CHAIR — Thank you very much. Despite suggestions you are going to talk for the next 40 minutes, can I suggest you limit your presentation to about 10 to 15 minutes, and we will ask questions at the end? We have been known to interrupt the train of thought of the presenters. If we do that, I apologise in advance.

Mr MELHEM — I will do better than that, Chair; I will probably restrict it to less than 5 minutes, then you can ask questions and we will give opinions on matters which you are inquiring into. For the record, we have prepared a submission which we have given you a copy of, so I do not intend to go through great detail as far as the submission is concerned. I will make a number of points I have made in the submission, and then I will be more than happy to answer questions and have a bit of engagement about the issues that are important to the AWU.

The global financial crisis has hastened the urgency for Victoria to secure manufacturing jobs as part of a long-term policy. We see that the government procurement policy, training and R and D policies will enable manufacturing to have the critical mass required to attract the international investment needed for the industry and jobs growth.

For the AWU Victorian branch, the global financial crisis and employment emergency are already affecting or threatening thousands of jobs of our members in the manufacturing industry. In response to that the AWU has formed an alliance, a historic alliance in our view, with the Australian Manufacturing Workers' Union. The two unions probably did not see eye to eye in the past, but one thing —

The CHAIR — Fair comment!

Mr MELHEM — Our common thing is we are the largest manufacturing unions in the country, and I think the figure comes to about 70 000 jobs lost.

Mr CROFTS — Over 70 000 — 77 000.

Mr MELHEM — Some 77 000 jobs were lost in the last 12 months. That is one thing we found very common between ourselves and the AMWU, so that is why we formed an alliance. We have started a campaign and are working together to try to advance the interests of manufacturing industry in Australia and Victoria in particular.

That has paid some dividends already, even though the alliance is only a couple of months old. We managed to work with the Federal Government in relation to various plans as part of the steel plan. With the Victorian Government we are on the transport infrastructure manufacturing scheme and also on the Victorian Industry Manufacturing Council. The steel industry is at a crisis point. I would say Victoria employs, directly and indirectly, close to about 10 000 workers. BlueScope Western Port employs about 1000 people. They have been running at less than 50 per cent capacity for close to 12 months. In a place like that BlueScope can make a decision, 'Why should we import rolls from Port Kembla and manufacture them down in Western Port when we can import them or make them at Port Kembla?'. The only reason they are here is to service the eastern seaboard, but if the capacity is not there, then they become unviable. That is why it is very important for us as a government and a community to encourage companies, consumers and government itself — government-funded projects — to use Australian steel.

For example, I was quite stressed the other day to see the development at Carlton Football Club using imported steel. That is a real shame. It is paid for by taxpayers. We could have done that here. We should not be apologetic about saying or demanding that this sort of project should use Australian steel. Other countries do it.

I mean, if the leader of the free world can do it and get away with it and we were supposed to be his sheriff or his agent in the Asia Pacific, why can we not do it? The Chinese do it.

We are not talking about going back to the protectionist days. I am not advocating that for a minute; I think that time is gone. But I think it is important to support our industry. It is important to us strategically and it is important to our security. It is important because if we lose the steel industry, basically our national security will be under threat. We are living on an island, and a lot of jobs will disappear as a result of that.

BlueScope today announced a loss of \$66 million for the last financial year. Last year its profit was hundreds of millions of dollars, so it is not good news, but the good news is that it is trying to climb out of it now, as we speak. But the support for the steel industry is vital. The AWU will be pressing that point. We have pressed that point with the national government.

Finally I would say that we are getting some positive responses from the current government, which has announced the Australian industry participation scheme and our industry capability network as well. The steel industry plan has been put together in the last couple of weeks. Federal manufacturing minister Kim Carr said if Australian steel is good for other countries to use, it is good for Australia to use and has encouraged federally funded projects to use Australian steel.

The other matter that I want to turn the Committee's attention to is, for example, our transport policy. It is a big, big ticket item for us, not as a union but as a community. The Brumby Government is looking at spending billions of dollars on public transport, which is a great effort. Unfortunately we have seen the construction of 38 trains awarded to a particular company and, although that company gave us the option of making them here or offshore, the Government chose to go with the offshore option because apparently delivery was supposed to occur six months earlier and cost a bit less, but the cost blew out. That is an unfortunate decision. That was for the first 20 trains. The subsequent order for the remaining 18 trains — —

The CHAIR — Did the cost blow-out end up matching what would have been the cost if they had been made here?

Mr MELHEM — I think it exceeded what would have been the cost if we actually made them here. I believe there was some stuff-up in the hedging process or something or the dollar was at a particular price.

The CHAIR — If you have any evidence on that, you might forward it to the Committee later.

Mr MELHEM — We are happy to provide you with evidence on that. Unfortunately because the first contract was already awarded when the order was put in for the remaining 18 trains, I believe the Government did not have much choice. I can quite understand that the second part of the order went again to the same provider, and some of it— only a small portion — will be made here, but the rest will still be made overseas. Having said that, I think it is important to now look forward, accept that has happened and see if we can learn from that.

In launching the manufacturing policy back in November last year, in the development of which the AWU played a major role, the Premier committed to approaching the Federal Government about creating a national sort of approach to the transport policy on the manufacturing of trams et cetera, because the economy of scale is very important.

The CHAIR — You are saying trams. Do you mean trains?

Mr MELHEM — Trains and trams. Actually Sydney is starting to use more trams these days, and South Australia is actually growing its tram network. But obviously our Victorian network is the biggest in the country. Basically it was about having the commonwealth coordinating the states. It is my understanding that COAG accepted the principle of it, but not much has happened in the last 12 months. It will be quite important for the state governments to go to the commonwealth via COAG and stress that we should start doing something now and start talking about it. We are talking about billions of dollars being invested in the public transport system, whether it be in the form of trains, trams or buses.

I think part of the terms of reference of this Committee is to find ways of attracting companies to invest in Australia and Victoria or to retain them. I want to use that as an example. We currently have a number of

companies in Victoria, and we know of at least two, that actually make trains and trams: Bombardier in Dandenong and United Rail in Ballarat, and I also include Alstom, which has an operation in New South Wales. We are Victorian, we do not want them, so let us talk about the Victorian companies that are able to invest in Victoria and create manufacturing jobs in Victoria.

We are able to go to these companies and say that as a nation our needs will be in the order of \$20 billion in the next five years. I believe that is a realistic figure, but we want these companies to invest in Victoria and manufacture these trains or trams; they would not have to order all these at once, but at least they could put a plan forward. I have no doubt that we would have an internationally competitive price and quality.

The AWU conducted research in relation to the cost, because one of the arguments we were putting was that if local content was included, it might cost us a bit more than what it would cost if we were going to import the product — this is in attachment A of our written submission — and we came up with a figure of 20 per cent of cost. So if a product cost \$1, we would pay \$1.20 for it as against an imported product that we might pay \$1 for, in terms of the budget bottom-line and the cost to the taxpayer the modelling showed clearly that it would still be a cost-neutral exercise. With what we are talking about there, the benefits would be seen in the areas of payroll, GST transactions, government savings on welfare payments, unemployment payments, health costs, just the savings associated with employment such as voluntary contributions, the aged pension, R and D expenditure, innovation expenditure, skills and training — the list goes on. If you put a price on all that stuff you find the benefit is more than 20 per cent.

Now other states have adopted a similar model. My understanding is that New South Wales adopted a model recently of the 20 per cent price difference. I know the Treasurer and Premier are not supportive of that approach — —

Ms THOMSON — It is because they have no money.

Mr MELHEM — But I think it is something we ought to think about, especially in the current situation. And it does not have to be a fixed position. This sort of position can change, but now we are at a crisis point. In the next 5 to 10 years if we do not save our manufacturing industry, it will all disappear. If you look at the size of our country, I do not think we can sustain being a service economy or being sort of ecotourist operators. We cannot sustain that. We need the heavy industry, we need the resource sector and we need the manufacturing jobs to maintain our living standard and our security.

I draw your attention to the current policy, for example, on the procurement of trains and trams. The Government announced a requirement for 40 per cent local content, but it has included maintenance in that figure. If you buy a train, for example, its lifespan is probably 10 to 15 years. Maintaining that train over that period of time will cost more than 40 per cent. So really if we go and import that train from Poland, which we are currently doing, and maintenance is included in that 40 per cent local content, if we maintain that train for the next 12 to 15 years, that is our 40 per cent. I say that is a false economy — it is bullshit. We have not been fair dinkum with that. I think the maintenance component should be taken out of that 40 per cent local content requirement. Let us be fair dinkum about it: if we want to do something, that is how we should do it; if not, well then let us not pretend. It is good spin, but that is about it.

I was pleased with the Premier's announcement that a project over \$250 million, whether it is trams, trains or whatever, will be declared a strategic project, therefore the local content and everything else is put in place. I think that is a great announcement, but the challenge for us is to make sure we do it properly, that we take full advantage of it and make sure that we fully apply that. The Government — or the State — will be judged on the next contract. For example, with the trams, it is over \$250 million, so the jury will be out to find that, whereas these trams and these companies that might be bidding for the job as far as I am concerned are all the same to me, because they will either make it here or import it.

But I think if we apply the spirit and what I believe was the intention of the Government when the announcement was made last year, there is no reason why these trams cannot be made here, because we have got the capability. If we did not have the capability or we did not have the skills, I could understand. They are some of the issues we have covered in our submission. As I said, I can go on and on, but I do not want to keep going. I will just leave it at that, and I am happy to answer any questions the Committee will have for me, and if I cannot answer them, that is why I have got Brad with me.

The CHAIR — First of all, I have got one in relation to any examples of any manufacturing businesses that took their manufacturing offshore and have brought it back to Victoria.

Mr MELHEM — I have not got an example right now, but I am sure I can take that on notice and bring it back to you or drop you a note in relation to that.

Mr CROFTS — We will see what we can find.

The CHAIR — If you find 1 or 2 or 10, we are interested in what were the factors that brought the manufacturing back to Victoria rather than offshore. Thank you.

Mr MELHEM — There is one but only for a short period of time and unfortunately we have lost them — Vestas Blades manufacturing. We managed to lure them back to Victoria some years ago, and they operated for about two and half years in Portland. Unfortunately they had to shut the door 18 months ago because they could not see the expansion coming as far as wind turbine energy was concerned. There has been a change of government at the federal level, and all governments now are saying, ‘We love wind energy’, and there is a lot of potential going forward, but unfortunately they are not there anymore, and they can import that product.

In fact the AWU is having discussions with that particular company. With the desalination plant, for example, a commitment of \$1.3 billion to build a wind farm in Portland is a great opportunity for them to come back and reopen the site in Portland. So hopefully that will be a good example. As a matter of fact that is another area where I think governments can actually, as part of the desalination project, make sure these blades are made here. We can make them here.

The CHAIR — In just flicking through your submission — I know you have just handed it to us — I thought I saw something on wind farms in this.

Ms THOMSON — There is a statement about green energy — solar, clean energy initiative.

The CHAIR — What have you got to say given that is going to be a significant area of manufacturing in the future, not only the wind turbines but also other green energy manufacturing?

Mr MELHEM — I will get Brad — he did a paper on that.

Mr CROFTS — Chair, because it is related to the wind issue in terms of new industry, you asked the question about what are the factors attracting firms to come back to Victoria. It does raise the issue of where the competition actually is for Victoria in both the advanced economies that have control over the IP and advanced management systems and technologies at the one end, and at the lower end, the low-cost end, the low-wage route but also becoming more sophisticated in their manufacturing capability. That is where the competition is, so in many ways that sort of outlines where the factors are that we need, through our policy response, to position Victoria to address. It has to do with how we best develop our capability and our capacities in relation to retaining IP and applying it here, how we best enhance management capabilities across the enterprise level.

An example, I suppose, of where we do have a comparative advantage and we can build on our natural strengths, but in a smart way, would be in the renewable energy sector. In an area where, with the stimulus being provided through the renewable energy target and Victoria’s own efforts in that regard, there is the prospect of a significant increase, an up-scaling, in the number of megawatt hours being generated through wind energy in the state.

It will be the first cab off the rank in terms of the expanded RET target nationally, and the issue is how best do we ensure that we maximise returns from that stimulus to the state. BlueScope Steel has conveyed to us that it has an interest in being able to provide a lot of the steel that goes into the towers and potentially the other aspects of the construction of the wind towers, and the multiplier benefits of the jobs created from the extra tonnage that flows from that is quite significant. The concern is whether or not they actually will get a fair go in terms of being able to supply for those projects.

The CHAIR — That is at the very heart of the question. Would you be recommending that the Federal Government insisted or the State Government required something else happen?

Mr MELHEM — I thought I covered that area, but, absolutely, I expect — and we should not be apologetic for this — and we should demand of the governments, state and federal, that any taxpayer-funded project should use Australian steel and Australian product where it is available. There is nothing wrong with that. Everybody shies away from it, but I think it is a must. If the US can do it, why can't we?

The CHAIR — I presume you mean Australian steel and then manufactured here — not Australian steel manufactured overseas?

Mr MELHEM — Absolutely — Australian steel manufactured here.

The CHAIR — I know I am leading you, but I just want to be specific.

Mr MELHEM — No, that is absolutely right. The other thing is that natural gas is going to be a major thing as far as meeting the renewable energy targets, and there is a lot of steel required to actually build a gas plant and so forth. We have got plenty of gas in Victoria, so why don't we explore all these avenues? We are building a gas plant in Mortlake, and probably we should build more of them. There is a lot of opportunities to actually use our natural resources and create more jobs in Victoria.

Mr CROFTS — And the flip side of that is the subsidised steel, potentially, which is available on the market and is coming in at prices that do not reflect the true cost of production, and where that is being used by project proponents in the place of or crowding out local steel, it is a real issue of concern for us as well and I think for a number of the manufacturers locally.

The CHAIR — Thank you.

Mr ATKINSON — Do you have a view on the quality and performance of those imported products that are coming in? Even trains and so forth — again, without wishing to lead you — I understand the maintenance demand of some of the imported trains is actually significantly higher than for the locally designed ones. I am interested in extending that. I notice you are into the manufacturing of a lot of heavy materials, often constructions materials, and we have some gantries and so forth coming in from China as well and New England steel and so forth. I am interested in whether or not you have formed on quality and performance standards of some of the products you are up against.

Mr MELHEM — I will give you an example of something I look at from my office every day: the Ferris wheel at Docklands. If we were to have used Australian steel — and this is what the experts are telling us today — we probably would not have the same problem. Australian steel, for example, to my understanding is of the best quality in the world. The Chinese are catching up as far as quantity goes, but I think there is still an issue with quality. You have to understand the Australian manufacturing industry for the last 20 years has reformed itself and become more competitive as far as quality and even price, and the technology is right up there.

The only way they will lose out to imports is on the quality issue. Sometimes you look at a construction site and you find how quickly a particular steel class rusts versus an Australian one. You can tell the difference. There is no question it is there. If we go and study it carefully and do a comparison between Australian-made product and the imported product, I think you will find there is far between. I am not saying you can have a better quality product imported. Yes, you can, but probably from places like Germany, Western Europe, the US, but you find probably they will be more expensive than our product.

In relation to the trains, I cannot give you an example of that at this point in time because some of the trains are not in service yet. I can only guess, and I would rather not guess — but, based on my experience, with the various projects the AWU get itself involved in there is a certainly a disparity between, as far as quality, the Australian-made product and imported product. There is no question about that.

The CHAIR — Would BlueScope be a witness that would enable us to ask those specific questions?

Ms THOMSON — BlueScope or OneSteel.

The CHAIR — BlueScope or OneSteel, yes. We might follow that up actually, because it would be useful for us to have some definitive evidence from a person whose credentials are well established in terms of quality of steel.

Mr ATKINSON — You talk to a lot of manufacturers — even looking at the categories that you cover in terms of your union coverage — and the proportion of wage costs would not be significant to many of these manufacturers compared with a range of other components in the manufacture. So I wonder whether, when you sit down and set aside the argy-bargy over labour issues, what are some of the things that they are telling you as partners in their business, in terms of trying to maintain a manufacturing base here in Australia, are the constraints, the things that are holding them back or really running them through the hoops as manufacturing organisations?

Mr MELHEM — I think there are a number of points. I do not think any reasonable Australian company would want to compete with an import based on labour costs, because I think that issue resolved itself 15 years ago, even though some of our major trading partners like China and India are catching up as far as their labour conditions, wages and safety and so forth are concerned.

They are catching up; they are not quite there yet. I think you will find most of the Australian businesses now have decided to compete based on quality and the product they are going to sell. They are going for the niche market. Obviously for them to stay in business long term they need to be given some protection — for example, dumping, which I failed to cover, but I think it is a major issue that has been faced by Australian businesses and Victorian businesses in particular in relation to manufacturing.

To run a dumping case, for example, will take years. What I am referring to there is that the real threat to us from offshore is capacity. Most of these companies have got huge capacity. They end with excess product, and they sell it at below cost. I will go back to the steel industry as an example, but it will be probably common to most other industries.

At one point of time a coil of steel was brought into Australia for below the cost of the raw material. The cost of the raw material is an international standard. So whether you buy it in China, India, Australia or the US you pay the same money for it. You can actually bring it to Australia for below the international or material cost. To run a dumping case it might take you two years, and during that process people give up. So therefore what governments can do to fast-track the process for how you can deal with dumping we need to give them the economy of scale. We need to be able to go these companies and say we are going to give you a lot of orders — there is a group called the South-East Melbourne Manufacturers Alliance.

Ms THOMSON — Yes, they have given a submission.

The CHAIR — They were here this morning.

Mr MELHEM — That is something we are considering talking to them a bit more about, looking at how we can group all these companies together and get them to feed from each other. We look at some models in the automotive industry and the automotive component.

Maybe that is something governments can do: let all these manufacturers talk to each other and feed from each other, because the economy of scale is very important. I think we addressed that. With red tape, I think we are not too bad at it now. We are really loosening up a lot of the red tape, whether it is at the commonwealth or the state level. We can have a fair bit of improvement on that, but it is not a major obstacle like it used to be, let's say, 5 or 10 years ago. Here the economy of scale is very important — dumping, we can stop dumping.

Ms THOMSON — Can I ask a couple of questions? I think this is a really good submission, having had a chance to read through it relatively quickly. There are a couple of issues in there and one other. I will start on the 'one other' first, because it came from a number of submissions. We are still getting the issue of wages and the cost of wages.

But the one that came up today that is a little different is the notion of industries that are cyclical and the issue around casual labour and the length of time you can hire someone as a casual. What would be the union's reaction in those kinds of industries and sectors where it is obviously cyclical? We are going through a global financial crisis, and on the issues around a company relying on a cyclical business, what would you do in those circumstances in relation to casual labour?

The other issue comes out of this document specifically. I have looked at the five national agenda action areas and they look very good. A couple of them stand out as areas that have been raised for us for attention. One is:

How best to develop the capability and proprietary intellectual property to grow a new generation of global firms anchored here in Australia including in the \$6 trillion low carbon and environmental goods and services industry.

I might add that I really like all five of them, but the two stand out for areas we have already been concerned about. The fourth point is:

How best for manufacturing firms and unions to work with schools, young Australians their parents teachers and communities to improve the image of our industry and attract the best and brightest to careers in manufacturing.

I understand that this is the commencement of a dialogue on solutions around that. What I am interested in is how you hope to engage that dialogue and at what levels and with whom, and the issue around where it goes from this point. I am interested in that.

The CHAIR — Do you want to let them answer those — —

Ms THOMSON — Sorry, answer those ones that I have outlined.

Mr MELHEM — I will answer the first one and I will ask Brad to answer the second one. In relation to labour flexibility and the cost and so forth, I do not think that is an issue in this day and age, and particularly the last 10 years. A lot of companies do engage a core workforce and they top up on a seasonal basis. That is not uncommon.

I will give you an example. One company, without giving the name, has won a big project to supply pipeline to the Sugarloaf project. It had 75 employees on casual for 18 months and 25 full-timers. That is a classic example. We did not go to war with them about that. But we might change our minds now with the next project, if they want a desalination project, and say, 'You need to put on more full-timers'.

What I am saying is that the flexibility is there. Unions have taken the view that we need to be flexible, and the flexible working arrangements are there and I think they will stay, notwithstanding the new legislation. I think unions have taken the view that we need to be flexible and encourage manufacturing to stay here, because otherwise we will be hypocrites.

We are here arguing for keeping manufacturing jobs and growing manufacturing jobs. As a matter of fact, there is a lot of talk about growth. My talk all the time is about keeping jobs, because we have to keep what we have first before we look at growing. If we can grow, that is a bonus.

The flexibility is there, and I do not see that changing. I can go to a list of companies where we have been very flexible. In fact, the biggest loser out of the global financial crisis is the labour hire industry. I said to my officials yesterday, when I had a meeting with them, 'The first sign is the labour hire companies are picking up more people' — that is the sign that we are getting out of the global financial crisis.

So the runs are on the board, but for any significant problem or issues, companies will have to discuss them with their workforce and unions, and I am sure they will find solutions. In relation to the second part, I will ask Brad to answer that. He has been doing a lot of work on that.

Mr CROFTS — The point being that the GFC has focused everyone's minds in terms of what we need to be thinking about: what are the core or key issues in terms of the problems that manufacturing is facing in the country; how, as Cesar said, we retain what we already have and the progress we have already made and the price we have already paid in actually getting to where we have got in restructuring manufacturing and having a competitive manufacturing sector; and how then do we build upon that?

One of the areas of focus for the new manufacturing alliance between the AWU and the AMWU is to work with the relevant stakeholders in manufacturing on developing a national action plan. You might not want to use the word 'plan', but it is a strategy for those who have a key interest in the manufacturing area for thinking about what our future is going to look like and to try to get a bit ahead of the curve.

We have focused on responding to the GFC, but now we have the opportunity of actually looking to build for the future in terms of our future recovery and prosperity, what role does manufacturing have, and what future is there for manufacturing within that kind of framework? That is where we work with industry in a very open and collegiate way, with unions in a non-demarkation sort of way and with all those who have a bearing in terms of spreading the word in relation to manufacturing needing to be energised.

Manufacturing, for all its good things in relation to quality and what it does well, probably does itself a disservice in terms of how it actually promotes itself. That is not saying anything except that it is just something that not a lot of time and attention has been devoted to up to this point because people are getting on with it, yet when, as you have probably done in the course of this inquiry, you pull back the cover, you can see the good work that people are doing in an industry performing well, with workers who are committed and all that and where productivity is actually being driven by commitment to manufacturing.

That is a very positive story, and we do ourselves a disservice, in my view, in terms of the policy-setting framework to not know more about that. It ultimately leads its way through the decision-making process, maybe in a way that is not best for the future of our manufacturing sector, because we make a number of assumptions about our relative competitiveness versus those who may be doing things a bit differently overseas, sort of thing.

There is a lot to do in that area, and it is something that the two unions involved in the alliance and I certainly know that the manufacturers themselves are very keen to engage in, whether it be with the Australian Steel Institute, which does a lot of this kind of advocacy work on behalf of the supply chain, from the manufacturers at the end to the fabricators and users of the steel product through to the ICNs and all the participants in the various promotional activities that we have.

So we need to somehow pull all that together, and one of the areas that we thought the Committee might like to think about in terms of where there is an area of more work to do is pulling some of the policy threads together. We have said this nationally as well, that there is a heck of a lot of different policies out there aiming to do a bit in relation to manufacturing at a certain point, but what does it all mean when we join it all up? What is it all adding up to, in other words, and is there a more strategic plan that we need to have that it feeds into in a way that we can have a bit more control over?

The CHAIR — Brad, how would you suggest this Committee does that, because promotion and energising the manufacturing industry is very much the focus of our work. We have spoken to a number of people individually and all peak bodies and trade unions. What we have not done is put a whole lot of heads together in one room and got them to brainstorm, because theoretically that is what we are supposed to do, but you have between you all centuries of experience, we have got our life experience plus this inquiry. Have you got a suggestion as to how we might do that?

Mr MELHEM — I think it is a very simple one, in my view, thinking about it. The manufacturing industry probably does not present itself as having sexy jobs, but if we do the research, the manufacturing industry jobs are actually well paid. We have got really well-paid jobs. I do not think we really sell that to young kids and schools. If my 10-year-old son in 10 years time wants to go and work in manufacturing instead of in a white-collar job, I think he can probably do better than a lawyer and some other professions. Some manufacturing jobs pay \$100 000 to \$150 000 a year.

The CHAIR — I know it is true, but why do we not have it the other way around, Cesar? Why do we not have some parents saying, 'My son might' — we flip it?

Mr MELHEM — I think we should.

The CHAIR — If we are successful in promoting manufacturing, it will not be seen as, 'They might be better off than being in a white-collar job'; we in fact will have the opposite, and we will feel sorry for the poor devils who have to work in white-collar jobs.

Mr MELHEM — I think we should educate them at school. Maybe there should be ads of people just telling a story — 'I work at a glassworks at Spotswood and I earn \$150 000 a year. I might do a bit of overtime but it is better than working as a clerical person or any other profession. I still get weekends off and stuff'. I think we just need to tell people out there. The facts are there but often we do not highlight them. I suppose it is about status as well — I think in terms of the old school about my son and daughter working in manufacturing environments or construction, for example. If you go to school, you get a degree and then work in a clerical/administrative-type job.

Ms THOMSON — Clean hands versus dirty hands.

Mr MELHEM — Yes, clean hands, dirty hands. I think there is a change in the community. I think a lot of young people are not really much about appearance any more, but I do not think we are quite there yet as far as saying, ‘It’s okay to be a plumber, an electrician, a manufacturing worker, a construction worker’. I think the pay is there and the — —

The CHAIR — You mentioned an ad. What other things have you got beside that?

Mr MELHEM — The other thing is an apprenticeship. A lot of people who are dropping out of school at year 10 or year 12 drift. We have lost the institutions. The SEC, for example, used to train thousands and thousands of apprentices.

The CHAIR — I am particularly thinking of manufacturing.

Mr MELHEM — Yes, I am going to link it to manufacturing, because these tradespeople work in the manufacturing industry or construction and various other things. I think we can go to people and say, ‘We are going to provide you with training which leads you to manufacturing through the TAFE system’, and start directing these young kids to manufacturing. I think we should tell the story about what manufacturing jobs involve.

We no longer work in a very heavy labour environment as far as manual work is concerned; a lot of that has been automated these days. They are not really hard labour jobs. You are operating machinery. Maybe we just need to start an advertising campaign for this industry.

Mr CROFTS — ‘Smart jobs lead to a clean economy’. That is the sort of message you could promote for manufacturing — these are smart jobs.

Ms THOMSON — I just want to go on from that because I think one of the things that is becoming very clear is that there are some initiatives happening around this space and in these areas — you have highlighted the five areas — but the trouble is that they are not disseminated more widely. They are not getting out there. They are being contained in small pockets.

I am going to ask you to give some thought to how you would progress the five points — because I think they are all excellent — and what forums you would need to put in place to proceed in doing that — and that is inclusive of everyone you would need to include to make it work. We will do it too. If you do not come back to us with stuff, that is fine, but it seems to me that there are a lot of little things that are happening that are really quite good, but others do not know what is going on.

It is now about how we ensure that we are getting the spread and the involvement of everyone who needs to be involved. I guess I am asking you, from your inside knowledge, who the players are who you need to involve to ensure we get that representative spread that you need to make it work. I noticed you have already had one success on your list of suggestions to the Federal Government in relation to ways forward, and that is in relation to the Buy Australia campaign; I think in the last few days that has just been announced as being funded, so congratulations.

My other question is in relation to workers working four days a week — one of the companies that came to visit us today also raised this issue, but from a different angle to this one, so I am really interested in this — and the notion of how you deal with those workers who are working four days a week, and what you do with the fifth day. You are suggesting some training opportunities within this, which is an interesting concept. Have you got any feedback from the feds in relation to that at all, or is it still early days?

Mr MELHEM — It is happening now in relation to vehicle manufacturers — —

Ms THOMSON — I knew it was happening in the car industry, but this is to increase it beyond that.

Mr MELHEM — In the event it was required, yes.

Ms THOMSON — Have you got agreement from the feds to take it beyond the vehicles?

Mr MELHEM — Not that I am aware of at this stage.

Ms THOMSON — But that is the intention with this proposal?

Mr CROFTS — It would be in certain industries, but there are a lot of industries. For example, going back to the steel industry, it has been working at about 50 per cent capacity but has taken the long-term view. Do not forget that 12 months ago we were struggling to find workers to work in these sorts of jobs. Therefore it has learnt from the past and used some of the reserve of the money, which has been made in the last 5 to 10 years, to carry people through. It is a combination of a reduction of hours of work, using annual leave, long service leave and various other things and training.

The training bit is already happening in the automotive industry, but we do not have a specific project outside the automotive industry where the governments, federal or state, are funding these sorts of training processes. It is something we are closely monitoring, and my understanding is that the Federal Government is willing to talk if the need arises in some of these strategic industries.

The CHAIR — Thank you very much. We appreciate your time and your submission. We appreciate the fact you have taken some items on notice, and we may be getting back to you with further clarification of some points raised. In about a fortnight, you will be receiving a copy of the transcript. Feel free to correct any typographical errors, but obviously not change the substance of your submission.

Committee adjourned.