

**ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE**

**Inquiry into Manufacturing in Victoria**

Melbourne — 6 August 2009

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Mr I. Harrison, Chief Executive, Australian Made Campaign Ltd.

**The CHAIR** — I extend a warm welcome to Mr Ian Harrison, Chief Executive, Australian Made Campaign Ltd. The Committee is an all-party parliamentary committee, and it is hearing evidence today on the Inquiry into Manufacturing in Victoria. We will be taking evidence, which is protected by parliamentary privilege, so any comments you make here are protected, but those made outside the hearing are not afforded such privilege.

Could you please state your name and business address and whether you are attending as a private citizen or as an organisation?

**Mr HARRISON** — Yes. I am Ian Harrison, Chief Executive of the Australian Made Campaign, and our business address is 161 Park Street, South Melbourne.

**The CHAIR** — Thank you. Your evidence will become public and will be put on our website. Would you like to make a verbal submission before we have an opportunity to ask you questions?

**Mr HARRISON** — I think that would be appropriate, because I was very late in putting forward some comments. I have tabled some documents this morning, but what I am seeking to do is just encourage the inquiry to give some consideration to the issue of branding product, because the experience of our organisation is that branding products as Australian, particularly in international markets but very much in the domestic market as well, encourages their take-up by consumers.

I will précis the document I have put forward. It is predicated on Australia's very strong nation brand. The Australian Made Campaign, for four and a half years, has conducted export activity in a range of countries. We do that in conjunction with the Federal Government — we get some financial support from it to do that — and it has helped us to understand clearly that the Australian brand carries a certain amount of value in overseas markets. Those markets have included North America, Asia, China, the Middle East and, more recently, the United Kingdom.

I will give you some background about the campaign just to put it on the record. It is a not-for-profit organisation, of course. The Australian Made logo was established by the Federal Government back in 1986, so it has 23 years now of market value, and its ownership was assigned across to this not-for-profit organisation in 2002, which is only seven years ago. The logo is a certification trademark, which means it carries certain rules with it, and its use on product and produce therefore conveys certain things about that product and produce, and it also clearly can only be used if the product and produce comply with those rules. The purpose of the logo is very simple; it is to establish a connection with Australia. All the research we have done says that it does that effectively, so it helps businesses in branding their products as Australian and helps consumers, wherever they might be — they can be anywhere around the world — to identify Australian product and produce.

It is very well known in Australia, with 95 per cent recognition. The trust factor is enormous — 86 per cent of Australians trust this logo more than any other country-of-origin symbol such as flags, maps or pictures of animals, so it has enormous market value in Australia. It has significantly less overseas, but the challenge for all of us is to grow that, and certainly our research shows that we have a good starting point because consumer research done in Bangkok and Los Angeles over three years clearly showed that those who had never even seen the brand before saw it as an official symbol and as a symbol that would be strong, simple and official and therefore, they thought, trustworthy.

The campaign has about 1500 licensees at the moment — that is, companies that are licensed to use the symbol — and 500 or thereabouts are in Victoria. It is used on about 10 000 products, so it has very broad application. It is a certification trademark across all 34 classes of goods, so it can equally rest on an apple as it can sit on a set of disc brakes for a motor car.

In terms of our number of licensees, the campaign has grown very strongly in the last four and a half years, and we have actually seen a 70 per cent increase in the number of licensees using the symbol.

**The CHAIR** — Over how long?

**Mr HARRISON** — Four and a half years. I will not dwell too heavily on it, but the reason for that is that this campaign was head-officed in Canberra until we brought it to Melbourne in 2005, and when it was in Canberra it was run out of another office. I think they did not have that much of a market focus, so we relocated it to Melbourne. I think we have established a strong messaging, which is that the logo is all about the product that it is sitting on rather than invoking a philosophy where you put your hand on your heart and think of the kids, the country and the future, and buy Australian.

Our marketing pitch is that the products that carry this symbol are good products. It is not a quality mark, but it certainly has that implication overseas, because Australia is recognised as high quality, high standards, clean, green and those sorts of attributes — we all know that. In Australia we see the need to promote to Australians that they should be very proud of the product and produce that comes from our country; many people around the world are, and we should be as well.

We have done those sorts of things, and in the last four and a half years we have had quite fantastic growth, with spectacular growth over the last eight or nine months because of the global uncertainty in the world economy coupled with issues like Pacific Brands announcing earlier this year that it would export 1800 jobs. At that time we saw a 43 per cent increase over 2008–09, in the number of companies that actually applied to use the symbol on products. So when you net that off with some going out the back door and deciding not to renew for all sorts of reasons, the net growth still has been quite spectacular over the last four years, which is the time we have been in Melbourne. It sort of repositioned the campaign. That is the point I am trying to make.

We have had great support from some significant retailers. We extended the campaign to include the Australian Grown label, which was a Federal Government initiative in 2007. We presented to its working party, and that body decided to use the green and gold triangle. At that time Woolworths joined the campaign as a licensee and a campaign partner, Coles was an existing licensee and became a campaign partner and ALDI came in as a licensee, so we really got quite spectacular promotion happening.

You would have seen, certainly in Victoria, that Bev Marks was very aggressive with its identification for bedding and related products that are all Australian made. In terms of Harvey Norman, Gerry Harvey has been very aggressive about buying Australian made, as has Forty Winks, so we have had great support from retailers. Whilst our own promotional campaign was rated in excess of \$3 million last year, the collective campaign, if we can put a dollar value on the support we get from those who use or promote the symbol, would be quite spectacular.

At the same time we have broadened the impact of the campaign to local government. We have sought relationships with a number of bodies in Victoria. We seek to roll out nationally, but our first focus has been Victoria, as I have mentioned. Ballarat, Darebin, Horsham, Hume, Melbourne, Moreland and the shire of Mornington Peninsula are all what we call campaign supporters. That just says that as a body they want to work with us in identifying the goals and ethos of the campaign.

We are heavily export focused, inasmuch as 45 per cent of our licensees export, which is quite a long way above the accepted level of 24 or 25 per cent of the business population generally. For a few years now we have been campaigning for a global product symbol for Australia. There is not one at the moment. If you export product or produce out of this country, you select a symbol that you might want to use. Kangaroos appear as a common theme; the flag — but it does not work;

maps of Australia do not work; pictures of boomerangs do not work. Research in the markets around the world shows that the kangaroo stands apart, and we should use that.

We are very strongly of the view that we should have an official symbol, because if we have an official symbol in the public sector as well as the private sector, it would work towards this promotion. That is an important part.

**The CHAIR** — Can I interrupt you? What is the difference between the symbol you are referring to in the future and the current one, and why can the current one not be the future one?

**Mr HARRISON** — We strongly believe the current one should be the future one. We do not have an official symbol, inasmuch as the public sector or the government does not have an agreed or an official symbol. They have not actually endorsed this.

**The CHAIR** — So this would be exporting service industries you are talking about or intellectual property of government — is that what you are talking about? I have lost what you are trying to convey in relation to the government and, I presume, exporting government or services.

**Mr HARRISON** — No. The Federal Government body, Austrade — this is to do with Austrade — runs functions around the world to promote Australian goods: trade fairs, retail promotions and things like that. When we work with it we use the symbol for branding, and we pay for the right to do that when we do those sorts of things. When we are not there, which is most of the time because there are only a few of us and there are a whole lot of them, they use all sorts of branding for their trade shows.

There is a thing called Brand Australia, which is the Tourism Australia brand. That is used as the template for Austrade in the branding it does for pavilions at trade shows. We identified this weakness with the Mortimer review of trade policies last year. We argued, with success, that it is a tourism brand, and a very good one. I am not critical of it as a tourism brand at all, but it should not then be pretended that it relates to the sale of product and produce. It is a symbol; it is an emblem that is meant to capture some of the excitement of Australia as a tourism destination — the colours, the kangaroo with the sun on its back, all those sorts of things. What the AMAG symbol does is actually appear on products; it is on labels and it is on packaging. So our argument is that we should construct a connection between the imagery we use at a trade show and when somebody actually goes shopping. They might see the product and recall that they have seen the label at a promotion or a trade show and buy the product — but at least they are aware that the product is Australian, whether they are in a supermarket or at a wholesaler or at a trade event or whatever it is.

Consistency of branding is the critical thing we are seeking to achieve. We will only get that if we have a logo that the public sector collectively promotes as well as the private sector, and that is the real thrust of our argument as to why we should have an official symbol. Picking up on your question a few moments ago, we could then go on to say, ‘Of course it should be this symbol’, but in our submissions to Mortimer we said there are two things here: one is the decision to have such a symbol and the second is deciding what it should be. The second decision evokes a bit more debate, because there are a few different views about what the symbol should be. Other groups have their own symbols. But we are looking to have the first matter resolved, and fortunately Mortimer came down and recommended it and the federal minister is now undertaking a review — no, he isn’t, he has got a project to establish a nation brand for Australia.

**Mr ATKINSON** — Ian, could we go to some questions, as we have the submission and there is a fair awareness of the Australian Made campaign.

**The CHAIR** — Ian, can you conclude your comments so that we can go to questions?

**Mr ATKINSON** — Can I just explain why I want to move on, because I do not want to truncate you in some ways, but I am keen to understand your discussions with manufacturers

when you sit down to talk about Australian Made rather than the value of the branding and so forth which to some extent, for me, is a given. I understand what you have said, and I think it is really positive, but as I said I am really interested in your experience with manufacturers when you sit down to talk to them about their problems and how you are helping them and how they see your symbol, rather than necessarily the value of the symbol itself, which I think is understood and is represented in your submission.

**Mr HARRISON** — Certainly. I will conclude just by saying that I was heading towards the idea that Victoria might as a state work with Australian Made in Victoria, and I actually sent some mock-up pictures through. I was coming back to the idea that the state may take a position in the context of the Australian branding that is consistent with what we are trying to do nationally. I will harp on the word ‘consistency’ over and over.

I have a long background as a representative of manufacturing-type sectors, and it is one of those half-baked truths that we are very poor at selling ourselves. It is one of the genuine criticisms that can be levelled at Australian industries: they are not very effective at selling themselves. The Americans have an arrogance that comes through in the way they present themselves; Australians are self-deprecating. We just move in on quality, move in on surety and all the things that we should do. We focus on innovation, which is important; we focus on quality; we focus on actually doing the job rather than overselling ourselves.

We say you should put a bit more effort into promoting the product that you are producing, whether it is a finished product or whether it is an intermediate good. But in that context the first question we ask companies is: ‘Do you think it will help the sale of your product to be recognised as Australian?’. The answer to that determines the next step. If I went down to Port Melbourne and talked to General Motors Holden about selling Commodores into America dressed up as Pontiac GTOs, the answer clearly is no. They want a local person over there to think it was built at Flint, Michigan, where the motor car universe stops. But if the answer is yes, then we say, ‘Okay, what do you do about trying to cash in on the fact that being Australian is important to the sale of your product?’. If it is an SME and they are trying to sell some product in Los Angeles or Bangkok, then their brand is unknown. The Australian brand, interestingly, is unknown if you go too far into the middle of America. We did a major survey over there in 2005 and one-third of the people who answered the survey did not have views about Australia — and that was in Los Angeles. If you travelled inland to the mid-belt of the US, it would be interesting.

So we say to companies, ‘In that context your own brand has limited understanding, but the Australian brand gives you a first step on the ladder’. The company I referred to a while ago — —

**The CHAIR** — Can you finish up so we can ask some questions?

**Mr HARRISON** — The company that was selling the water in Taiwan that I spoke about a while ago send their labels up to the 7-Eleven supermarket chain, which is the biggest in the world. They send their labels up, and they get comments back every time they do this branding — ‘Move this around, move that around’ — and the one comment that comes back constantly is, ‘Do not reduce the size of the Australian-made logo on your product, and if you can get it in the middle of the front, do that’. This is because the 7-Eleven people, the retailers, know that it has power in terms of the consumer walking past the shelf and picking up a product. That, to me, is some of the very good feedback in terms of a retailer saying to a manufacturer, ‘If being Australian is important’, as it is in that case, ‘then do not shy away, do not put the logo on the back’. Companies tell me that the symbol does not work, and I ask them, ‘What do you do with it?’. They say, ‘We have it on the back, down at the bottom by the contents’. I say, ‘If it is a key point, be aggressive about it and be aggressive about the fact that it is Australian’.

Now, what are the things they need? Of course if you give any manufacturer half a chance, they will talk about payroll tax, they will talk about workers compensation, they will talk about

environmental considerations and they will talk about labour shortages, skill supplies and so on and so forth. I have a sordid history, a long history, on those sorts of issues.

Branding is the issue that I have now focused on for five years. It really is interesting to recognise that we do not do enough — we simply do not do enough to sell the benefits of being Australian. Our international campaigns have moved from Barry Crocker to Paul Hogan so Steve Irwin and to Lara Bingle more recently. We do not ever talk about innovative, creative, high-quality manufacturing operations. We do not talk about the research capacities we have. We know we have got them here; we just keep that to ourselves. Brand Australia was rated the no. 1 nation brand in the world, which it was, in 2005. It is usually no. 5 or 6 now, a bit lower down the list. It is because of our stability of government, our perceived clean and green environment, our nice people and our sporting prowess and all that sort of stuff. It is not actually because of our exports and what they know about us as a sophisticated manufacturing economy, because they do not know that. And they are the issues that we have taken up with the Federal Government about an overall branding program properly resourced to get the message out.

I do not know if I have answered the broader question, Bruce, but that is in the context of my experience about this issue of branding.

**Mr ATKINSON** — Can I come to a couple of things. I will just make a comment first. It was interesting when you talked about retailers like Woolworths and Aldi. To me that is almost like sleeping with the enemy, because frankly, whilst these companies might well be promoting some select products for a promotional advantage with the consumer, they are actively and aggressively going overseas to direct source from anybody they can possibly get a better price from, and hang the Australian producers, be they farmers, manufacturers or whatever. I think their long-term commitment to and long-term partnership with your campaign are fraught.

**Mr HARRISON** — You do not want me to comment on that, do you?

**Mr ATKINSON** — You can if you like. First of all, how many of the licensees now are manufacturers? You said 500 in Victoria are licensees; how many of those would be from the manufacturing sector?

**Mr HARRISON** — A great majority. We keep our statistics separate. The Australian Grown label has probably only about 90 or 100 licensees. We have not picked up all the grape growers and the avocado people, but by having Woolworths, Coles and Aldi we have covered 85 per cent of the fresh produce market. We sort of walked into a little bit of a blind alley on that one. The great majority of our licensees and the increase in our licensees are in manufactured product.

**Mr ATKINSON** — Of the significant increase in membership that you have had in recent years, particularly in the last eight or nine months, what percentage of those companies would be new companies, new entrants to manufacturing that have decided they need to associate with Australian Made as part of their establishment and growth strategy?

**Mr HARRISON** — I cannot answer that for sure, but I can say the great majority are small companies.

**Mr ATKINSON** — Is it possible for you to check and come back to us with a figure?

**Mr HARRISON** — I do not know that we collect statistics on whether they are a newly formed company, but if they are a minimum subscriber to us, if we go down to a low enough sales level, we can probably deduce that they are either start-ups or very small. Companies pay a licence fee to us. Our income source is licence fees. We do not get government moneys, incidentally, if you did not know that. The range of fees is from \$250 per annum plus GST to \$20 000 per annum, and it is at the rate of \$1 per \$1000 or one-tenth of a per cent of the sales of the product that you are going to use the logo with. So if a company makes these and these, jugs and glasses, but wants to use the symbol only on the glasses, then it will declare only the sale of its glasses.

Where I am heading to with this is that it is possible for a company that might have a turnover of \$20 million which introduces a new product line — as exactly happened here a couple of years ago — to want to use the symbol to tell the market that this product line is not imported, although many would have thought it would have been. It paid us \$290 or something because its forecast was for \$290 000 of sales, yet it is a \$20 million company. So I cannot automatically look. But the great majority of our licensees are small businesses. They come in and pay \$250. I think they could easily have a lot of start-ups — certainly new products, which is probably the same and is what I think you are asking. They decide to make beads or belts or something and they are going into the market and they come to us and they use our symbol on that product.

**Mr ATKINSON** — Do you keep statistics between new products and existing products that are being branded or that are perhaps meeting new competition in the market and they really want to establish that differentiation? Do you keep those sorts of statistics?

**Mr HARRISON** — Our database is products. The extent we can analyse it, I am not sure about. Are you asking that if I look at all the new ones that came in and then look their products I can get a feel for the new products that the logo is being used on? We could analyse that. I had better be careful or someone back in the office will shoot me.

**Mr ATKINSON** — Where I am trying to dig is to understand what the manufacturers are thinking, where they are going with it and the value they place on it in terms of new product development and so forth, and whether in their view the strength of the branding is either a defensive strategy here to keep themselves going or an offensive strategy to actually build, grow.

**Mr HARRISON** — Could I just add one comment in answer to what people tell me. A recurring view of business is that they should not have to pay for this. It is a small fee, but they should not have to pay for it. That puts it in that big grab bag of taxes and all other costs. I tell them, ‘I want to be part of the solution, not part of the problem’, and I believe the cost is minimal in terms of the advantage that derives from it.

**The CHAIR** — Advertising, certainly.

**Mr HARRISON** — But it is an interesting view. They say, ‘I am here, I am manufacturing, I am doing all the things in Australia, I’m trying to compete with imports’, or ‘I’m trying to export, now I have to pay for the symbol to say I’m Australian’. I have empathy for them, although I also believe they have to put some money in. But anyway, that was the other point I had not mentioned earlier.

**The CHAIR** — I have two questions that I want some comment on. The first is: are you aware of companies that have previously manufactured overseas and have decided that it is in their business interest to recommence their manufacturing base here?

**Mr HARRISON** — Yes, I am. I am aware of companies bringing product back into Australia because of the changing circumstances.

**The CHAIR** — Are there any of those which you could explain to us why they have brought their business back to Australia? I would really appreciate examples that we could have on the record. If you need to check with people afterwards, you can take some of it as a question on notice. I come to an example in Coburg where someone had manufactured overseas and they are bringing their manufacturing back to Victoria for a whole range of reasons, which they can give testimony on. What are some of the companies that have come back, what are some of the products that have come back to manufacturing in Australia, and why?

**Mr HARRISON** — I would have to take it on notice for specifics, but certainly we have seen a fair bit in the furnishing sector. We understand why they went offshore in the first place — they are pursuing a lower cost base. But when they have struggled with the supply chain, they have been damaged by the movement of the exchange rate, they have difficulties with warranties and

they have difficulties with quality, they do the hard analysis and work out it is probably better to manufacture the product in Australia. If they can be innovative and are operating in niche markets, then they have greater flexibility in Australia. One of the catchcries that we use in the furnishing sector now is, 'Customise, don't compromise'. In other words, the Harvey Normans of the world can sell a lounge suite to you and me and we can pick the fabric we want to sit on, we can pick the colours — we can do these things because they know it is made down the road and there are fabric options. If the things come in a container from China, then you can buy that or not buy that.

So there is a range of business factors that come to play. Certainly costs have moved significantly in places like China. I had a discussion not that long ago with senior people at Harvey Norman, and they asked me what our experience was in terms of companies talking to us about costs. Because a lot of companies import lines as well as manufacture here. The Bonds thing with Pacific Brands was interesting. They are exporting the remaining singlets and underwear, whereas the stuff they have been promoting with Pat Rafter and Sarah O'Hare is all imported and it has always been imported. I am a bit cross about the publicity that they ran on that, because it was really selective reporting, I thought, by the company.

The condition of being an importer — it is either that you are the sole supplier, which a lot of retailers have become, or it is to augment your own production capacity here in Victoria, which a lot of manufacturers did — means it comes under the scrutiny of, 'Is it just too hard? Am I actually going forwards or backwards?'. When you get monthly increases in costs out of China, which is certainly what Gerry Harvey told me they were getting, then you think, 'Well, maybe it is just getting harder and harder', in which case you look at the Australian market and decide it is a good place to be, when the dollar went down to the low US60-cent mark recently. Now it is back up near the mid-80s, which is a bit scary — at those levels it starts to get very hard for Australian manufacturers; they become cost uncompetitive. One of the companies in South Australia that manufactures product and has been exporter of the year, which is one of the awards we have sponsored at the national export awards a couple of times, told me that if it goes to the high 80s, we are in trouble. He manufactures mirrors and sells them in American markets. The firm is owned by a German company now. When it was at 95 or 96, I imagine they were bleeding badly.

**The CHAIR** — If I can summarise — the skills base, the exchange rate, the warranty, the supply chain, the niche market and the ability to customise.

**Mr HARRISON** — And quality.

**The CHAIR** — And quality, right. If you could provide us with some examples of companies, we would really appreciate it. I want to get firsthand evidence from the companies of why they have brought the manufacturing base to Victoria or Australia. The other question I have got is in relation to local government.

**Mr HARRISON** — Can I just put one other point, which is third party inasmuch as it was not me who was talking to the company: I was talking to the guy who was the boss of Invest Australia in Canberra a couple of years ago, and he made a comment to me saying that he was dealing with Indian companies and he inquired as to how the logo could apply to software and websites and so forth. I assured him it can be used for their products. He saw it as valuable, because he had had it said to him by companies he was then trying to attract to Australia from India that they would want to get into Australia and then export their product out of Australia and use the Australian Made attribute as a major selling tool. They could see that going into Asia they would be better placed; their product and their process would be more highly regarded if it were seen to be Australian than if it were seen to be coming from — in this case the company is a significant company in India. That was an interesting point. He volunteered that to me, and I thought, 'I can actually understand that. If I were selling products and wanted to trade on Australia's good reputation — the high standards in food products, our clean, green stuff or whatever — —



They are attributes that you should give the right sort of value to, whether you give them up to go and be a manufacturer somewhere else or whether you actually hold on to them here and advertise that and market it, which goes back to what I started out on.

**Mr ATKINSON** — Was their intention to actually just be a post box out of Australia to use the logo, or were they actually going to do the development of the software here?

**Mr HARRISON** — They cannot use the logo unless they actually produce the product in Australia. No, they were actually making a conscious decision — they were working with Invest Australia to sort out whether they would invest in this country and then be seen to be an Australian manufacturer selling their product into Asia, which was their market.

**Mr ATKINSON** — I hope it was not Satyam.

**The CHAIR** — Can you tell us a little about that and how local government is promoting business? Is it promoting business only within its LGA or is it promoting statewide or nationwide Australian made, Australian product.

**Mr HARRISON** — At this stage our relationship is with individual local government entities. Therefore their focus would tend to be their own area of interest.

**The CHAIR** — How have they done that?

**Mr HARRISON** — They have policies that seek to present them to their existing business base, and they will hopefully attract new business into their business base. They want to make it clear that they support Australian manufacturing and local jobs and the skills base and so on that flow from that. They would be seen to be a business-friendly environment, so that the existing businesses, as I say, would not want to go somewhere else where they think they might get better support from and mobile business investment might see their place as an attractive place to come and work.

A number of other governments are also increasingly active internationally. They take missions offshore. What we have said to them is, 'You really should think about an overall branding, and the Australian brand is the single brand you should take. If you then distil it down either into a state or region or even a local government level, that is fine in terms of the relationships that you build offshore, but do not go away with a brand that — Darebin is a good local government name here in Melbourne, but it would be poorly known somewhere else'. We offer the relationship so that the government body can add it as another tool in its own box of offerings to its local community.

**The CHAIR** — My final question relates to access to finance and financial advisers' comments to their clients. Have we moved from a significant percentage of the financial sector thinking it is cheaper and better to manufacture overseas? I would have thought a decade ago people would say, 'It's a no-brainer. Why don't you go overseas. Why don't you manufacture overseas?'. Has there been any shift or is the financial sector still significantly of the view that manufacturing is best done overseas? That is relevant when you are trying to get a product and a business operational, because if you cannot get finance, you have got very limited opportunities for the future.

**Mr HARRISON** — I think that is a real challenge. Business advisers — if you are a fully paid, signed-up member of the Michael Porter school of comparative economics, then it is hard to say you should be manufacturing Bonds singlets and underwear in Sydney rather than in some province of China. They had an advisory firm in that organisation for 18 months before they made that announcement, which I thought was extreme, because you could have written it on the day 2. I know the advisory firm and the signed-up members of the Michael Porter school. I think the business advice is, 'Let us look at costs, costs, costs, costs'.

**Mr ATKINSON** — That was Boston Consulting, wasn't it?

**Mr HARRISON** — No, it was not Boston; it was — I have just forgotten the name for the moment.

**Mr ATKINSON** — Can you let us know later? Because we might talk to them too, not specifically in relation to that client, but more broadly on some of their thinking and experience. McKinsey?

**Mr HARRISON** — McKinsey. You might remember that what Pacific Brands came out and said was, 'We are saving 7000 jobs and letting 1800 go'. That was Sue Morphet's position. That was some structural adjustment program they had! I worry about the financial sector. Coming back from the business advisory group to the financial sector, where the perception I think still would strongly exist that it is a more difficult environment in Australia to manufacture product than these low-cost, offshore — —

**The CHAIR** — Exactly.

**Mr HARRISON** — It is just a slow, hard slog to actually bring up the issues that I referred to earlier. It is not as easy as it sounds to be a manufacturer offshore. If you are making a very low-value, high-volume product that consumers do not worry too much about, and I suppose that is the argument with undergarments, then you have to churn them out by the billions and bring them down in containers and put them on shelves at five for \$3 or something. But if we are making product that has some value, then consumers need to think about the value they are looking for, and we need to get the sense of all that across to the financiers so they can see that there is a market. Ultimately all this stuff revolves around the consumer — people go shopping and they buy things. I buy Australian cars; other people buy an imported car and they have a lot of reasons to doing that. Fortunately the new Falcons remove safety as one of them — they have a 5-star rating. There was a time when people bought Volvos because they felt they were making an investment in the safety of their kids. That is a lot of years ago.

**The CHAIR** — Could you have a think about where we could take this financial sector line of questioning and who we could bring in? I am hearing from the limited number of manufacturers I have dealt with that financial advisers and the financial sector believe it is a no-brainer to go overseas for manufacturing. Until we dispel the myth that is ingrained in their consciousness, we are in deep trouble in getting the finance required to manufacture or re-establish our base here in Victoria. A final comment or question?

**Mr ATKINSON** — Maybe not final, we have 5 minutes. In terms of the manufacturing sector, you mention the furnishing trades have brought back more manufacturing to Australia. That is fairly much a cottage industry and most of them were not geared to go overseas in the first place, so there are other issues with that industry as well. What are some of the key manufacturing sectors, from your profile of licensees, that you would say have a real future in Victoria?

**Mr HARRISON** — A comment on the cottage industry, there are about 75 000 people employed in furniture and bedding manufacturing in Australia.

**Mr ATKINSON** — I do not describe them myself as a cottage industry.

**The CHAIR** — They do not where I was the other day.

**Mr HARRISON** — It is a very sophisticated industry and we use a lot of these things, beds and so forth.

**Mr ATKINSON** — These tables are probably made overseas.

**Mr HARRISON** — We did not talk about government procurement policy. I have a view about that, too, by the way. It is strategic.

Certainly the obvious one is food-related: the processing of foods and the packaging and processing of food to me is a clear winner. Look, I still have a strong faith in the automotive sector in Victoria, and I am a South Australian — I carry that with me across the border — because of the important innovations and technologies that are embedded in the industry and that come out of that sector and underpin many other parts of manufacturing. And the defence sector, of course. We move aside from a lot of the flat-earth, buy-at-the-lowest-price thinking in defence. We build product here for strategic reasons, and we could no doubt buy most of the destroyers and frigates on the world market a lot cheaper than we can manufacture them.

I think automotive; and I would put rail and that sort of product in the same basket. I was asked to comment the other day about a shipment of 80 — or some number like that — rail cars arriving into Newcastle for the New South Wales Government. One of the radio stations rang me because the irony was inescapable; they used to make those things there. I know we used to make rail cars and locomotives in South Australia at one of the big companies in the heavy engineering group. There are industries like that that are worth investing in from a society point of view and a community point of view. There are security issues and strategic issues that relate to them, and that is where I think government procurement in particular has a very, very clear role. We need to look at procurement policies inasmuch as how we are investing as a consequence of those procurements in our manufacturing sectors.

The government has to be a demanding customer: it has to insist on time lines, quality, standards and design. It actually has to go there with the view that when the contract is concluded, there is a more effective, more efficient, more competitive world manufacturing entity left as a result of that contract that might then win the next contract at a much lower rate or win a project overseas.

I think food is certainly, but I think the high-level technology is another one; every country in the world is pursuing technology. This state has some tremendous attributes. I know nothing at all about nanotechnologies but I presume that those sorts of things will dominate our lives in the future. What will be the profile of manufacturing or our economy in 10 years time? You have to be futurist to go that far these days.

**Mr ATKINSON** — Last question. You have mentioned government procurement policies; you mentioned earlier that in some of the discussions you had with manufacturing or your observation of the manufacturing sector requirements included in their aspirational list would be the removal of payroll tax, reduced taxes, relaxation of environmental constraints and so forth. Apart from achieving consistency in branding and perhaps supporting the sorts of initiatives you are involved in, which is understood and given and we have spent some time on that which has been positive, from your vantage point, what are the most important things that a state government such as Victoria's could do in terms of nurturing and helping to sustain and grow our manufacturing industry in Victoria?

**Mr HARRISON** — I think it would be any measures you can take to minimise the high-profile cost imposts that relate to the employment of people. If there is a single issue that strikes at the heart of why we operate here or we operate somewhere else, it is that we employ people here, we pay the wages — and I think people are happy enough with the wages because that underpins our society. But when we then have loadings on top of those wages, it just drives the cost issue disproportionately in the thinking of the investors. I am not just talking about payroll tax but also the costs associated with workers compensation.

**Mr ATKINSON** — Long service leave.

**Mr HARRISON** — The loadings. You know that if you go away overseas you will still pay wages and they will be a lot lower but you will not have all this other stuff as well. To me it drives

the bad aspect of it disproportionately. Other measures are creativity, innovation, support in research and development centres — the sorts of things that help businesses become better at what they are trying to do — and certainly technologically. That is important; that is infrastructure, that is support. That flows through the skills centres. Victoria is very well equipped as I understand it in the training that is offered through the TAFE sectors and so forth. There is enough effort there — there can always be more because it is always a challenge to get the skills required to underpin the new technologies in any business. The thing about the new bit of equipment that gets developed somewhere is that you have to have people who are able to understand it and work it.

But it is those on-costs and those loadings, not just the long service leave but the on-costs, that build up. I have sat at so many tables with businessmen over the years and if a discussion gets going you just throw workers compensation on the table or mention in passing payroll tax and it is a flame. These things sit as flag posts that we could remove and move beyond and bring the discussion away from that sort of thing back into marketing or back into innovation or back into how we are building up the overall capacity of our sectors rather than thinning them out. Those sorts of discussions are more productive than the ones about payroll tax and so forth. But they dominate, and they know that they can go somewhere else and not have any of that to worry about. I think it is not just perception, it is reality, but it is unduly profiled to my thinking.

**The CHAIR** — Thank you, Mr Harrison. That brings us to the conclusion of your evidence and the questions. You will receive a copy of the transcript from Hansard in about a week's time and you have the opportunity to correct typographical errors but obviously you cannot change the substance of your submission.

**Witness withdrew.**