



Australian Citizens Party

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MEDIA RELEASE

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Australia's engineering sector has pent up potential—just add CEFC funding!

'Some of these businesses will fail, but 10 will become bigger than BHP!'

A Clean Energy Finance Corporation (CEFC) repurposed into an emergency national investment bank would unleash an industrial boom in Australia—just when it's needed most. Australia's independent engineering sector represents an enormous, pent-up potential just waiting for national support to turn the ideas into production that will create employment and national wealth. To realise this potential, Australians should support the Member for Kennedy Bob Katter's bill to amend the CEFC legislation so it can act as a national investment bank to drive Australia's economic recovery.

The Morrison government is borrowing and spending hundreds of billions of dollars for the national response to the coronavirus pandemic, including \$130 billion to pay businesses and their employees to do nothing. Yet among essential businesses that have stayed open, many that are involved in industrial production have never been busier. According to people in those industries, the reason is that the global pandemic has forced business and industry to source their supplies locally as much as possible. Policies to encourage local procurement, including by federal, state and local governments, which are huge consumers, will provide a base level of local demand that fosters a revival of domestic industries going forward.

What Australia's independent engineering sector really needs though is funding: investment to back their production ideas. For too long the banks haven't been prepared to finance such businesses, as they have only been interested in mortgage lending. Consequently, Australia has been missing out on amazing opportunities. The potential of the sector was explained to the Citizens Party by an industry veteran who has been a pioneer in high-technology, CNC-aided engineering.

Given the government was spending hundreds of billions to pay people to do nothing, he said, this is a unique opportunity to take a chance on industry. If the government gave just \$5 billion of it to 1,000 engineering firms (\$5 million each on average), with the requirement they invest only in their businesses to start or expand production, at least the country will get production and jobs out of it: "If the government is giving money away, at least give some to businesses who will make something!"

The potential is much greater though, he emphasised: "Some of these businesses will fail, but 10 will become bigger than BHP!" He explained that engineers can be obsessive, spending all their effort on perfecting their products and inventions, to make them better than anybody else's. The stress of worrying about money is a killer to that process, but they find it almost impossible to get support in Australia, not from the banks, nor from the government. In fact, there are numerous examples of Australian engineering firms getting poached by governments of other countries. One Melbourne firm that couldn't get local support for its invention was offered a loan of almost \$100 million by a Canadian government development bank on the condition it moved production to Quebec. That firm is now so successful it has been poached by the USA, where it employs 2,000 people in a city in Florida. Meanwhile, Australia sucks its thumb and whines about being too dependent on China.

National investment bank

While it may be appropriate in these exceptional circumstances to just give money to engineering businesses, as it's definitely no worse than giving money away to anyone else, a better idea is to have a permanent mechanism for providing financial support to industries. In other words, a national investment bank.

As shown by the example of the Melbourne firm poached by Canada, other governments use national investment banks to support their industries. The most successful industrial economy, China, definitely does. Germany has its famous KfW bank, which fuelled its post-war economic miracle. Australia did too, once—the Commonwealth Development Bank (CDB). As economist Evan Jones wrote in "[Who Remembers the Commonwealth Development Bank?](https://bankvictims.com.au)" (bankvictims.com.au, 19 July 2019): "The CDB filled a niche in dealing with the particular needs of family farmers and small businesspeople. Such a niche must necessarily be filled by a public bank as profit-driven banks are not

interested in the necessary commitment of personnel resources and a 'non-commercial' low profit return."

The Commonwealth Development Bank was privatised, however, along with the rest of the Commonwealth Bank in 1996. By then every public bank in Australia, federal and state, had also been privatised, as per the demands of the 1981 Campbell Financial System Inquiry report. The economic theory that justified these privatisations was that public ownership distorted the "efficient allocation of capital", which, supposedly, can *only* be determined by the pursuit of maximum profit. The results are in: with no public competition, the "efficient" private banks have turned Australia into a financial casino centred on a property bubble, while denying credit to the real businesses and industries that create wealth and employ people. We should have had a clue back in the 1980s that this is how it would turn out—Sir Keith Campbell, who wrote the report, was an investment banker whose bank had been the first to back corporate cowboy Christopher Skase!

(In the early 1980s New Zealand's national investment bank, the Development Finance Corporation, convinced our engineering expert to start a subsidiary of his company in NZ, by offering a \$50,000 loan, interest-only for five years, with the principal forgiven if the business failed. With the financial pressure removed in this way, the venture succeeded, benefiting NZ enormously. Unfortunately NZ embraced neoliberalism even more fanatically than Australia, if that were possible, and the DFC was privatised in 1988, sold to Wall Street speculator Salomon Brothers. But NZ now has Kiwibank, a public savings bank, which like the CEFC could be easily expanded into a national investment bank.)

The neoliberal model has not only failed, it has been national suicide. Australia is a loser, literally giving away industrial potential, because the economic ideology embraced by the major parties won't allow them to "pick winners". Using the CEFC as a revamped national investment bank will unlock the potential we have in spades and create the high-skilled production and jobs we desperately need.

[Click here to fight for the CEFC emergency national investment bank!](#)