

Nationals propose development bank for manufacturing

In February the Joint Standing Committee on Trade and Investment Growth [called upon the Australian government](#) to consider establishing a national development bank to kickstart our national manufacturing capacity. Now we learn that Coalition-partner the National Party is pushing for a national development bank!

The proposal is part of a plan to double manufacturing jobs by 2035, by turning an existing government lending facility, the Regional Investment Corporation (RIC), into a development bank to provide the capital to make it happen. Announced in late January, the National Party plan, "[Manufacturing 2035: 800,000 new jobs](#)", was informed by "extensive roundtable and video teleconferences with manufacturers from across regional Australia", according to Victorian Senator and Nationals Senate leader Bridget McKenzie. Calling for the "most ambitious manufacturing program since World War II", McKenzie declared: "We need to make Australia *make* again."

The National Civic Council produced a White Paper proposing a manufacturing revival, which contributed to development of the policy. In early 2020, as deficiencies in Australia's local supply-chains became excruciatingly evident with the advent of the COVID-19 pandemic, the Australian Citizens Party proposed repurposing the Clean Energy Finance Corporation (CEFC) as an emergency national development bank. Katter's Australia Party and One Nation supported this initiative, and support for some form of development bank is strong within the Greens party and even among some major-party MPs.

This new, developing economic consensus threatens the multi-decade, cross-party commitment to economic neoliberalism which views government banking as anathema. In the policy document the Nationals emphasise the "need to adopt brave policies that will challenge the economic consensus of the past few decades" in order to revive Australian manufacturing. "These policies will challenge some dearly held truths of Australian economic policy", the document asserts.



The National Party report. Photo: Screenshot

The state of our makers

The report provides a damning picture of the state of Australian manufacturing. In the last ten years manufacturing fell by 5 per cent in real terms. By the end of 2020 the number of people employed in the field had hit a record low—fewer than 850,000 Australians. Thirty years ago, when Australia had barely three fifths its present population, over 200,000 more people worked in manufacturing than today! And the decline is accelerating, stated the report.

The Nationals proposal says a revival of manufacturing would renew regional areas of the country, develop larger population centres outside of cities and prepare the country against any strategic threats. It aims to increase employment in manufacturing by 800,000 by 2035, so that 10 per cent of Australians are employed in manufacturing. The benefits will favour regional areas, with heavy industry and manufacturing being the heart of many regional cities and towns.

While echoing fantastical claims of three decades of uninterrupted economic growth, the report admits that recent supply-chain disruptions have revealed the urgent need to strengthen manufacturing. Without saying so explicitly, it also makes clear that the approach of the Coalition government— of which the National Party is of course part—is not succeeding. Its measly Modern Manufacturing Initiative worth just \$1.3 billion across six broad areas is clearly insufficient and the Morrison government is prioritising only defence-related work. ("Morrison's industry non-plan prescribes more poison as cure", AAS, 3 March.)

Nine-point plan

The Nationals' program advocates neither full protectionism nor economic rationalism, but rather a tailored approach, which it lays out in a nine-point plan. Most interestingly, it calls for "Expand[ing] the remit of the Regional Investment Corporation to include new low-cost, long-term finance for strategic manufacturing industries". A "concessional lending facility" is necessary for investment in manufacturing, in addition to areas currently funded by the RIC and CEFC, which includes clean energy, infrastructure in Northern Australia and the expansion of exports and agriculture.

Investment in manufacturing has not grown in real terms in three decades, so the Nationals call for

establishing a \$5 billion manufacturing loan program at government borrowing rates. Many countries, says the report, have government backed lending facilities, including 13 European agencies and similar entities in China, Japan, Singapore and India. "The German Development Bank (KfW) is perhaps the most famous of these banks. It has built up over \$800 billion of assets and has more than 6,500 employees."

The other points in the plan include: Protection of strategic industries in areas where overseas counterparts are subsidised; action to grow manufacturing exports; creation of a dedicated Office of Regional Manufacturing; tax incentives for investment in manufacturing, including research and development; strengthening local government procurement initiatives, as current plans have been ineffective; initiatives to build a skilled workforce; investment in reliable, affordable energy and strategic infrastructure to assist manufacturing, including coal- and gas-fired power; and an expansion of oil exploration.

The power point

The paper makes a key point which the Citizens Party has been stressing for decades: cheap power is the key to vibrant manufacturing. "The main barrier to Australian manufacturing strength over the past decade has been Australia's high energy costs. Fifteen years ago, Australia had some of the most affordable energy in the world, but today it has some of the highest electricity prices for business. If we cannot turn this around there will be little hope of increasing investment in Australian manufacturing."

The document also points out that China's manufacturing advantage is not primarily its cheap labour. In 2005 it designated its steel sector a pillar of industry and ensured its access to cheap power, transforming itself from a net importer of steel to the largest steel exporter (by volume) by 2006. Research by the Alliance for American Manufacturing reveals that the Chinese government provided "energy subsidies of almost \$30 billion to energy providers, who passed on lower energy prices to all industries, [which] aided the exponential growth of China's energy intensive steel industry."

The policy proposal supports new coal-fired power stations in various locations, and expansion of oil and gas production, along with rectifying the decline of raw petroleum production. The Nationals Senate Team has also called for Australia to go nuclear, stating on 17 March that, "Nuclear is a mature, low-emissions technology and it is right that we should include it in any plan for Australia's future. Keeping this technology on the bench, does not help Australia, in particular rural Australia which relies on low cost, reliable power."

By Elisa Barwick, Australian Alert Service, 14 April 2021