



**TRANSCRIPT: Innes Willox interview with Radio 4BC's Bill McDonald about the decline in Australian manufacturing and Treasurer Jim Chalmers' economic reform roundtable**

**Presenter:** Joining us now is the chief executive of the Australian Industry Group, Innes Willox. Good morning, Innes.

**Willox:** Morning, Bill. Hope you're well. Good to speak.

**Presenter:** The latest research highlights the dire state of Australian manufacturing. It's a pretty broad question. What are the major factors in the sector's demise?

**Willox:** Well, Bill, there's been a lot going on since COVID in particular, which has made things really difficult for business more broadly and manufacturing is bearing the brunt of that. So we've seen big increases in things like energy costs – gas costs, in particular – which makes it very hard for a lot of industries to compete and to compete with overseas competitors in particular. We've seen big skill shortages emerge across industry and across the economy as a whole. And we've seen that businesses are finding it harder and harder to get the labour and particularly the skilled labour, the trades and the technical skills that they need. We've just seen big increases in costs across the board. And then you've got to think about all the things that businesses are facing on a day-to-day basis: increases in regulation, increases in taxes. If you're a business operating nationally across Australia, you're paying over 100 different taxes and charges, that all adds up. And manufacturing is sort of at the front of this and is bearing the brunt. That said, we're still doing a lot here. It employs just on a million people, and then it creates millions of other jobs, you know, around construction, our ports, transport and logistics and the like. So it's still really important and it's really important that we get it right. These are huge pressures and they're coming to bear on industry now.

**Presenter:** Gee, it's a dire picture when you put all of that together because it seems to me you don't turn any of those things around or improve them overnight as the government. Are you getting an ear with the government in terms of turning things around on some of those big items like employment and getting particularly the energy costs down?

**Willox:** Well, we're talking to government all the time and we're making it really clear there is a price to be paid if we don't get some of these big policies right, and that's why this

roundtable that the treasurer is holding in a couple of weeks is going to be so important. It's sort of going to be a legacy moment for industry, but also for the country as a whole. If we don't get some of those things right around, you know, moving on tax reform; moving on deregulation; trying to change the dial around on energy and environmental costs and approvals; getting a real focus on skills. We're going to have a big conversation at that meeting around artificial intelligence, and business is picking up and using artificial intelligence by the day, and how that will impact this going forward is going to be crucial to our economic prosperity and success. So, yeah, you're right Bill. There are no silver bullets, and this has been a long, slow, sort of decline, if you want to call it that. You know, we've seen productivity in manufacturing – labour productivity – fall by 3.7% over the past decade and 1% across the board. That's not sustainable. It's not sustainable in a world that's becoming increasingly competitive. And we're seeing other countries biting the bullet and making big decisions and big moves and, you know, we just can't keep going as we have been because what's got us to this point isn't going to make us successful in the future.

**Presenter:** Are there any immediate steps that need to be undertaken to start to turn things around?

**Wilcox:** Well, Bill, I think what we've been arguing and will argue and continue arguing is you have to make it attractive for business to invest, for business to invest in plant and equipment, for business to invest in people and for business to invest in innovation and research. You have to make it attractive for business to do that, and that creates sparks, it creates new industries, it creates new products and it creates new competitiveness. So what it all boils down to, you know, for the hundreds of thousands of people who are working in and around Queensland at the moment in manufacturing or related industries, is that it's about how do you get businesses encouraged to invest into their future? And that's where the success will come, or else we're going to be just having conversations around decline, you know, decline of living standards as well as we go forward. So in the end, Bill, it's about getting business to invest, and believing in their ability to be successful.

**Presenter:** How big a part of that equation is those regulations? I think you've mentioned about 100 of them. The red tape and the regulations. Cutting that and slicing that to bits?

**Wilcox:** It is strangling business at the moment, that combination of state and federal regulation. It's sort of, I hate to say it, but it's turning businesses more and more into compliance machines and they're dealing with a lot of, you know, what you might call administivia. They're doing stuff to collect information to governments, and not a lot of it is serving any useful purpose. And the other point is, none of it goes away. It just keeps adding up. So, you know, that's what business is facing every day. That's depths around regulation and there's taxes at a federal and state level as well, which are just adding up for

business. You put all that together, and it's making it hard for business to think about how they get ahead. A lot of them are just thinking about going day to day – it's a pretty bleak picture. There's a lot of successes out there and a lot of businesses are doing well, but overall we've got to do more because, you know, the manufacturing industry is a huge driver of economic success. And the more what we call 'complex' your economy is, the more we do, the more we invest in technology, the more we invest in innovation, the more we invest in new things, the better and stronger our overall economy will be. And that's the challenge we face right now. Let's make it easier for ourselves, not harder.

**Presenter:** Are you getting any sense of what will come of this round table with treasurer Jim Chalmers? Have you got any positive expectations out of that in Canberra next month?

**Wilcox:** Yeah, look, I'm going into this with optimism. The government has sort of said a lot of the right things. He wants to look at some of these issues. Obviously, there are going to be competing arguments and competing pressures. But, you know, I saw today the Manufacturing Workers Union talk about wanting to work shorter days, which is a big red flag that they just don't get it. We're not saying people have to work longer. We just have to be able to work smarter. And that's going to be the key here. So there is some optimism. We have to think about, you know, from a government perspective, how do they deliver better, how do they deploy their money, better? How do they get away from focusing on process and more about outcomes? And if we can get that and we can get some movement around some of those big issues we talked about, it won't happen overnight, but around deregulation, tax, get some positive messages out of there, a big focus on skills and basic skills in schools and teaching kids around what's going to happen with artificial intelligence and how they can be part of that, how it can enable and augment their jobs going to the future. If we can start to shift the dial on this, it's not overnight outcomes. You might get one or two quick wins, but you know, we've got to think to the longer term, and this is why it's going to be such an important couple of days.

**Presenter:** I thought the same when I read the headlines about the unions wanting the shorter working week, and I thought, if you want some success for employees, employers need to have successful environments as well to be able to employ the employees that are members of unions – that didn't make a lot of sense to me either. I don't know whether this is going to be a problem for this roundtable.

**Wilcox:** I mean, look, to have great jobs, you have to have employers that are able to invest in people and in their businesses. And you have to allow the circumstances for that to happen. The private sector employs 80% of Australians, and we've seen a big turnaround in that in the past 18 months – in the past 18 months we're seeing 80% of the employment in the public sector, that's the government directly or the government-funded sector. That's

sending a really clear message that the private sector is really worried about where the economy is at. Taxpayer-funded jobs can't be sustained forever, so we need to change the mindset, and we need to change the mindset to allow us all to understand that we're only going to have economic prosperity if our business is doing pretty well, playing its part, paying its way, but it's got to have the circumstances to do well and the sort of mindless nonsense we started to hear in the last couple of days around where everyone just needs to not work as hard, it's not going to get us anywhere. We just need to work smarter.

**Presenter:** And do you think that there'll be, sadly, a few more manufacturing businesses that'll fall by the wayside before things have a different pathway forward and we change?

**Wilcox:** Sadly, Bill, I think so. I'm aware of quite a few very significant employing companies that are under enormous stress at the moment. A lot of that is driven by energy costs. You know, your listeners at home, I understand that energy prices are going up, it's the same for business. And if you're energy reliant to make what you're making or do what you do, you know, you're finding a huge cost burden at the moment, and that is what is really driving a lot of concern for businesses about their future. You think about industries like glassmaking, paper making, you know, concrete, steel, all of those are heavily reliant on energy, and there's a lot more as well. And we're sort of driving them away through increased energy costs. Energy used to be a huge competitive advantage. Now, it's a bit of a millstone around our necks, so we need to try to work on that, get new energy sources, build new energy transmission more quickly and work on that transition that we all wanted. Now, a lot of people want to do that over the next 30 years, but do it in a sustainable way and recognise that at the moment, we're sort of doing ourselves in the neck.

**Presenter:** It's hard to see that changing for this particular government's policy, with the net zero, and I don't think anybody can see any bright lights on the horizon when it comes to getting energy prices down any time soon. And you're right, it underpins everything, whether it's household budgets, or business budgets. It's so crucial that we get this right.

**Wilcox:** What it means, Bill, is business is, you know, they're focussed on paying energy bills. They're not focussed on investing into the business, employing new people, upskilling their people, finding new markets, investing in research and development. It just takes away a lot of the energy and a lot of the drive for business at the moment to be successful. It just means more and more that they're trying to operate and survive day to day and that's not a great place for us to be.

**Presenter:** No, exactly, not just waiting for the next hit, the next rise in electricity and on energy prices. Really appreciate your insight and your time this morning. Thanks, Innes.

**Wilcox:** Thanks, Bill. You take care.