

# OUR PLAN FOR Modern Manufacturing



# **Key points**

Only the Coalition Government has a plan for Australians to make more of what we need in Australia. By building a strong and sovereign manufacturing sector, we're building a stronger and more resilient economy and a stronger future.

Manufacturing is already a major contributor to our economy, generating over \$113 billion in value in 2020-21 and more than \$50 billion in exports. Manufacturing accounts for about a quarter of national research and development investment.

With our Modern Manufacturing Strategy, the Coalition is expanding and modernising Australia's sovereign manufacturing capability, securing supply chains and investing in the skills and world-class research needed by our manufacturing businesses.

Our Strategy is **strongly focused on our regions**, home to around 30 per cent of manufacturing jobs.

During the pandemic, Australia's manufacturers helped keep our economy moving and our population safe. It was an extraordinary and wide-ranging effort – from producing medical equipment to securing supplies of fertiliser; from keeping supermarket shelves stocked to building our defence force capabilities. A strong, flexible and competitive manufacturing sector is needed to respond to future shocks in increasingly uncertain times.

#### A re-elected Coalition Government will:

- Back our manufacturing businesses with a tax system that rewards hard work and investment; affordable and reliable energy; record funding for skills and training; and strong support for research and technological development.
- Support small manufacturers through an **expanded Instant Asset Write Off**, and **tax incentives to upskill employees and digitalise** their operations.
- Provide \$2.8 billion in additional incentives to train the next generation of apprentices and trainees.
- Continue to ensure affordable, reliable energy for our manufacturers, including through our National Gas Infrastructure Plan.
- Support the expansion and diversification of Australia's regions with major investments in future industries such as critical minerals and hydrogen.
- Invest a further \$750 million in our six National Manufacturing Priorities: medical products, defence, food and beverage, resources technology and critical minerals processing, recycling and clean energy, and space.
- Establish Manufacturing Investment Plans in six National Manufacturing Priorities.
- Expand the Supply Chain Resilience Initiative to help regional businesses to address vulnerabilities and make our manufacturing supply chains more resilient.

- Invest in manufacturing projects of national significance including the Moderna mRNA vaccine plant in Melbourne, the Iluka Resources rare earth separation facility in Western Australia and Hobart's Nyrstar Zinc refinery.
- Invest \$270 billion in Defence which will see more ships, vehicles and equipment manufactured in Australia.
- Align Australia's research power with our National Manufacturing Priorities, through our
   \$2.2 billion University Research Commercialisation Action Plan.
- Open new rounds under the **\$1.6 billion Australia's Economic Accelerator** to make science and technology work for industry and for jobs.
- Back in manufacturing with key science and technology investments in CSIRO, the Square Kilometre Array, National Health and Medical Research Council, Medical Research Future Fund, Patent Box and the R&D Tax Concession.

Under our Modern Manufacturing Strategy, an additional 3,300 manufacturing businesses have been created in Australia since 2019; manufacturing business turnover is increasing and is at its highest level since 2010 and manufacturing businesses are more profitable. More than 220,000 trade apprentices are in training (the most since records began in 1963); and manufacturing represents around a quarter of merchandise exports.

**Labor would weaken our manufacturing sector** by making Australia a harder place to do business.

Labor voted against tax relief for small and medium businesses and promised \$387 billion of extra taxes at the 2019 election.

Under Labor, electricity prices doubled.

Labor and the Greens now want to punish Australia's 212 largest manufacturers and energy-using businesses with higher electricity costs and billions of dollars of carbon credits – putting jobs at risk.

Labor's Safeguard Mechanism is nothing but a sneaky carbon price that would raise electricity prices and hurt manufacturers.

Labor has no plan for the essentials of manufacturing like reliable generation and gas.

Labor would put the unions back in charge and make Australian industry less competitive.

This would push Australian manufacturing jobs offshore, which is exactly what happened last time labor was in office and one in eight manufacturing jobs disappeared.

Under Labor, manufacturing's contribution to GDP fell by \$7 billion and 6,800 manufacturing businesses closed their doors. Labor gutted the Defence budget, slashing more than \$18 billion and failing to commission a single Australian-built ship.

With global uncertainty and rising tensions in the Indo-Pacific, we cannot afford to put Australia's manufacturing security at risk.

## **Our Plan**

## 1. A stronger economy for stronger manufacturing

Under our Modern Manufacturing Strategy, the Coalition Government is investing \$2.5 billion to drive growth and innovation in our manufacturing sector. The Strategy is based on four key principles:

- 1. Getting the economic conditions right for business
- 2. Making science and technology work for industry and jobs
- 3. Focusing on areas of advantage
- 4. Making supply chains more resilient

Our overarching economic plan is also a plan for Australian manufacturers, helping them to expand and modernise Australia's sovereign manufacturing capability, secure supply chains, and invest in the skills and world-class research needed by our manufacturing businesses.

Our economic plan includes:

- Competitive tax settings
- Record investments in our workforce and infrastructure
- Support for affordable, reliable energy
- World-class research aligned to our National Manufacturing Priorities
- Our Deregulation Agenda
- Our plan to be a top 10 data and digital economy by 2030
- Expanded export opportunities through significant trade deals

The 2022-23 Budget backs our manufacturers with new investments in sovereign manufacturing, research commercialisation and supply chain resilience. More than 90 per cent of Australian manufacturing companies are small businesses, and the Budget includes new incentives for them to embrace the digital economy and retain and upskill employees.

A modern, resilient manufacturing sector is a part of our plan for a stronger future.

#### A re-elected Coalition Government will:

 support small manufacturers with tax relief and deliver lower taxes for hardworking Australians.

- **support the creation of 400,000 small and family businesses** over the next five years.
- secure the skills we need for the manufacturing jobs of the future by investing in apprentices and training and providing a new 20 per cent tax deduction on the costs of external training for employees of small businesses.
- boost productivity through our \$120 billion transport infrastructure pipeline.
- make energy supply more secure, affordable and reliable, including through our National Gas Infrastructure Plan.
- deliver our \$2.2 billion University Research Commercialisation Action Plan, including \$1.6 billion through Australia's Economic Accelerator, with key initiatives aligned to the six National Manufacturing Priorities
- continue to **cut red tape**, streamline regulation and reduce business compliance costs.
- help Australian manufacturers embrace the digital economy with our **Digital Economy Strategy** and targeted incentives.
- continue to pursue trade agreements that open up new markets for our exports.

## 2. Our National Manufacturing Priorities

Our Modern Manufacturing Strategy announced in the 2021-22 Budget is transforming Australia's manufacturing sector. We're helping manufacturers transition to higher-value activities, which is driving economic growth and creating jobs.

Our **Modern Manufacturing Initiative** is playing to our strengths. It is a plan to build competitiveness and scale in key sectors. It aligns policies and investment around **six National Manufacturing Priorities**:

- Food and beverage
- Medical products
- Resources technology and critical minerals processing
- Recycling and clean energy
- Defence
- Space

In the 2022-23 Budget, the Morrison Government committed an additional \$1 billion to the Modern Manufacturing Strategy, including an extra \$750 million for the Modern Manufacturing Initiative to support high-impact manufacturing projects and turbocharge private sector investment. A further \$50 million will be invested to help small and medium businesses to adopt new technologies so they can scale up, grow and compete internationally.

These new investments include \$500 million under our \$2 billion Regional Accelerator Program to expand the Modern Manufacturing Initiative with new rounds focused on regional manufacturing.

The Modern Manufacturing Initiative is helping manufacturing businesses to increase productivity and capacity, translate ideas into commercial success and integrate into local and international value chains. Since 2020, we have committed \$1.5 billion under the Modern Manufacturing Strategy to fund over 250 transformational projects, leveraging over \$3.5 billion of co-investment across our six National Manufacturing Priorities. Under the Modern Manufacturing Initiative Translation and Integration Stream Round Two, more than \$290 million is being invested in 50 new manufacturing projects across our National Manufacturing Priority areas.

Over the next 12 months, the Morrison Government will also work with industry to guide further long-term investment by finalising Manufacturing Investment Plans for the priority sectors. These Plans will outline the concrete steps towards each sector reaching its full potential.

#### A re-elected Coalition Government will:

- invest \$1 billion in the Modern Manufacturing Strategy in the 2022-23 Budget.
- support 50 new manufacturing projects under the Modern Manufacturing Initiative translation and Integration Stream, with \$293 million in grants to drive manufacturing jobs and exports.
- establish Manufacturing Investment Plans for each manufacturing priority area to guide investment.

## 3. Key investments in sovereign manufacturing capability

During the pandemic, Australian manufacturers stepped up to help keep our economy moving. The Morrison Government is ramping up our sovereign manufacturing capability as part of our plan for a strong and more resilient economy and a stronger future.

Major strategic investments include:

- a 10-year, multi-billion-dollar partnership with Moderna to establish a 100 million dose mRNA vaccine facility the first outside North America and Europe.
- \$1.25 billion to establish Australia's first rare earth separation facility essential inputs for semiconductors, mobile phones and telecommunications equipment.
- \$50 million towards a zinc electrolysis plant at the Nyrstar facility in Hobart.
- an agreement with fertiliser manufacturer Incitec Pivot to secure local production of refined urea for the supply of diesel exhaust fluid (AdBlue).

Our historic \$270 billion Defence investment in state-of-the-art land and sea transport, weaponry and equipment is supporting the manufacture of more than 1,300 armoured vehicles in Queensland and Victoria. In Western Australia and South Australia, we are building or upgrading more than 70 new naval vessels. And in the first major initiative under AUKUS, at least eight nuclear powered submarines will be built in South Australia.

The Government's Critical Minerals Strategy is helping to de-risk projects vital to the manufacture of mobile phones, flat screen monitors, batteries, wind turbines, electric cars, solar panels and many other high-tech applications.

To support the next generation of Australian manufacturers, \$1.5 billion is being invested in hydrogen hubs in regions where hydrogen users, producers and potential exporters are colocated.

#### A re-elected Coalition Government will:

- invest with Moderna to create the next generation of mRNA vaccine manufacturing in Melbourne.
- invest \$1.25 billion through the Critical Minerals Facility in Iluka Resources' rare earths separation facility in Western Australia.
- invest \$50 million in a new zinc electrolysis plant at the Nystar facility in Hobart.
- invest \$1.5 billion to develop hydrogen hubs across regional Australia to supercharge clean energy manufacturing centres.

## 4. Building Supply Chain Resilience

Resilient supply chains underpin Australia's prosperity, resilience and national security. The ongoing effects of the pandemic, war in Europe, natural disasters and rising geopolitical and trade tensions continue to expose our economy to supply chain risks and vulnerabilities.

The Morrison Government is building Australia's resilience to supply chain disruptions while acting to embed Australia in critical global supply chains. The Government's Sovereign Manufacturing Capability Plan outlines potential supply chain vulnerabilities for critical products. An expanded Supply Chain Resilience Initiative, with a total investment of \$307 million, is providing grant funding to establish or scale manufacturing capability to address vulnerabilities identified in the supply chains of critical products.

An additional \$200 million has been invested in the 2022-23 Budget through the Supply Chain Resilience Initiative, focused on delivering for regional Australia. Grant rounds have already centred on agricultural chemicals, biopharmaceuticals, semiconductors and water treatment.

#### A re-elected Coalition Government will:

• invest a further \$200 million in the Supply Chain Resilience Initiative under the Regional Accelerator Program, targeting the capabilities of regional businesses to respond to supply chain vulnerabilities and opportunities.

## 5. Investing in world-class science and research

The Morrison Government is making record investments to boost research and development, encourage businesses to commercialise innovations in Australia, and create high-paid jobs. Our \$2.2 billion University Research Commercialisation Action Plan is aligning our best researchers with our National Manufacturing Priorities, underpinned by a \$1.6 billion investment over 10 years in Australia's Economic Accelerator.

A further \$362 million will be invested in the Trailblazer Universities program to drive commercialisation with industry partners. A \$150 million expansion of CSIRO's Main Sequence Ventures program will back start-up companies and help create even more commercial opportunities from Australian research.

The Research and Development Tax Incentive continues to provide around \$2.5 billion in benefits to around 11,000 businesses across the country each year. In addition, our Patent Box provides a concessional tax rate of 17 per cent for businesses that undertake R&D and commercialise their innovation in Australia. The Patent Box will be expanded from medical and biotech innovation to cover agriculture and low emission innovations.

The Morrison Government is also investing \$69 million in a new Sovereign Manufacturing Automation for Composites Cooperative Research Centre. We are continuing to back CSIRO, with our total investment increasing to \$3.8 billion over four years from 2020-21.

#### A re-elected Coalition Government will invest:

- \$2.2 billion as part of our University Research Commercialisation Plan to support
  commercialisation across six National Manufacturing Priorities, including \$1.6 billion in
  Australia's Economic Accelerator, a new competitive funding program to help
  university projects bridge the so-called "valley of death" on the road to
  commercialisation.
- \$362 million in the Trailblazer University program to boost prioritised R&D and drive commercialisation with industry.
- \$50 million under the Manufacturing Modernisation Fund to co-fund capital investments by manufacturers in new technologies.
- \$69 million in the Sovereign Manufacturing Automation for Composites Cooperative Research Centre.

Expand the Patent Box to agriculture and low emission innovations.

## 6. Backing manufacturing in our regions

Over 30 per cent of Australia's manufacturing jobs are in regional areas. Manufacturing is particularly important to regional economies like the Hunter in New South Wales, north and central Queensland, Tasmania, South Australia and regional Victoria.

Regional manufacturing has high-growth potential and comparative advantages in several of our National Manufacturing Priorities, including resources technology and critical minerals processing and food and beverage manufacturing.

The Modern Manufacturing Strategy, Energy Security and Regional Development Plan and Regional Accelerator will continue to make targeted investments to accelerate economic growth and job creation in our regions.

We're also investing in regional Trailblazer universities to build new research capabilities and engage with industry on the National Manufacturing Priorities.

We are extending support for small and medium businesses to reduce energy costs with an additional \$60 million under the Powering Business program and an additional \$17.9 million to the Business Energy Advice program.

#### A re-elected Coalition Government will:

- invest \$7.1 billion in next-generation industries and export hubs in key regions under the Energy Security and Regional Development Plan, in the Northern Territory, North and Central Queensland, the Pilbara in Western Australia and the Hunter in New South Wales.
- invest \$2 billion through the Regional Accelerator Program including \$500 million for regional specific Modern Manufacturing rounds and \$200 million under the Supply Chain Resilience Initiative.
- continue to support jobs and industries in regional Australia through our \$120 billion,
   10-year infrastructure investment pipeline.
- invest \$118.9 million in regional Trailblazer universities.
- extending support for businesses to reduce energy costs with additional funding for the Powering business program and the Business Energy Advice Program.

## 7. Backing our manufacturing workforce

A strong and modern manufacturing sector needs a strong and skilled workforce.

To create a pipeline of skilled workers for the future, we are investing a further \$2.8 billion to upskill apprentices, including introducing a new streamlined Australian Apprenticeships Incentive System. New apprentices will receive \$5,000 payments and businesses who take

them on will receive up to \$15,000 in wage subsidies. A record 220,000 Australians are now in trade apprenticeships – the most since records began in 1963.

We continue to support national skills reform, investing \$3.7 billion to support an additional 800,000 training places. The 2022-23 Budget also provides new support for small manufacturing businesses to upskill employees. Businesses with a turnover of less than \$50 million can now access a 20 per cent bonus tax deduction on the costs of external employee training.

The Coalition is investing in a Manufacturing Workforce Strategy to address manufacturing skills gaps and future needs, while showcasing the exciting career opportunities in modern manufacturing.

And we are investing \$4.7 million to encourage more women to build careers in manufacturing, by establishing an annual networking event series, and associated mentorship program, for women in manufacturing.

#### A re-elected Coalition Government will:

- Invest \$2.8 billion in additional incentives to train the next generation of apprentices and trainees.
- ensure Australians have the skills they need with an additional \$3.7 billion to support 800,000 new training positions.
- encourage small manufacturers to invest in the skills of their employees and train new ones through a Skills and Training Boost, providing tax relief to eligible small businesses.
- invest \$4.7 million to encourage women into the manufacturing industry.

# **Our Record**

#### Lower taxes for small businesses

- Delivered small business tax relief, supporting 3.4 million small businesses employing over 7 million Australians.
- Expanded the successful Instant Asset Write Off. Over 99 per cent of businesses are able to write off the full value of any eligible asset they purchase for their business.
- Reduced the fuel excise by 50 per cent for six months to support Australians in the face of higher fuel prices due to the Russian invasion of Ukraine.

## Investing in Australian manufacturing

- Invested \$2.5 billion in the Modern Manufacturing Strategy to support manufacturers to scale up, collaborate, commercialise and deliver on the world stage.
- Delivered nearly \$1.5 billion under the Modern Manufacturing Strategy to over 250 transformational projects, leveraging over \$3.5 billion of co-investment across our six National Manufacturing Priorities. Every \$1 in grants funding has leveraged \$2.20 of private sector investment.
- Invested over \$100 million under our Manufacturing Modernisation Fund, supporting 285 small and medium businesses to invest in projects that encourage innovation, boost productivity and create new manufacturing jobs.
- Supported the Advanced Manufacturing Growth Centre to deliver 55 collaborative projects under the Commercialisation Fund across Australia.
- Invested over \$2 billion to develop Australia's space industry, including Australia's first National Space Mission, the International Space Investment Initiative, the Space Infrastructure Fund and the Moon to Mars Initiative.
- Committed \$6.8 billion over four years to drive world-leading health and medical research that will improve health outcomes, create jobs and drive economic growth.
- Continued to make record investments in CSIRO, Cooperative Research Centres,
   Defence, critical minerals and low emissions technology.

## Cutting the cost of energy

 Delivered lower electricity costs. Electricity costs are now at their lowest levels in eight years. For small businesses, the average cost has fallen 10 per cent over the last two years, with a 12 per cent saving for large businesses.

- Delivered lower gas prices. Australia's gas prices remain internationally competitive, with the average domestic price around 70 per cent lower than in Europe.
- Supported affordable and reliable power, including Snowy 2.0, the Hunter Power Project in Kurri Kurri, Tasmania's Battery of the Nation and Marinus Link and priority transmission projects. These investments will keep prices down and the lights on for manufacturers.

## Reducing red tape

- Introduced simplified Business Activity Statements, Single Touch Payroll and automated ATO reporting to reduce compliance costs, improve processing times and support cash flow for businesses.
- Made it easier for businesses to employ new workers with an online Hiring Employees
   Checklist and the Employment Contract Tool. A small business unit in the Fair Work
   Commission will help small businesses navigate their obligations.

## Support for businesses during the pandemic

 Committed \$314 billion in direct economic support, including JobKeeper, to help businesses to stay open and workers to keep their jobs. Emergency cash flow payments for small and medium businesses were also critical, along with wage support to retain apprentices.

## Commercialising research to get ahead

- Invested \$2.2 billion in an University Research Commercialisation Action Plan to drive investment in world leading research to turn Australia's best ideas into new industries.
- Supported around 40 projects with high commercialisation potential through CSIRO's Main Sequence Ventures.
- Delivered over \$500 million under the Entrepreneurs' Programme to help more than 22,000 businesses grow, innovate and commercialise through grants and access to expert advice. On average, these businesses create 3.5 new jobs and generate almost \$1.5 million in turnover each year.
- Introduced tax incentives for early-stage investors. Venture capital deals in Australia are valued at more than \$2 billion, up from around \$300 million in 2013.
- Provided over \$2.5 billion in benefits each year through the Research and Development Tax Incentive to around 11,000 businesses.
- Committed to medical and biotechnology advancements by delivering lower taxes through our Patent Box.

## Strengthening and securing our supply chains

- Secure supplies of AdBlue a critical input in diesel cars and trucks to ensure we could keep Australia moving.
- Committed to boosting Australia's long-term fuel security by locking in the future of our refining sector. Our comprehensive fuel security package will support jobs and increase onshore diesel storage.
- Secured an historic agreement with Moderna to establish mRNA vaccine manufacturing in Australia.
- Invested in local medical technologies since the start of the pandemic, including mask manufacturing at Med-Con and ventilators by ResMed.

## Taking manufacturing to the world

- Delivered more export opportunities through 16 free trade agreements with 27 countries and economies, opening up markets for Australian manufacturers.
- Extended the reach of the Australian Made logo. More than 2,800 businesses have adopted the logo, which is also an important element of the Government's mandatory food labelling laws.
- Delivered additional support through Export Market Development Grants to help businesses break into new markets.

## Boosting procurement opportunities

• Expanded procurement opportunities for Australian small and medium businesses, with over \$18 billion in contracts in the last year – up by more than \$5 billion. Eighty-six per cent of federal government suppliers are small and medium businesses, and over 96 per cent of those have an Australian address.

# The Risk of Labor

Labor's approach to Australian manufacturing is all over the shop.

Labor's magic pudding of a National Reconstruction Fund has more than 30 top priorities, with the first funding confirmed a \$6 million grant to the CFMMEU.

Labor has no plan to ensure Australian manufacturers have access to affordable, reliable gas and no plan to keep energy bills down.

Labor and the Greens will introduce a sneaky carbon price on 212 of Australia's largest manufacturers and energy users.

Before the last election, **Labor voted against tax cuts** for our hard-working small and medium businesses.

Labor's Shadow Treasurer said he was "proud to oppose [them]" and that small and medium business tax cuts "were not worth the money".

Labor's Shadow Finance Minister called tax cuts for small and medium business owners "an absolute disgrace".

At the last election, Labor promised \$387 billion in new taxes.

Labor gutted the Defence budget, slashing more than \$18 billion from Defence and failing to commission a single Australian-built ship.

Instead of investing in new scientific breakthroughs such as Moderna's mRNA facility in Melbourne, Labor's only major policies during the pandemic were \$300 payments to get vaccinated (total cost \$6 billion) and rapid antigen tests irrespective of need (total cost \$13 billion).

**Labor** can't say how they'll pay for their promises. And they **can't manage money**. That means **higher deficits and higher taxes**.

Labor has no plan for Australian manufacturing.

In uncertain times, Australia can't risk Labor.

COALITION	LABOR
Power prices Nationally, power prices have fallen more than 10 per cent since December 2018.  Electricity prices are 8 per cent lower for households and up to 12 per cent lower for	Power prices Electricity prices doubled under Labor.
businesses than two years ago.	
Manufacturing businesses 3,300 more manufacturing businesses since the last election.	Manufacturing businesses 6,800 manufacturing businesses shut in Labor's last term.
	Labor's National Reconstruction Fund could force employers to meet union wishlists to be eligible for funding.
Manufacturing in the economy Manufacturing's contribution to GDP has increased by \$13.5 billion since 2013.	Manufacturing in the economy Manufacturing's contribution to GDP collapsed by \$7 billion over their time in office.
Apprentices Record trade apprentices in training and record investment in skills and training.	Apprentices Over 110,000 apprentices lost in a single year. Over \$1.2 billion cut to training in their last term in office.
	Labor's failed VET FEE-HELP scheme opened the sector to rorting by dodgy and unscrupulous providers. labor's mess has seen student debt re-credits of \$3.3 billion, which could reach as high as \$4.6 billion
Exports Delivered more export opportunities through 16 free trade agreements.	Exports Manufacturing exports fell by \$6 billion between 2008 and 2013.
Value of manufacturing exports increased by \$34.1 billion since 2013.	
Supporting small business Cut the SME Company Tax Rate to 25 per cent.	Supporting small business Stood against tax cuts for small and medium businesses.
Introduced the Small Business Income Tax Offset.	Abolished the Entrepreneurs Tax Offset.
Expanded Tax Concessions for SMEs.	
Backing entrepreneurs Supporting more than 22,000 innovative Australian businesses through the	Backing entrepreneurs Planned to cut \$300 million from innovation programs, including the Entrepreneurs'

Entrepreneurs' Programme with more than \$500 million invested.

Programme in 2019 with no alternative policy.

# Cost

Funding for the policies in the Coalition's Plan for Modern Manufacturing is already provided for within Budget estimates.

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For further details of The Nationals' Plan go to: www.nationals.org.au