

Mr Bill Walker  
Director – Advanced Manufacturing  
Queensland Government - Department of State Development  
PO Box 15009, East Brisbane, QLD 4002  
63 George Street, Brisbane QLD 4000

24 March 2016

### Submission to Advanced Manufacturing Roadmap Discussion Paper

Dear Mr Walker,

We refer to the Queensland Advanced Manufacturing 10 year roadmap discussion paper and the calling for consultation and feedback on the discussion paper. We are a 48 year old steelwork manufacturing and engineering company located in Townsville. Our business background can be reviewed in the Company Profile document included with this submission. From this it will be seen, despite the difficulties of running a steelwork manufacturing business in Townsville we currently remain Townsville based, employing local tradespeople and training school leavers.

Today along with many other businesses we are experiencing a significant decline in business opportunities further impacted by the escalating cost of remaining in business. The lack of business opportunities and rising cost of staying in business doesn't auger well for our Townsville base.

Around half of our annual revenue comes from exports of our grinding mill tromeels that have been designed and developed over the past 30 years right here in Townsville. In the last 20 years we have managed to develop and secure market customers throughout Africa and recently Europe. However, reacting to these driving pressures and the need to remain globally competitive has prompted us to establish a business base in South Africa and a sub-contract manufacturer in Spain for our tromeels supplied to customers throughout Africa and Europe.

This example clearly shows manufacturing demand developed in Townville is being lost as the cost of doing business in Queensland is not conducive to being internationally competitive. Regrettably Queensland and Australia will continue to lose business like ours or force them overseas unless new directions are found to make our industry internationally competitive.

The major challenges in our manufacturing industry are high unit cost of production. Australia as a whole used to be rich with manufacturing industries from Hills Hoists to Simpson washing machines, and most notably, Holden motor cars. The state of the automotive industry is well known, but more impacting on our manufacturing industry is Arrium's recent announcement that they are looking to close their Whyalla steelmaking plant. This plant is the sole source of our high quality structural hot-rolled steel sections in Australia. This will have significant impact on our Australian economy, but also mean we will have to over-design to cover for inferior steel sections from international sources.

The unit cost of production can be influenced by State Government and fall into a number of categories briefly labelled below:

- Salary & Wages Costs (driven by the cost of living)
- Pay roll tax
- WorkCover Premiums
- Cost of Unfair Dismissal Claims
- Land Tax
- Council Rates
- Power Charges
- Vehicle registration charges
- Insurance charges

Our problems are further compounded by the decline from the mining and gas booms that clearly leaves a significant void to pursue business opportunities. At the height of the mining boom we were contract driven with establishment numbers around the 80/100 employees, today our payroll is around 40 with likely retrenchments in the near future. Retrenching long term valued employees is hurtful and costly, further compounded by the process of unfair dismissal claims. It glares us all in the face if we are not internationally competitive then business will fail or relocate to other states or even countries that support a lower cost base.

The cost of doing business, and difficulty in managing employees is forcing employers to consider part time and casual employment. We see some industries, I can identify the industrial blasting and painting industry, only employ casual labour. Blaster/painters are transient agents that go to whichever contractor has work at the time. In times where work can't be secured they will "top up" on social security payments. This type of employment model does not fit with Townsville Engineering Industries business philosophy; we want to train apprentices and offer careers to the people who live in our community. If we don't train and retain, our industry will die off.

The Government must take leadership and in-conjunction with business find solutions that will make the steelwork manufacturing industry internationally competitive otherwise jobs and technology will be lost.

Some Possible Solutions.

- Government must be the leader to seek out new industry that permits our industry base to change and the business models to development into new areas.
- Business and government working together must establish new pathways to support industry into new areas of business that may be outside the traditional business lines
- Government sponsored trades training must be restructured to service the future and be directed towards new areas aimed at new, innovative technology. The ways of 20, 30 or even 50 years ago are not going to service our future, and the curriculum in trades training needs modernising for the next 50 years.

- Local manufacturing industries need support and boosting. The term “value for money” and the way it applies to procurement decisions for public infrastructure needs to be studied. During the recent mining boom it was far too easy for EPCM contractors, particularly in coal terminal public infrastructure, to source manufactured goods from suppliers in lower cost countries. The imperative to get projects on line quickly, most likely driven by the government’s need for royalty payments, precluded local supply. The questions of benefit to community and benefit to society never got the appropriate weighting in “value for money” assessments. The view that lead time and order book value deserve greatest weighting in evaluation criteria is myopic and flawed, for when the next project comes along we will not have the manufacturing industry and skills to deliver. The bold political decision to support local manufacturing needs to be made. It may take a year or two longer to deliver a project but the benefit to Queensland, and particularly Regional Queensland needs to be considered. What greater “value for money” can there be than creating jobs and careers for Queenslanders. The government holds all the cards in relation to our world class natural resources. If mining companies want our mineral resources, then it should be only fair they support the economy they are going to work within.
- Innovation incubation needs to be closely supported. Our company is working closely with James Cook University to improve ourselves and bring new technologies forward. A lot of great research is done in our universities, but it ends at a piece of paper because the lack of forward thinking. We can see that, and presently are self-funding this type of collaboration. Easier access to funding initiatives that would provide benefits to the government through the development of technology is needed. The Advance Queensland is a good step in the right direction, but it is just a first step towards where it needs to be.
- Innovative infrastructure initiatives need to be seriously considered. While we have started with PV Solar, hydro and wind power generation in recent times, Thermal Solar will be a next leap into renewables with greater benefits. A thermal solar plant utilising molten salts as the energy storage medium will provide base load power generation. But more than that, it could double as thermal desalination, addressing two of the fundamental cost drivers and social requirements for our state.

I trust this submission has highlighted the factors impacting the local manufacturing industry and hampering its growth towards World Leading, innovative manufacturing. While we will not stop looking forward, we simply urge the State Government to play its part in ensuring a manufacturing industry can be developed beyond its present form and secure its future. Should you wish to discuss any of the above points in further detail or receive further information, please contact our Business Development Manager, Mr Adam Packer, on the numbers above or by email to [adamp@tei.com.au](mailto:adamp@tei.com.au).

Regards,



Richard Parker  
General Manager

Att: Company Profile