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**Submission by Cook Medical Australia to the  
Queensland Productivity Commission  
INQUIRY INTO MANUFACTURING IN QUEENSLAND**

**25 January 2017**

Manufacturing Inquiry  
Queensland Productivity Commission  
PO Box 12112  
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This submission in response to the *Inquiry into Manufacturing in Queensland* (the Inquiry) is made by Cook Medical Australia.

Cook Medical Australia welcomes the opportunity to contribute to the Inquiry consultation process, and is pleased to answer any questions related to this submission.

## About Cook Medical Australia

Cook Medical Australia is a Brisbane-based medical device company, part of [Cook Medical](#).

From its state-of-the-art manufacturing facility in Brisbane, Cook Medical Australia manufactures and distributes medical products for customers in markets around the world. Originally focused on angiographic and interventional devices, the company is at the forefront of the development of technology needed to perform in vitro fertilisation and assisted reproduction procedures.

Working with key researchers and institutions in Australia and around the world, Cook Medical Australia has also become an innovative world leader in the development of endovascular stent graft technology used to treat aortic aneurysm disease.

Cook Medical Australia is actively engaged in addressing the issues facing the manufacturing sector and, along with university and industry research partners, has recently established the Advanced Medical Device Manufacturing Hub. The Hub is focused on delivering growth within Australia's medical device manufacturing industry and will achieve this through the development and adoption of advanced manufacturing technology and capabilities to ensure the sector remains globally competitive.

### **About Cook Medical**

Founded in 1963, Cook Medical pioneered many of the medical devices now commonly used to perform minimally invasive medical procedures throughout the body. Today, the company integrates medical devices, drugs and biologic grafts to enhance patient safety and improve clinical outcomes. Since its establishment, Cook Medical has operated as a family-held private corporation.

## Introduction

The Queensland Productivity Commission's *Manufacturing in Queensland Issues Paper* (the Paper) poses a broad range of questions to assist respondents in articulating submissions to its Inquiry into Manufacturing in Queensland.

Cook Medical Australia has chosen to focus its submission to the Inquiry on what it contends are the key challenges facing the future sustainability of Queensland's manufacturing industry.

The Paper cites a variety of challenges that have contributed, or continue to contribute, to a decline in manufacturing in Queensland, including a lower Australian dollar, changing consumer preferences toward high quality specialised goods and the transition from cheap labour manufacturing to skill-based technological manufacturing.

According to the Centre for Economic Development of Australia, with such significant influences being brought to bear on manufacturing, the transformation of the industry towards an advanced manufacturing base reliant on opportunities in global supply chains is inevitable.

Cook Medical Australia does not see the future of manufacturing in Queensland in such black and white terms.

While we agree that technological improvements will ensure advanced manufacturing plays an increasingly significant role in the broader manufacturing sector, we contend that it is imperative to retain a vibrant, economically viable and globally competitive broad-based manufacturing sector in Queensland in order to support economic growth and prosperity.

## Addressing the key challenges facing manufacturing

A broad-based manufacturing sector in Queensland is critical to the State's economic growth and prosperity. Manufacturing's significant contribution to the State's economy through employment and export receipts is well documented. But the true asset to Queensland's economic future is the skill base retained within the manufacturing industry. It is these skills that drive innovation and support the commercialisation of those ideas, which in turn create new opportunities for growth.

With the deterioration of Queensland's manufacturing industry due to factors including a lower Australian dollar, changing consumer preferences toward high quality specialised goods and the

transition from cheap labour manufacturing to skill-based technological manufacturing, the potential loss of these skills poses a significant risk to Queensland's future prosperity.

The fundamental impediment inhibiting the retention of a vibrant, economically viable broad-based manufacturing sector in Queensland is a current regulatory environment that severely hampers manufacturers' ability to compete globally.

Australian and, by definition, Queensland manufacturers can, and must, compete globally.

We present the following recommendations for the Productivity Commission's consideration:

### 1. Establish a stable, consistent industry regulatory environment

For some industry sectors, there is currently a lack of alignment between Federal industry regulations and State industry policies. Driven largely by conflicting electoral cycles at both State and Federal levels, industry policy frameworks are in a constant state of flux. This lack of certainty clearly impacts manufacturing sector investment considerations, and ultimately has a negative effect on confidence. Cook Medical Australia contends a politically bi-partisan approach to the development of long-term industry policy settings, with extensive industry consultation, is critical to providing greater industry confidence and stability, and attracting investment in manufacturing and Research and Development (R&D).

### 2. Enhance the competitive R&D tax regime for Australia

Manufacturing is responsible for a significant proportion of Queensland's R&D activities, with the resulting innovation a driver of growth and opportunity.

However, Australia's R&D Tax Incentive does little as a competitive advantage to attract new investment to Australia and Queensland. Further, the current R&D Incentive provides no incentive to encourage the translation of that investment into ongoing value-adding manufacturing activities on Australian soil.

If the Queensland Government is committed to maintaining a vibrant, broad-based manufacturing sector locally, it should take steps to advocate for a more competitive Federal R&D Tax Incentive regime to stem the flow of IP and associated manufacturing to more favourable offshore tax jurisdictions.

Significantly, in an attempt to optimise opportunities for local industry innovation, there has been a concerted shift by other markets to supplement established R&D tax incentives with a manufacturing tax incentive or 'Patent Box' linked to local IP-based manufacturing. Today, there are at least 13 markets

around the world offering such a Patent Box, with five countries - UK, Italy, Korea, Spain and Portugal - being added in the last four years alone.

Cook Medical Australia contends R&D Tax Incentive reform, such as detailed in the Patent Box-style Australian Innovation Manufacturing (AIM) Incentive, is critical to encouraging investment in R&D and local innovation-based manufacturing.

### 3. Ensure access to local skills and knowledge

The deterioration of Australia's manufacturing industry is severely impacting the skills and knowledge base, which is critical to achieving the successful commercialisation of innovative new products. It is for this reason that the notion that Queensland can support an advanced manufacturing sector in isolation from a broad-based manufacturing industry is fundamentally flawed. In Cook Medical Australia's experience, the skills necessary to pursue innovation-led advanced manufacturing opportunities are largely nurtured within wider manufacturing, making the two inextricably linked, and bolstering the case for the retention of a broad-based manufacturing sector. While Cook Medical Australia contends investment in initiatives to encourage students into Science, Technology, Engineering and Maths is critical for Queensland's future manufacturing sector prosperity, if there is no local industry with suitable job opportunities, those skills and that investment will be lost to other States and markets.

### 4. Strengthen understanding of how to access, and compete in, APAC

Australia's relative proximity to significant growth markets in APAC is a strategic advantage that Queensland's manufacturing industry is not fully exploiting. Investment in initiatives that will improve manufacturing industry understanding of how to access those markets and highly competitive Global Supply Chains will drive innovation, growth and, ultimately, productivity gains.

## Conclusion

Cook Medical Australia, a vocal and committed champion of Queensland's advanced manufacturing and medtech sectors, welcomes steps to improve manufacturing industry productivity through regulatory and industry reform.

We believe a comprehensive suite of policy reforms and initiatives at both State and Federal levels can not only stem the deterioration of Queensland's manufacturing sector, but level the playing field for manufacturers to compete and establish a strong foundation for its future growth and productivity.