



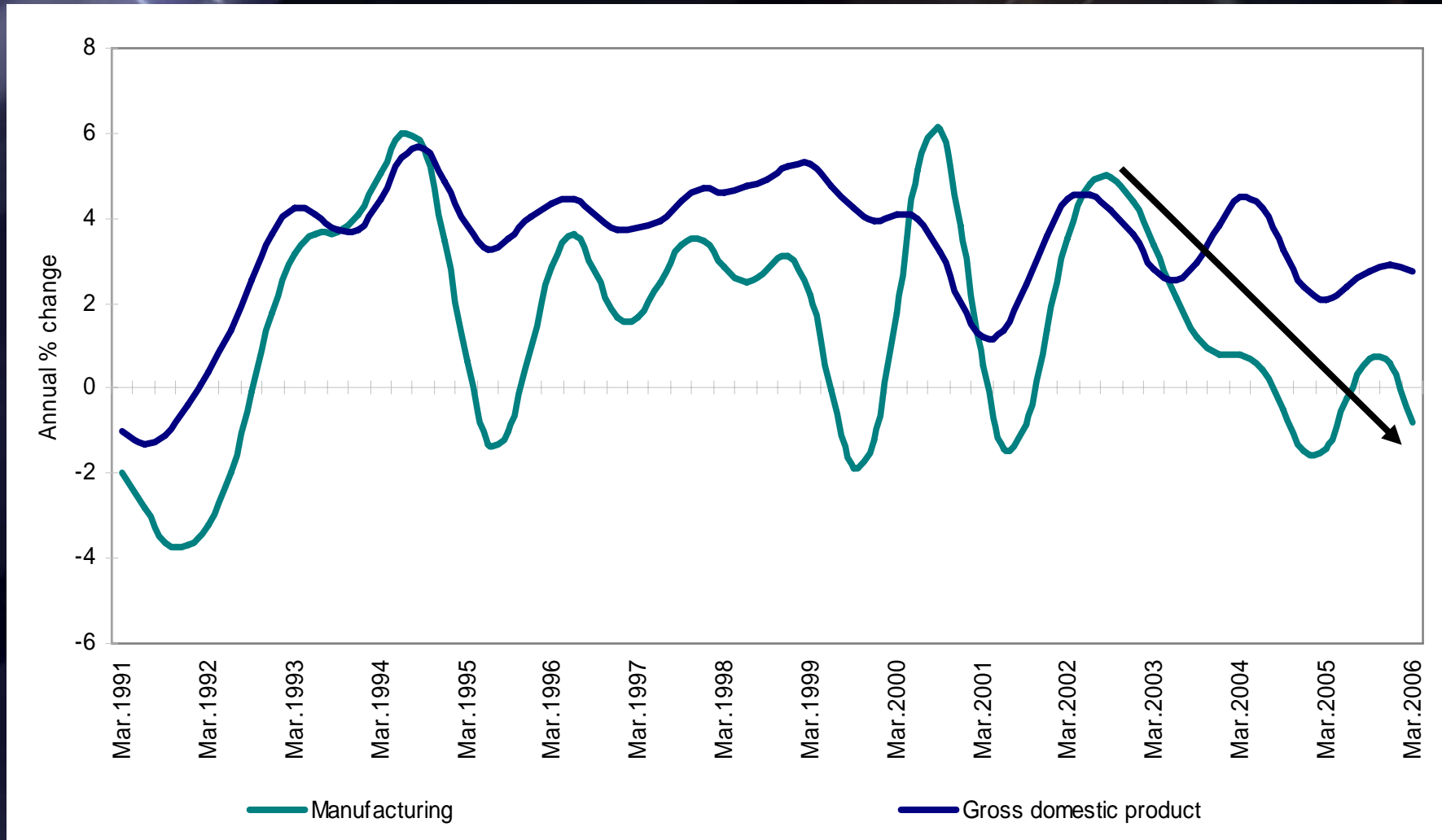
Manufacturing: The New Landscape

Presentation to FAPM Convention

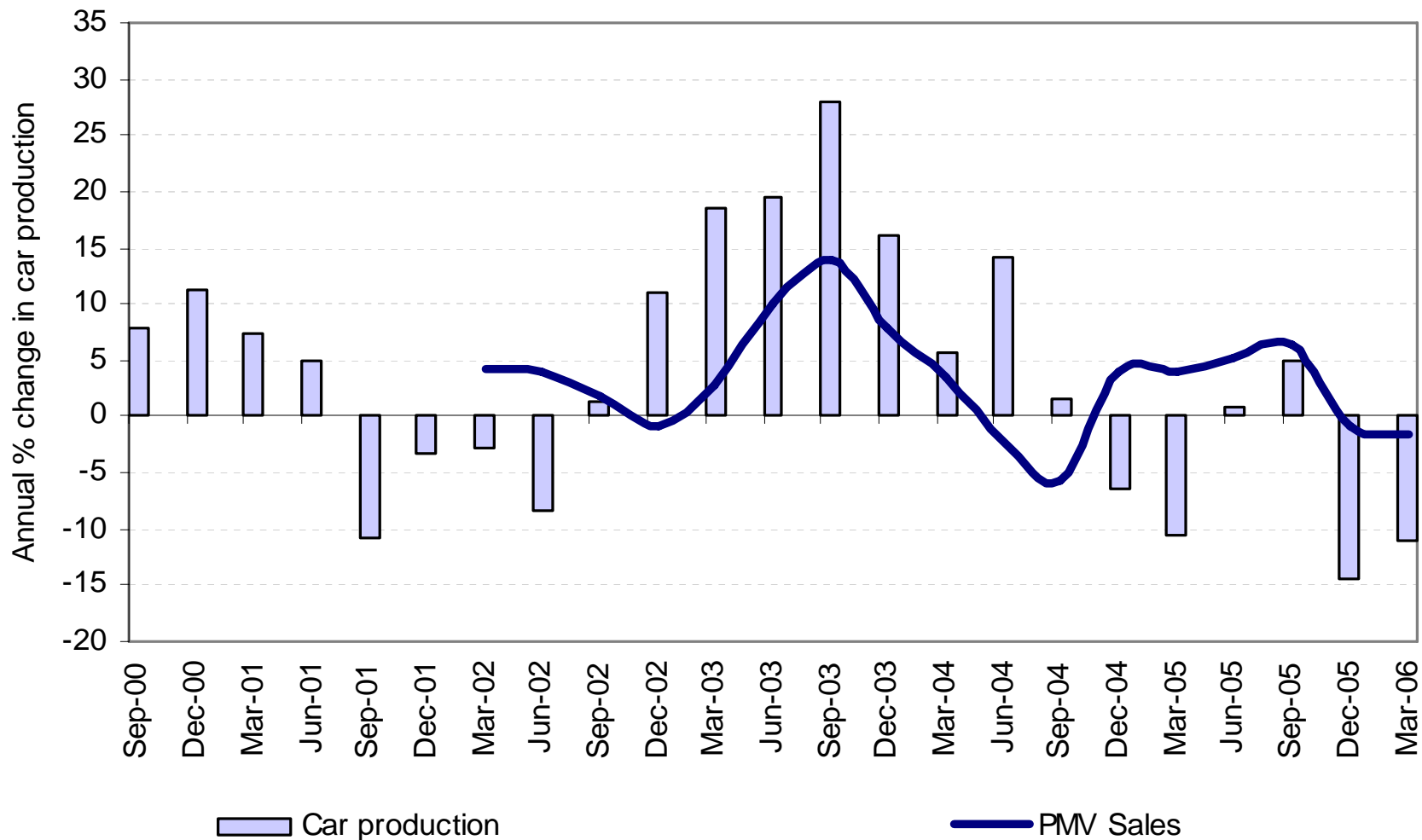
Heather Ridout, Chief Executive Officer
Peter Nolan, Director, Workplace Relations
Australian Industry Group

21 July 2006

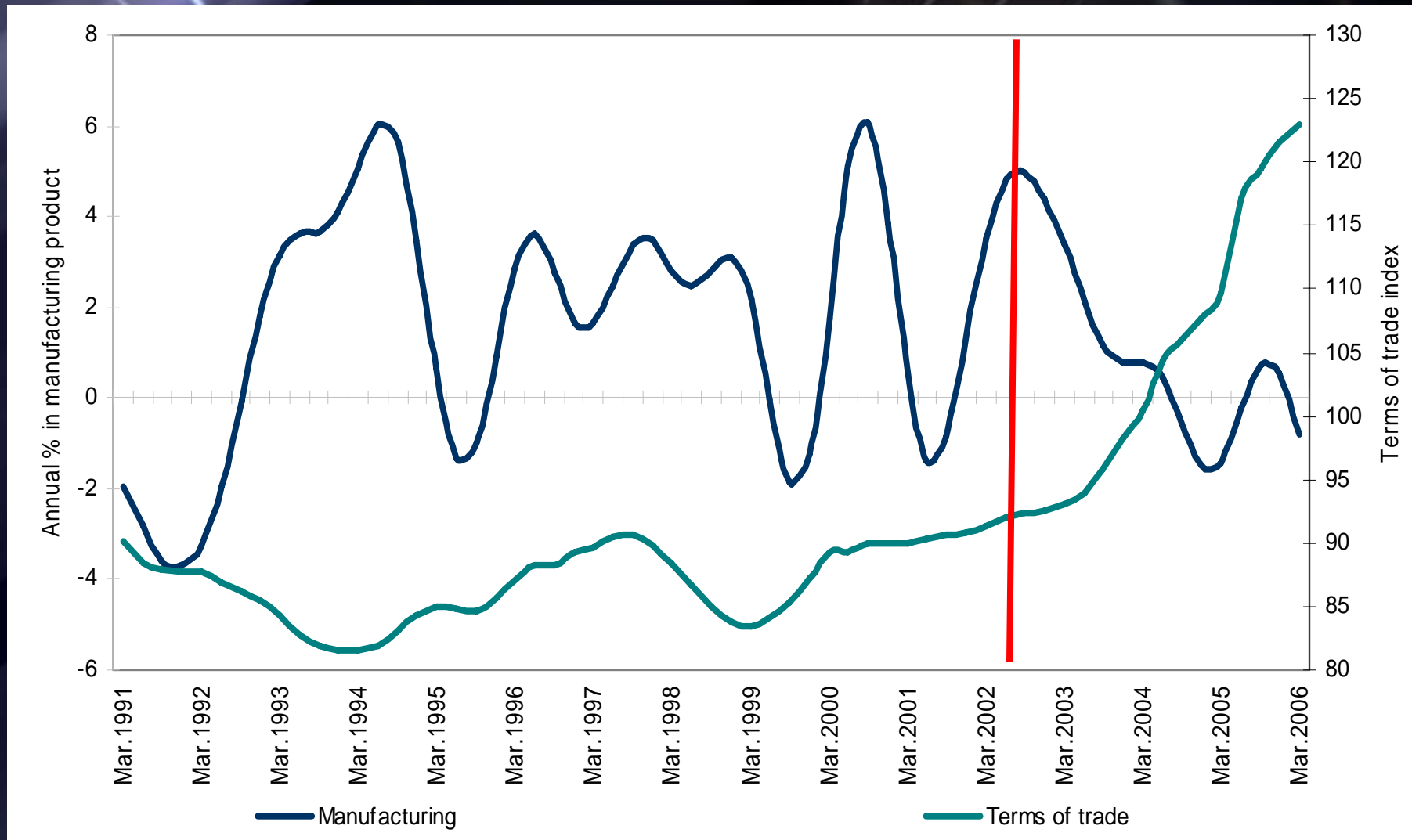
Australian manufacturing has experienced tough conditions over the last few years ...



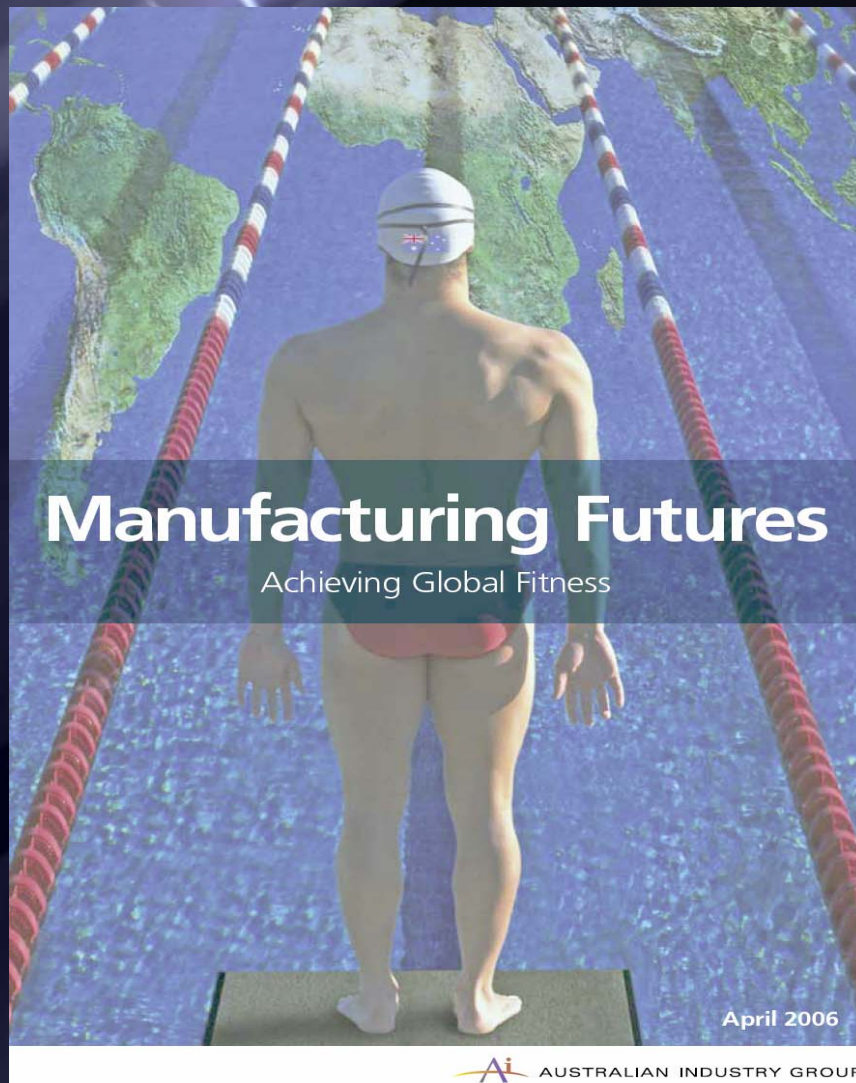
The Australian automotive sector has been at the cutting edge of the changing fortunes ...



Some say this is the price that has to be paid for a near record terms of trade ...



Manufacturing Futures ...



- Examines the dynamics of change;
- Reviews how industry views its future;
- Highlights the strategies being employed to remain competitive;
- Outlines industry's view of government; and
- Sets out future policy directions.

**Ai Group however holds firmly to the view that
Australia needs a strong manufacturing sector ...**

*“Manufacturing has always been at the
heart of the Australian economic
experience, and it must remain at the
heart of our economic experience and
our economic outlook”*

Prime Minister, 5 May 2006

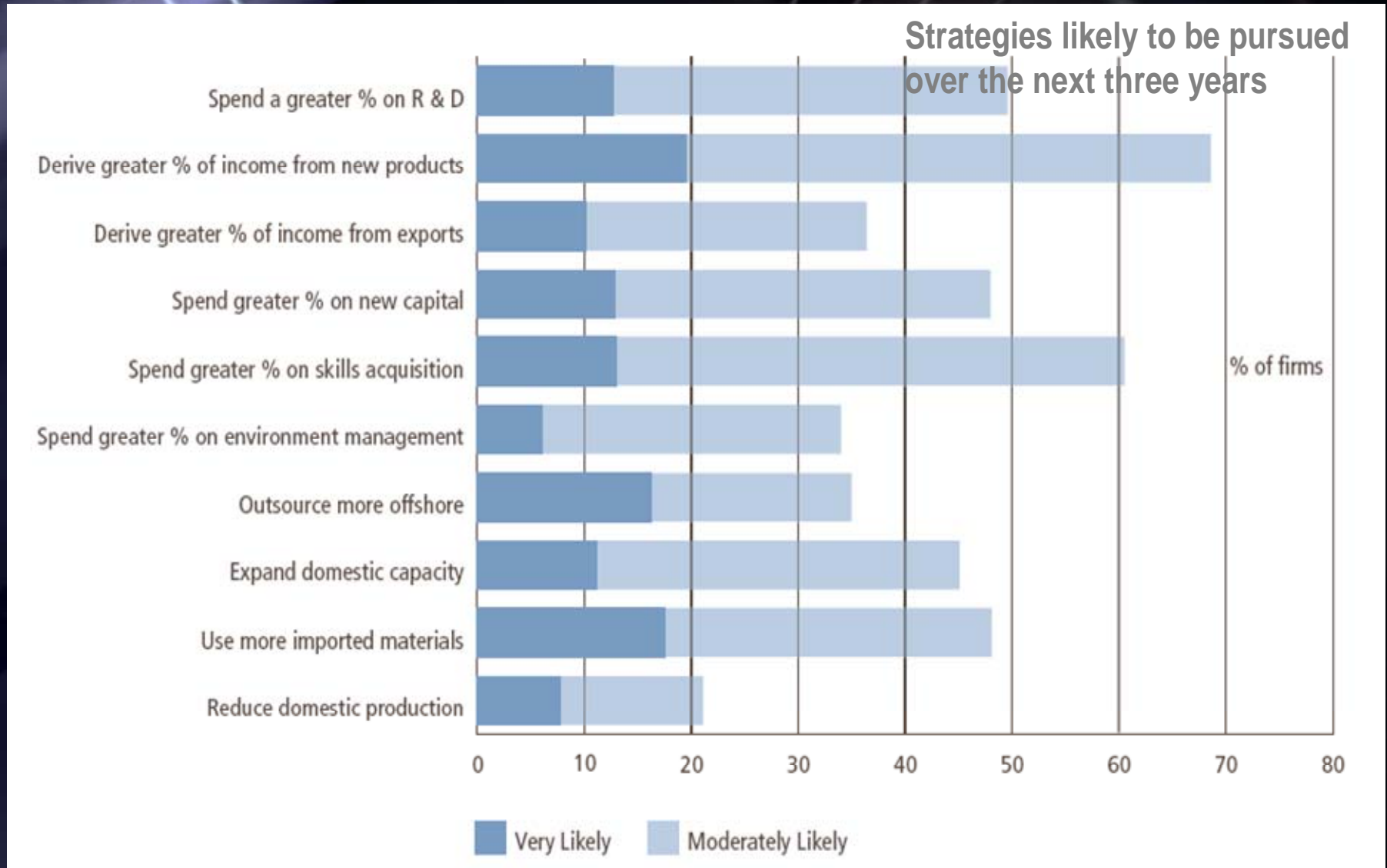
Its core message is that Australian manufacturers are successfully responding to the challenges ...

- Manufacturers are transforming their industries to embrace the whole world.
- Global companies are emerging across all sectors, particular in established industries (and not just niches).
- Despite this, one-third of companies have yet to recognise the need to respond.

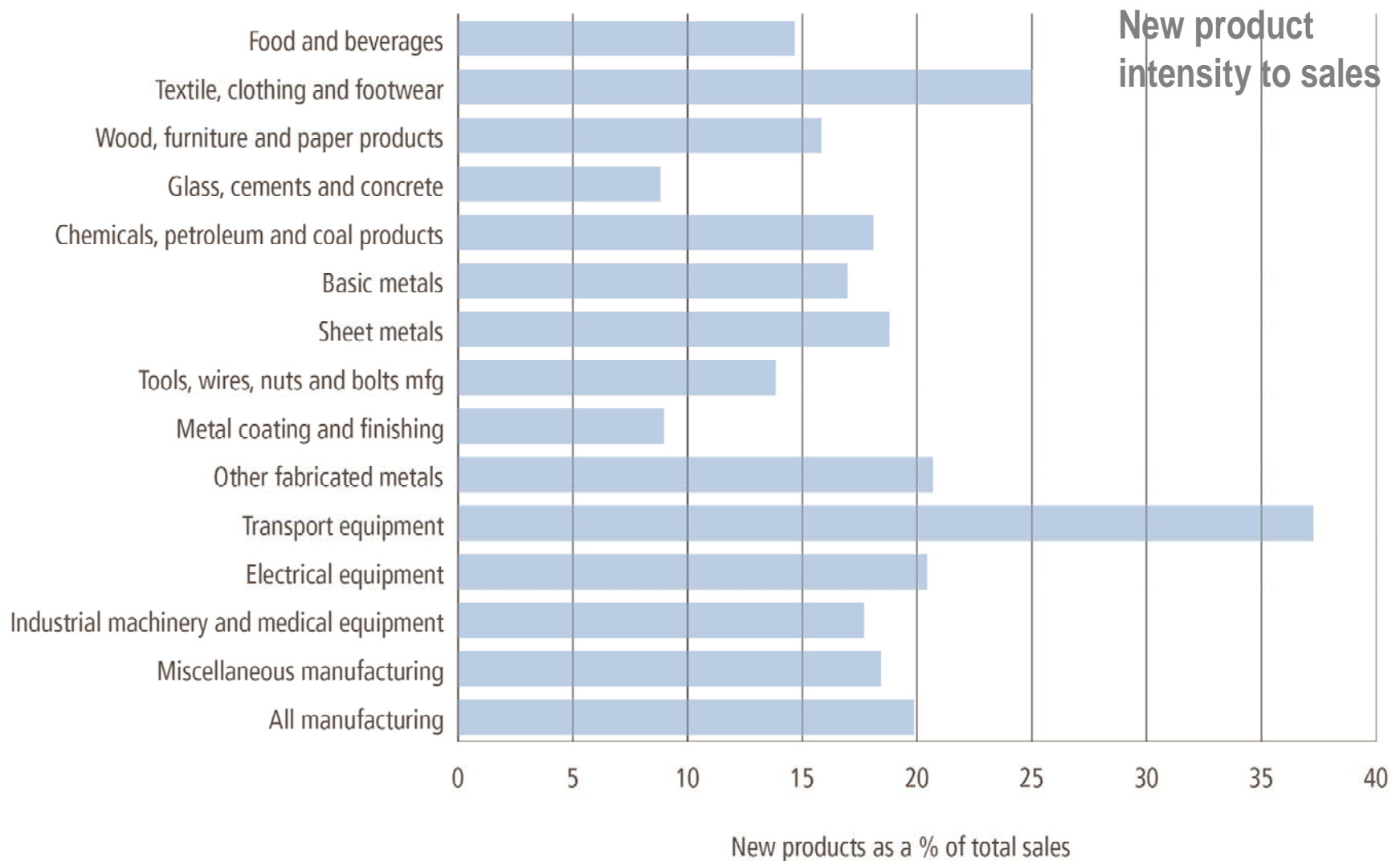
Manufacturers who have transformed their operations ...

- Have a global 'world-class' outlook;
- Are Lean and have stripped out wasteful costs;
- Are quick to adopt new technology;
- Are focused on skills development and upskilling;
- Have strong global supply chains; and
- Use innovation to drive competitiveness.

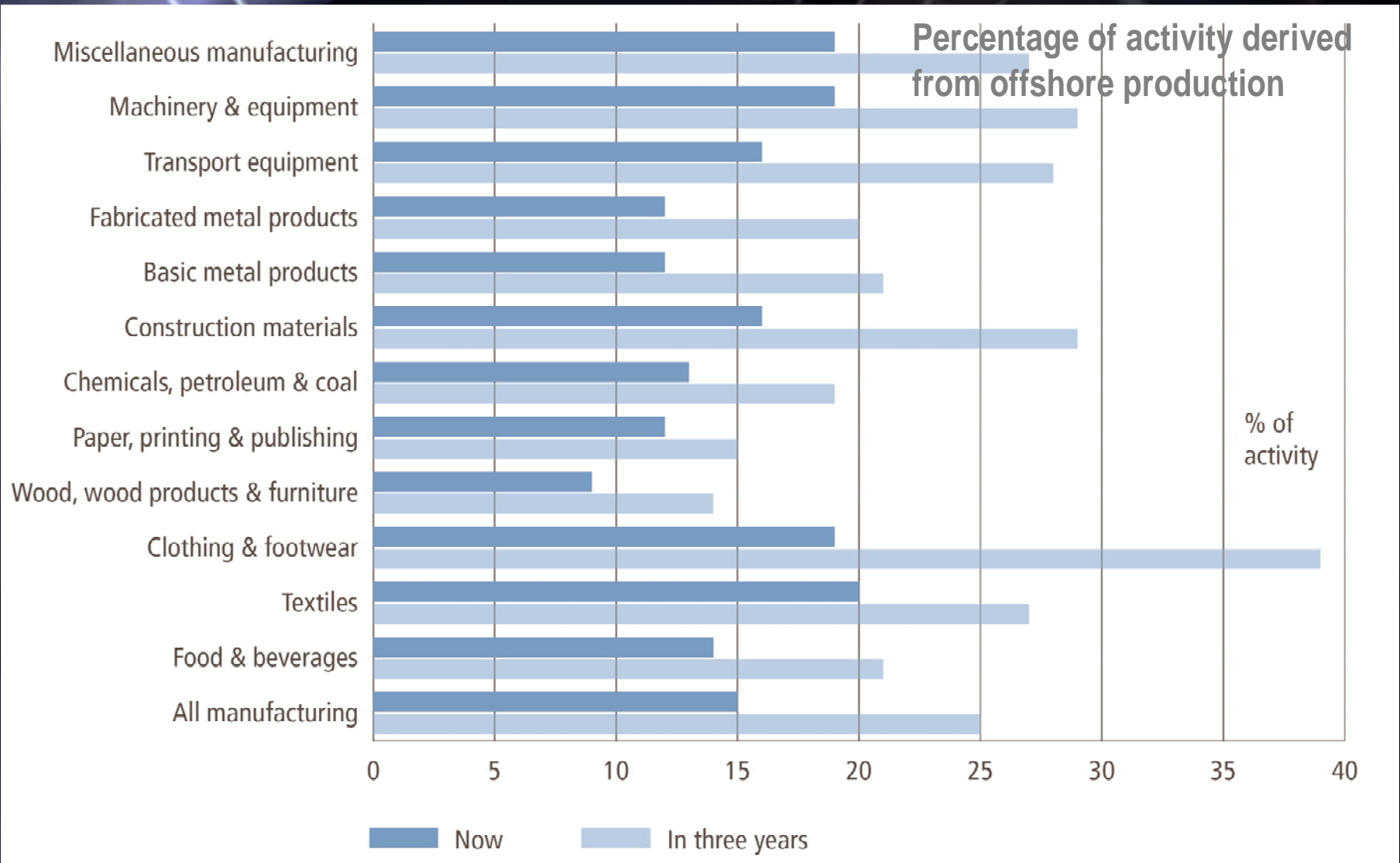
And are adopting a range of strategies to remain competitive ...



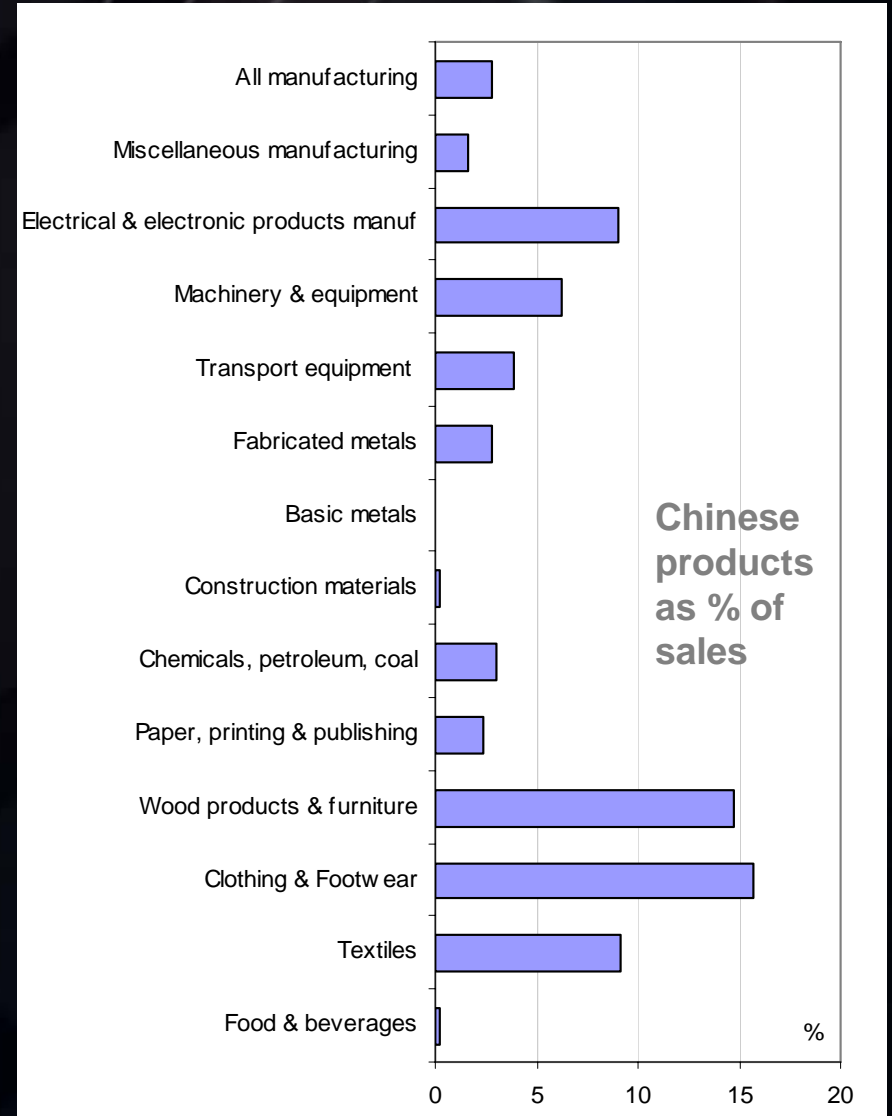
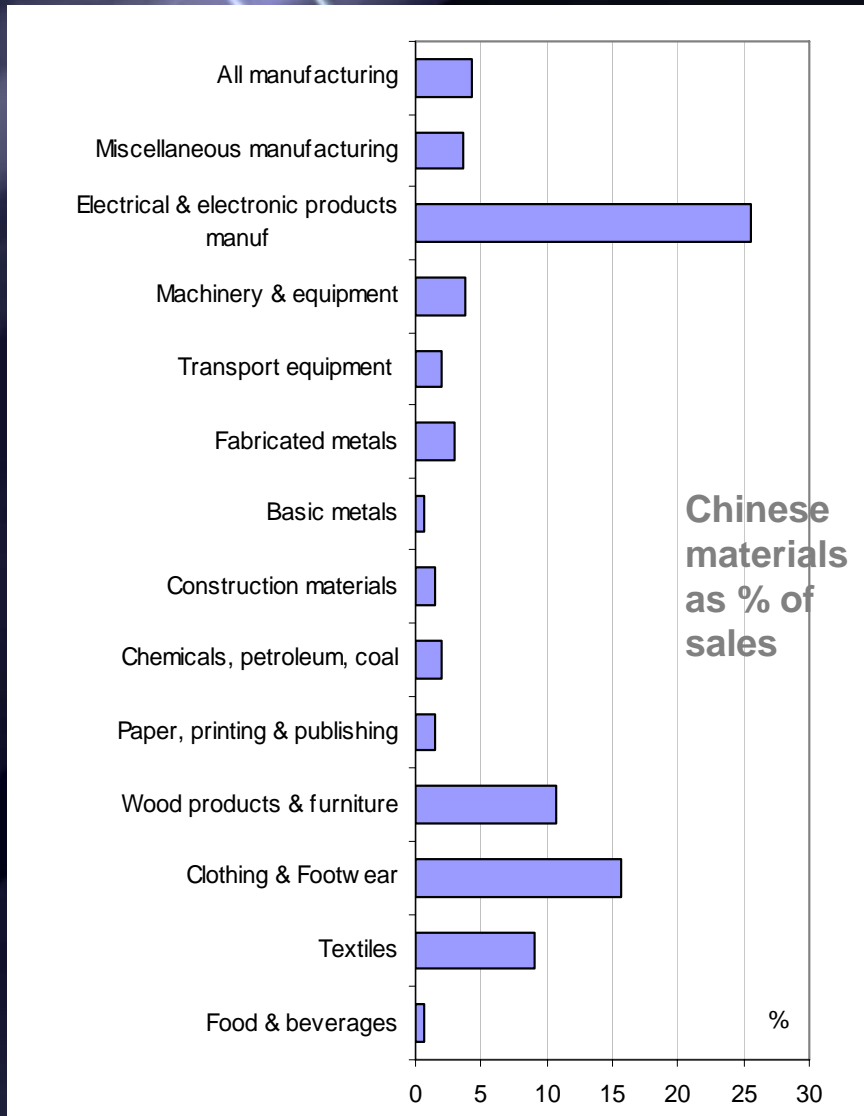
Including using innovation/new products to generate a competitive edge ...



Along with offshoring and building global supply chains ...

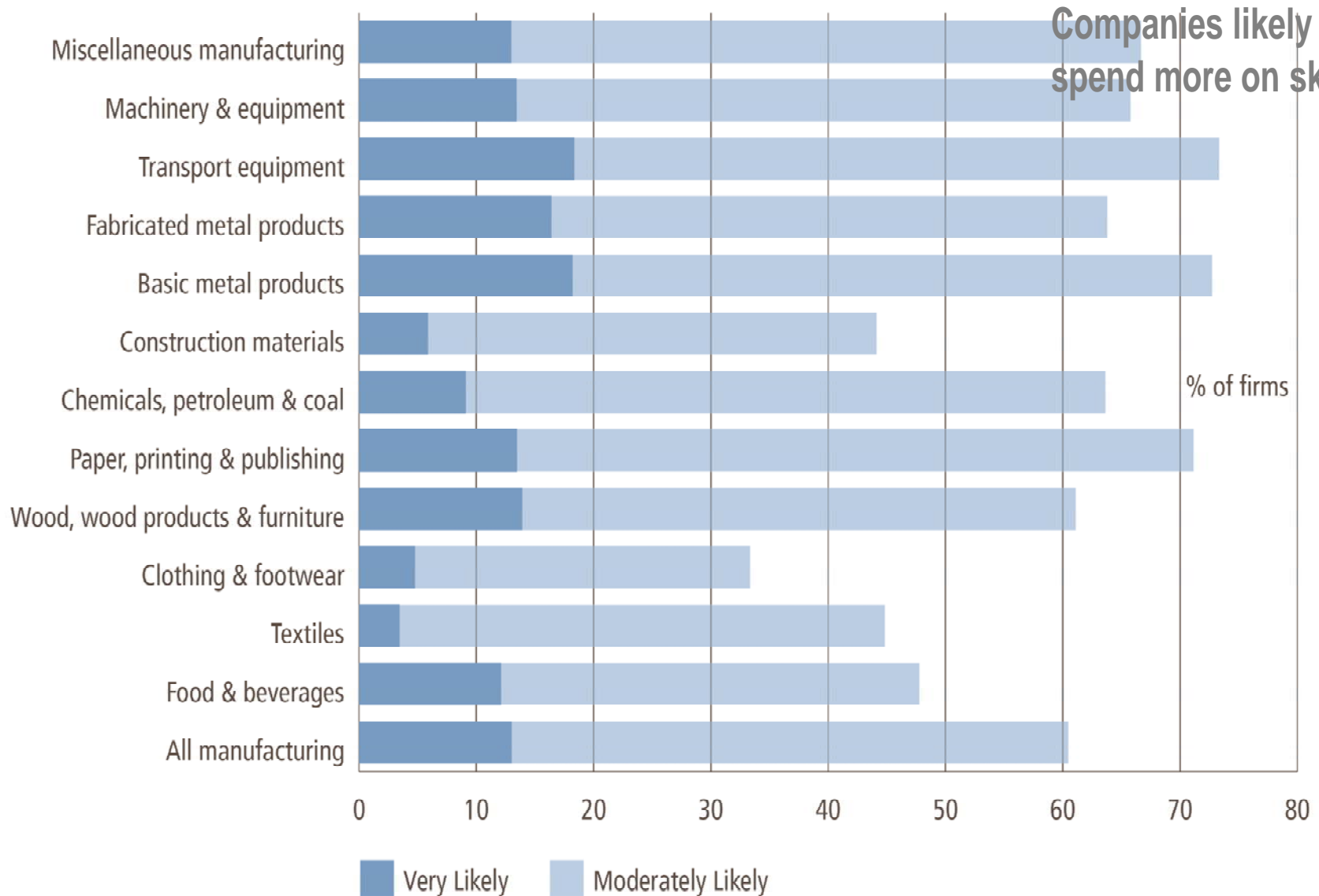


China is critical to global supply chains for both materials and finished products ...

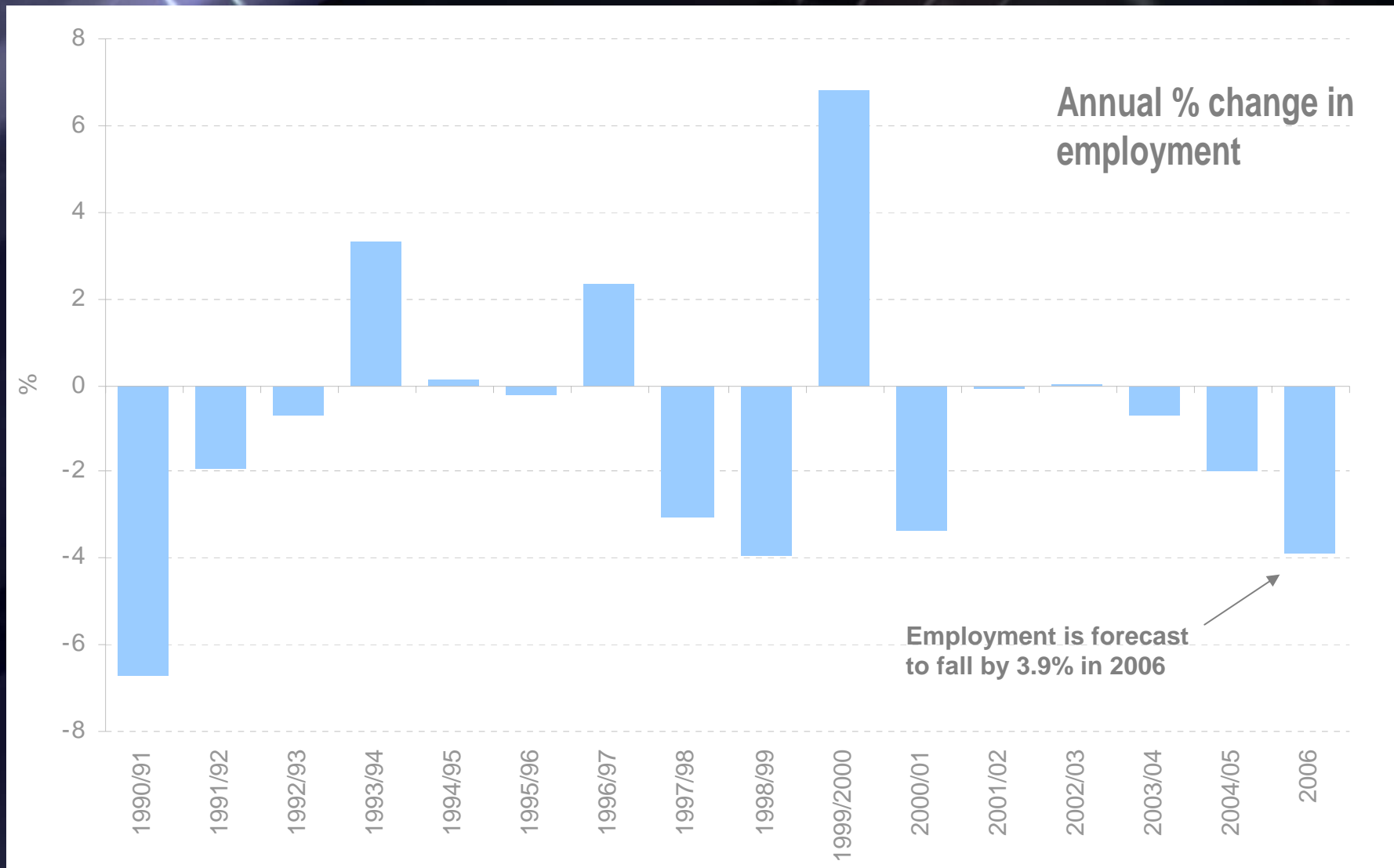


Companies are also investing in skills ...

Companies likely to spend more on skills



The restructuring will involve further job losses as companies enhance skills requirements ...

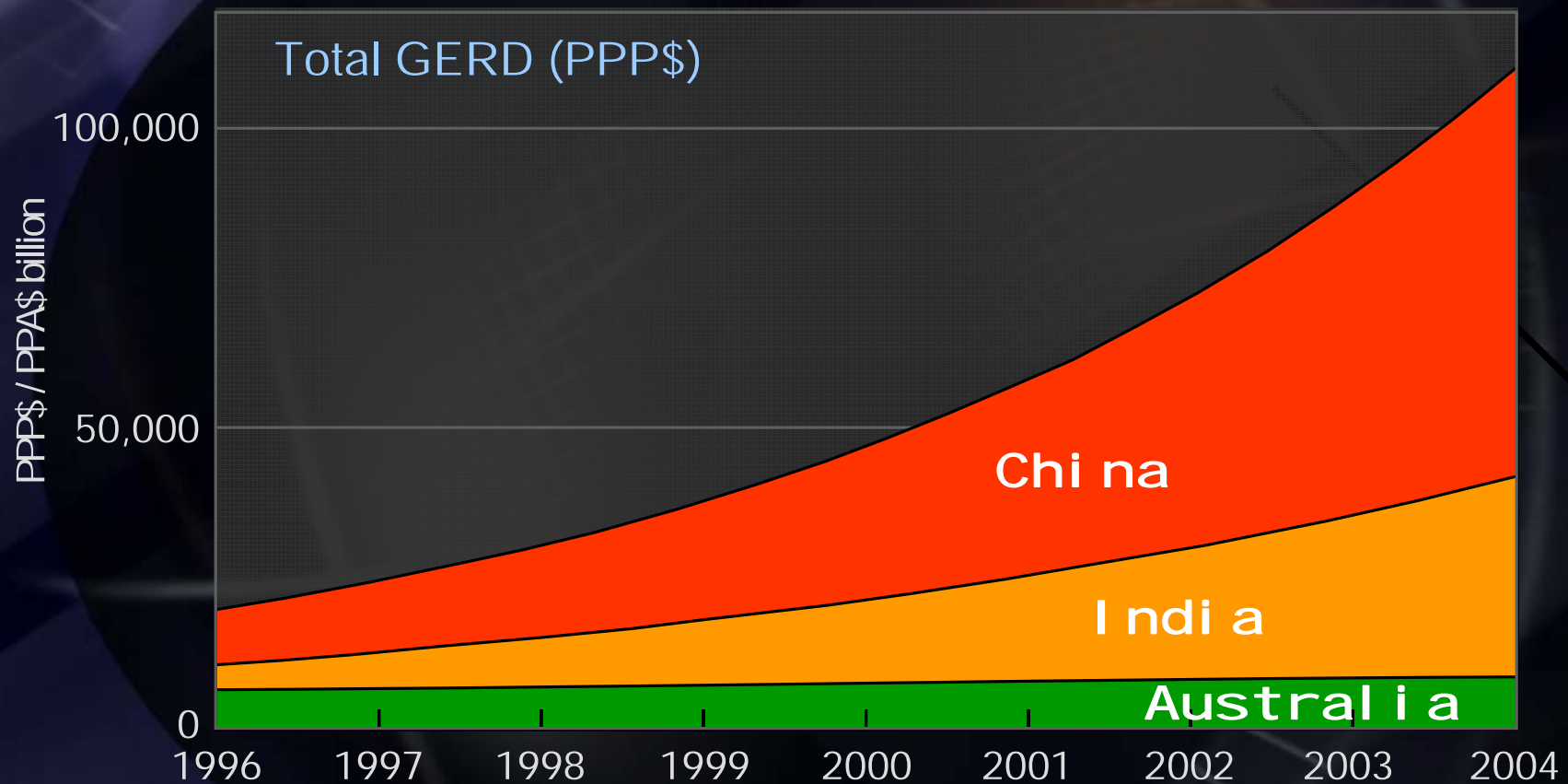


While manufacturers recognise “this is our problem and we need to fix it”, governments can do more ...

- Building strength through capital investment;
- Further globalising Australian industry;
- Building world class capabilities;
- Being a more skilful global competitor;
- Loosening the shackles of government red tape; and
- Being a more innovative competitor.

Is a new industry strategy required?

Investment in R & D



Sources: Australia, China OECD Main S&T Indicators 2005-1; India UNESCO Institute for Statistics

WORKCHOICES AND WORKPLACE BARGAINING



Are we off to a slow start?

Union Strategy – is there one?

What is driving the go slow?

AWARDS
DISPLACED BY
WORKPLACE
AGREEMENTS

UNIONS LOSING
PROHIBITED
AGREEMENT
CONTENT

LIMITED
PROTECTED
ACTION

NEGOTIATION
OF MOUs FOR
PROTECTED
ACTION

AFPCS* APPLY
ONCE AGREEMENT
REPLACED

E'ERS MEETING
NEW COMPLIANCE
OBLIGATIONS

DON'T COMMIT TO RETROSPECTIVITY ON WAGES!

* Australian Fair Pay and Conditions Standard

Union Claims

AMWU has developed a model agreement, it includes:

- Former award provisions
- Plus rewrite of some clauses to make them more e' ee/union friendly
- Plus any award entitlements more favourable than AFPCS (best of both worlds)

Unions seeking MOUs or Trust Deeds to cover prohibited content.

Comprehensive Workplace Agreements

The advantages:

- carefully consider what award provisions will be removed, modified or retained.
- consolidate a number of industrial instruments
- avoids the risk of incorporating the award by reference

Bargaining Outcomes

Not a lot to report yet on the wages front

Sector	AAWI	Change from Dec Qtr
All industries	3.8%	down 0.7%
Private sector	4.0%	down 0.2%
Union Certified Agreements (s. 170LJ)	3.8%	down 0.7%
Non-union Certified Agreements (s. 170LK)	3.7%	down 0.1%
All manufacturing	4.1%	up 0.2%
Metals Manufacturing	4.0%	no change
Non-Metals Manufacturing	4.2%	up 0.3%
Construction	4.9%	down 0.1%

Ai Group's Work Choices Survey

General Work Choices Questions

Do you believe WorkChoices Reforms have, or will:

- Reduce complexity and save administrative time in moving to a single federal system of employment regulation?
YES / NO
- Result in more flexible workplace arrangements to suit the needs of the business and its employees?
YES / NO
- Improve productivity within your business?
YES / NO

Ai Group's Work Choices Survey

Do you believe WorkChoices Reforms have, or will:

- Result in your business employing more people?
YES / NO
- Result in your business employing a higher proportion of full-time staff?
YES / NO
- Create a more harmonious industrial environment?
YES / NO
- Drive improved relationships with your employees?
YES / NO

Ai Group's Work Choices Survey

Do you believe your employees are concerned about the WorkChoices reforms? YES / NO

If YES, are they extremely concerned
 moderately concerned
 slightly concerned

Have you advised employees about the new minimum conditions of employment under WorkChoices? YES / NO

If, YES, has their reaction been: positive neutral negative

What is the most positive change from WorkChoices for your business? *(please specify)*

What is the most negative change from WorkChoices for your business? *(please specify)*