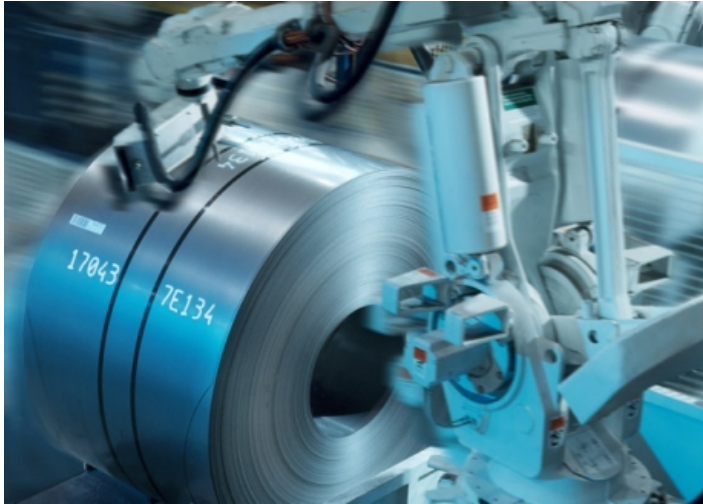


> Manufacturing industry's best hope lies in flagship projects: AAMC Chairman

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Signs of improvement in the Performance of Manufacturing Index (PMI)

Flagship projects have the capacity to build Industry 4.0 in Australia

Adopt global standards and tools to participate in global supply chains

Learn from the benchmark

Knowledge transfer to open up Asian markets

Positive signs in Australian manufacturing could be embedded and enhanced through 'knowledge spillovers' from nation-building projects such as the Future Submarines programme, the Chairman of the Australian Advanced Manufacturing Council, Mr John Pollaers, said today.

Welcoming the Performance of Manufacturing Index, which showed the first expansion in Australian manufacturing activity in six months, Mr Pollaers said an Australia-first approach to defence contracts had far greater potential for defence and non-defence firms, and for the Australian economy as a whole, than the Commonwealth Government appeared to anticipate.

Following his recent delegation to Germany to visit the world's largest industrial fair, Hannover Messe, Mr Pollaers said Australian manufacturing must adopt new technologies, knowledge and skills. "Clinging on to outdated methodologies and approaches will ultimately render us irrelevant," he said.

Mr Pollaers, who led a business delegation to Germany, hosted by industrial giant Siemens, said "Industry 4.0", or the fourth industrial revolution, was well underway. Industry 4.0 is a reference to the fourth wave of mass-scale change to industrial manufacturing, with the first being mechanisation, the second being electrification, and the third being automation and IT integration.

The fourth industrial revolution is about the merging of the cyber and physical worlds, where a significant part of the manufacturing process is completed in a virtual environment and the entire plant is digitised.

"Put simply, productivity data shows that Germany has set the industrial benchmark for advanced manufacturing, and this has not been by accident," Mr Pollaers said.

"Between now and 2020, German industry will invest EUR40 billion annually in Industry 4.0 applications. Industrial firms will invest, on average, 3.3 per cent of their revenues in digitalisation solutions over the next five years. This corresponds to nearly 50 per cent of all planned capital investments.

"The recent McKinsey report showing that Japanese advanced manufacturing labour productivity is in fact 32 per cent below that of Germany reinforces the need for the Government to consider all tenders in an open and transparent way," Mr Pollaers said.*

"One of the best ways of raising Australian industry's capabilities to among the best in the world is through 'flagship' or nation-building projects like the submarine and ship building programmes," Mr Pollaers said.

"Flagship projects have the ability to help connect large, medium and small businesses together and help facilitate knowledge transfer and the adoption of new technologies. I can't think of better or bigger flagships than Australia's future submarine and ship building programs," Pollaers said.

"The future is a highly interconnected world so we can't afford to look at things in isolation or we will miss opportunities.

"The decision on who should build Australia's next generation submarines has far greater implications than many appear to realise," he said.

"By having a transparent, carefully considered evaluation process that looks at all options fairly, all Australia will benefit.

"For the advancement of Australian industry, we must ensure that Australian companies are connected into the high value technology creation and development in order to build our local expertise," he said.

"It's fascinating that when Germany talks about productivity through automation and digitalisation, they're not talking about cutting jobs. On the contrary they're talking about being more competitive and producing more from the same - truly sustainable business.

"The role of technology is crucial in this equation but it also requires a shift in mindset for Australia.

"Clearly Germany has invested in developing the latest technologies and in building strong relationships and collaboration between the government, industry, unions and universities," Mr Pollaers said.

*McKinsey Global Institute: THE FUTURE OF JAPAN: REIGNITING PRODUCTIVITY AND GROWTH



Summary: The manufacturing industry in Australia:

employs around 8 per cent of the national workforce, or just under a million people

generates 6.5 per cent of Australia's GDP

exports \$90 billion worth of goods - a third of total exports

is the largest single contributor to total business expenditure on R&D

contributes around \$4.5 billion - or a quarter of all R&D expenditure

one of only five market sector industries to contribute more than \$100 billion in gross value-added to the Australian economy in last financial year (2013-14)

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