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TITLE: Government's industry policy lacks a compass

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The government's industry policy is a complete mess. They can't seem to decide if they want to crack down on corporate welfare or spend big on industry development. The Liberals in the Coalition aren't even sure if they're friends or enemies with their junior National Party colleagues.

The high Australian dollar is going to continue to put manufacturing businesses under stress. Claims for assistance will keep on coming and the government is deeply conflicted.

SPC Ardmona have been told they're not worthy of government support but an almost identical grant was pledged to Cadbury a few months prior.

But the biggest contradiction is in the government's desire to end the 'age of entitlement' and its Northern Australia development policy.

Development in the Top End will see the agrarian socialists in the National Party pitted against the economic dries in the Liberal party.

During the last federal election campaign we seemed to have sudden bi-partisan support for the development of the north. Kevin Rudd foisted the initiative on his shocked frontbench colleagues, most only finding out the minute it was announced to the media; the Coalition plan seemed to have been more widely considered within the party. Widely considered doesn't necessarily mean well thought out.

The Coalition plan centres on producing a white paper and expects to focus on agriculture, tourism, education and infrastructure spending. Importantly for some of its biggest supporters like Gina Rinehart, it also includes personal and business tax incentives.

Talk of opening up northern Australia is not new. It has gone on for more than 100 years. The attempts that have been made have usually failed at considerable expense to the tax payer.

If the Coalition wants to buck the trend and succeed, then it is off to a strange start with its reaction to Rio Tinto's decision to close the Gove alumina plant. While the north has and is being exploited for its natural resources, Gove is rather unusual in that it processes these resources in a large manufacturing operation.

Surely this is the kind of northern development that the government would be keen to support?

The lack of support for the Gove plant is also strange when compared to the \$100 million given as regional assistance because of the closure of Holden. Holden's decision to stop manufacturing cars in Australia will cost 2,900 jobs and is likely to have significant impacts on manufacturing regions in Victoria and South Australia.

With the first round of redundancy letters sent out this week, the township of Nhulunbuy that services Rio Tinto's Gove alumina plant is about to be devastated. The eventual 1,000 job loses will come out of a town of 4,000. More than half the town could potentially leave. The federal government has not proposed to give any regional assistance. Apparently some jobs are more politically valuable than others.

If the government is serious about developing the north then perhaps the \$100 million being spent on the Holden shut down should have gone to the north.

The government's reaction to the Gove shutdown calls into question their commitment to a policy of northern development. But if even mining companies are pulling out of the north and unwilling to invest money then we need to question if this is really a wise use of tax payers money.

The difference in the reaction to Gove and Holden is only the tip of the ice berg. The government's industrial policy has been shambolic and without any consistency or focus. They have leapt from handing out money to prop up some companies, such as their grant to Cadbury to talking tough about corporate welfare and knocking back SPC Ardmona's request for a strikingly similar grant.

How does the government's policy for the development of the north sit beside its desire to cut cash and tax concessions to businesses?

Any northern development policy is going to require substantial tax payer funds over an extended period of time. Not just support for business and industry to grow but also substantial investment in infrastructure across a huge remote region.

The government needs to get back to basics and formulate some kind of coherent industrial policy. Until they do that they will continue to lurch from one inconsistent decision to another and any plan to develop the north will remain in the never never.

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