

Message from the Executive Director

Amid a stagnating economy, it's time for a broader industry policy push aimed at barriers to innovation and business investment

In last year's annual report, I called for a renewed policy focus on our nation's declining productivity. A call coinciding with the EY-Accord Hygiene, Personal Care & Specialty Products Economic State of the Industry Report, reconfirming our industry's economic credentials as Australia's 17th largest business sector.

In the period since, public and political attention has instead been on the cost-of-living crisis and ongoing stagnation within the national economy, rather than longer-term productivity reforms. That said, three important foundation stones for reform are in focus and will hopefully be meaningfully delivered on.

The first has been a focus on the need for greater competition, for example, through merger reforms. Our industry is replete with businesses of all sizes in healthy competition. However, upstream, downstream and sideways from hygiene, personal care and specialty product manufacturing and importation are several more-highly concentrated sectors. Retail, particularly the situation with Australia's supermarket sector, stands out in this regard.

Energy policy and the transformation to a net-zero economy continue to occupy centre stage in policy development. However, electricity and gas costs for our manufacturing member businesses remain a persistent problem. As a reminder, gas is both a production fuel and a manufacturing feedstock for many businesses. Business certainty on energy policy remains paramount for both investors and manufacturers, meaning hyper-partisan, opportunistic politicisation of this vexing issue will always prove counterproductive.

And finally, there has been a steady stream of targeted industry policy announcements, commencing with the establishment of a National Reconstruction Fund and culminating more recently in the Prime Minister's announcement of the *Future Made in Australia* policy and its proposed enabling legislation.

All of these reflect an active focus by the Albanese Government on some of the longer-range policies required to lay foundations for improved national prosperity. This is welcome news for industry policy, albeit very targeted at sectors like critical minerals and quantum computing.

So, why the sense that a rosy future is a fair way off, and that these policy approaches are not quite hitting the mark? Well, that comes down to both the difficult commercial environment businesses are facing and the growing uncertainty about the future. Regrettably reinforcing this feeling has been the untimely and high-profile closures of significant upstream manufacturing operations, such as those of Qenos and Indorama.

Which is why, at a recent meeting of the Accord Board of Directors, business leaders in our sector identified the lack of an overarching and broadly applied industry policy across all sectors as a critical policy gap.

It is all well and good to pick novel and emerging industries like critical minerals or quantum computing as targets for more supportive industry policy measures. But no industry exists in isolation. The fact that industries are interlinked, and thereby often functionally interdependent, is well understood for sectors like ours. Our case study on disinfectants and sanitisers illustrates the interlinkages between these hygiene products and at least eight other sectors critical for community wellbeing, such as hospitals, aged care, food production and water utilities.

This is why we often refer to industrial 'ecosystems'. In our recent submission to the House of Representatives Inquiry into Food and Beverage Manufacturing we took this analogy further, describing the relationship between our hygiene businesses and food manufacturers as akin to the remora fish that clean harmful parasites from larger fish. Good hygiene means good health, and, in essence, the hygiene and food sectors have a similar symbiotic relationship where both industries can thrive because of the other.

As the government's industry policy has developed, there has been a growing sense that it has so far failed to grasp these interlinkages. Successful new industries can only thrive if the industrial 'ecosystem' they exist within is also thriving. Hence, the urgent need for a broader industry policy approach.

So, what should be done? Well, firstly, it would seem sensible to find out what led to closures like those of Qenos and Indorama. Such findings would help inform what policy remedies may be needed to improve business conditions to avoid an ongoing loss of manufacturing capability. Similarly, industry representative bodies like ours can help inform governments about areas of concern and vulnerability.

On this front, broader industry policy does not have to be about industry funding support and grants. It can just as effectively focus on adjusting policy levers to address barriers acting against investment and innovation.

The media reports daily on the cost-of-living crisis, but unfortunately, very little attention is focused on cost-of-production pressures for Australian manufacturers.

Taxation policy is one area where systemic disincentives exist that could be addressed via appropriate policy reforms. For example, booming property prices are impacting the land tax liability for larger-scale manufacturers, adding to their cost pressures. Concessional waiving of such taxes already applies in some states for primary production, so could be readily extended to manufacturing usages.

Another policy area that calls for constant scrutiny is the complexity and duplication inherent in many of the regulations businesses face. And especially the red tape that accompanies poorly designed regulatory systems. Regulations that are fit-for-purpose foster not just the compliance needed for safety and environmental protection, but also innovation, investment and entry into the market of new products and businesses. All of which is a recipe for greater competition and productivity.

¹ https://accord.asn.au/wp-content/uploads/2023/06/Accord-Infographic-7_Sanitisers-disinfectants-cleaning-products-case-study_2023.pdf

Message from the Executive Director

Sadly, this is not the reality that businesses in our sector currently find themselves in. Instead, businesses face a complex 'alphabet soup' of agency acronyms, schemes and regulatory rules, often unnecessarily lacking alignment with global approaches. All this, regrettably, in an era where increasing the global competitiveness of Australian industry remains paramount for economic prosperity and resilience.

Concerted industry policy action to tackle complexity, duplication and unproductive regulatory paperwork requirements is required to eliminate such barriers to innovation and investment. To help guide such action, Accord's infographic on the elements and benefits of fit-for-purpose regulation warrants deeper consideration.

Technology-rich industries like Accord's require access to the latest ingredients and formulation technologies available globally to stay competitive and innovative.

That is why I feel it is important in these times of economic stagnation to push for broader industry policy, aimed at barriers to innovation and business investment. As I stated earlier, Australia's industries are interlinked and also part of a broader economy.

Accord continues to proudly represent an innovative, science-based and responsive industry with a solid track record of working to advance safety, sustainability, commerce, ethics and knowledge.

These are challenging times but there are many opportunities on offer with the right policy approaches.

Bronwyn Capanna

Executive Director
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Fit-for-purpose regulation

A lower regulatory burden and greater fit-for-purpose system that is aligned with those of comparable overseas economies has significant benefits for businesses, regulators, consumers and the economy.

Increase... FIT FOR PURPOSE	Complexity	BENEFITS				
			Businesses	Regulators	Consumers	Economy
Minimum, effective regulation	Red tape	Efficiency	More time & investment in core business, not red tape ✓	Resources prioritised to higher risk No duplicative assessment ✓	Regulatory efficiencies reflected to consumer ✓	Greater productivity ✓
Proportionate to risk	High compliance costs					
Evidence-based	Unique Australian requirements	Access	More innovative ingredients ✓	Data and knowledge from trusted overseas regulators ✓	More innovative products ✓	'Level playing field' for small & large businesses ✓
Internationally aligned	Long assessment timeframes					
Compliance certainty & consistency	Inconsistent interpretation					
Meaningful consultation	Decrease... REGULATORY BURDEN					

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