

Super burden will hurt manufacturers



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Robert Wilson of Palm Plastics says extra super costs will swamp the company tax benefits for most businesses

ACCORDING TO Robert Wilson, if there is one thing that is going to help keep the nation's manufacturing industry competitive, it is being able to hold on to more cash.

"For my business, cash is king," said Mr Wilson, who runs Melbourne car parts and plastic drinking glass maker Palm Plastics.

"I have to generate cash so I can keep constantly spending on research and development, capital equipment. If you don't do that in this industry, it is death by a thousand cuts."

For this reason, any changes to the corporate tax system that allow manufacturers to hold on to cash is more than welcome.

But at first glance, the Rudd government's response

to the Henry review had not done much in this respect, Mr Wilson said.

Despite a small drop in the corporate tax rate, the increased superannuation burden will hurt.

"The super will swamp the company tax benefits for most businesses," he said yesterday.

"It means it is cash out of the business, which means lower re-investment and more difficulty to employ people."

Although Palm, which has been producing plastic-injection moulded parts for 20 years, has stayed afloat and managed to expand in that time, the manufacturing sector has been steadily losing its presence in the economy.

In the 10 years to the 2005-06 financial year, its

contribution to gross domestic product slipped from 13 per cent to 10 per cent.

"The manufacturing industry is struggling. There are a lot of businesses that haven't reinvested in equipment and research and development, and there is too much of a gap for them to catch up," Mr Wilson said.

"There is a good chance a lot of these will fail."

His Moorabbin factory uses state-of-the-art robots that melt plastic and force it into moulds.

Over the past 20 years, a major goal has been to concentrate on reducing labour costs.

Car parts, such as engine pulleys and clock casings, make up about 60 per cent of

the business, the rest being a more recent expansion into the boating and camping markets for high-end plastic drinking glasses and plates.

Mr Wilson said he had remained competitive with Asia due to quality, close proximity to Australia's carmakers and constant reinvestment in the business.

On top of a reduction in taxes, there were a number of areas where the manufacturing sector could be helped to remain competitive.

"It is important to have incentives for capital equipment and research and development," he said. "We export our glasses, so assistance with exports, like doing overseas trade shows, is all needed."

*Matt Chambers
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