

THYCON

9 October 2015
Hon Lily D'Ambrosio
Minister for Energy and Resources
renewable.energy@ecodev.vic.gov.au.

Dear Hon Lily D'Ambrosio,

Thank you for giving Australian businesses the opportunity to work together with the Victorian Government to achieve a sustainable energy future.

Firstly, we would like to convey our appreciation of the direction the Andrews Government is taking in Victoria's Renewable Energy Roadmap. The four key areas clearly target the requirements to delivering jobs and a clean energy future.

From our point of view, there is only one area that requires further initiative from the Victorian Government to create real economic, intellectual property and job growth to Victoria.

The Victorian Government must promote Australian made, and in particular Victorian made solutions. This could be achieved by using a combination of some or all of the following policy initiatives:

1. Mandate Victorian or Australian suppliers for supplies to Government
 - a. As is required under some current Government Projects to utilise Australian Steel, Australian, or Victorian made product could be mandated for Victorian Government Renewable Energy Projects.
 - b. Local content requirements have been implemented by both Spain and China to foster growth of their respective renewable energy sectors.
 - c. Although local content rules violate WTO rules there is an exemption for supplies to Government.
 - d. There are a number of Australian manufacturers of Renewable components that would benefit and a real possibility opened up for significant innovation and manufacturing growth within Victorian companies with such a mandate.

2. Australian Content Incentive Benefit
 - a. We believe this form of incentive is much less effective, unless given a significant value of benefit.
 - b. Imported products gain the benefit of manufacturing subsidies in their original country of origin that allow imported product to be cheap compared to Australian manufacturing that is not subsidised. This subsidy advantage must be offset entirely. Two methods utilised by the U.S.A. and various EU countries are described below.
3. Implementation of a SME Preference Program
 - a. Current Victorian Government procurement policy requires consideration of local SME tenders in where the tender has commercial merit. We believe that this policy provides inadequate assistance to local SME's competing with large and multi-national business.
 - b. The U.S. State of California assists local SME's through the Small Business Preference Program forming part of the state-wide Government procurement policies contained in the State Contracting Manual. Preference is given in the form of a 5% discount to qualifying small business pricing for contract assessment purposes only thereby assisting SME's to better compete for government contracts on price. The amount actually paid in respect of a successful SME tender is the non-discounted tender price.
 - c. The State of Victoria could further encourage the development of a renewable energy industry by amending the Victorian Industry Participation Policy to include an SME Business Preference Program similar to that in California. The rate of discount applied in assessing SME tenders could be greater than 5% thereby providing real assistance to Victorian SME's to grow and provide employment and economic activity outcomes for the State.
4. Provide tax relief to SME's investing in development of renewable energy technologies and associated manufacturing capabilities.
 - a. The Obama administration has announced a range of taxation initiatives designed to encourage investment in and the expansion of U.S.A. manufacturing capabilities with a focus on increasing renewable energy capacity.
 - b. Additionally, there are numerous state and local government subsidies in the form of tax relief, provision of utilities at cost and direct funding grants which support and encourage both general manufacturing and renewable energy industries creating employment growth and economic benefit at a regional level.
 - c. Generally, incentives provided through taxation measures in Australia are provided by the Commonwealth through the income tax system. However, such measures do not achieve results at a regional or State level.
 - d. The State administers taxes in the form of Payroll Tax and Land Tax and could provide relief in the form of rebates of both taxes to SME's that invest in the development of renewable energy technologies and manufacturing capabilities.

- e. Germany, Spain and other EU countries have historically provided various forms of subsidy, including taxation incentives, to the renewable energy sector and much of the EU now has mature renewable energy industries.
- f. In the U.S.A. a combination of local, state and federal subsidies in the form of direct assistance and taxation incentives have allowed a number of manufacturers to repatriate manufacturing operations in the U.S.A. from overseas creating jobs and economic activity. Element Electronics of Detroit has commenced making the first televisions manufactured in America in some years after relocating manufacturing operations from China. Other companies such as General Electric, Otis Elevators and Master Lock have similarly re-commenced manufacturing in America on the back of local, state and federal subsidy support.
- g. In Australia, Federal Government assistance should be sought but the only means of ensuring that Victoria attracts at least its share of renewable energy investment and jobs in Australia by 2020 is for the Victorian Government to provide significant financial assistance to the Victorian manufacturing sector.

Failure to promote Australian content in any way will promote the growth of imported product and international businesses and thereby prevent Australian companies from gaining the benefit of growth in economic activity, intellectual property knowledge and real jobs for Victoria.

By stimulating local design, development and manufacturing, domestic talent will be able to deliver innovative and pioneering energy projects utilising locally developed technologies. The Australian renewable energy businesses and supporting infrastructure required will deliver tremendous benefit to Victoria.

This is an opportunity for the Victorian Government to make:

- Victoria a key renewable energy market for the world.
- Victorian manufacturing a leading renewable energy innovator capable of delivering renewable energy solutions to the world.

This is an opportunity not to be missed.

Yours sincerely,



Pia Nanut
Managing Director