

31 March 2014

TO: David Murray AO  
Chairman,  
The Financial System Inquiry

Dear Mr. Murray,

The Financial System Inquiry should examine how Australia can best fund its growth.

The systems, structure and initiatives must place Australia first, ensuring a stronger long-term future for users, our superannuation and the nation. These should be secure, sustainable and maximise growth of Australian-owned companies.

### THE TOOLS AVAILABLE

1. Our current banking system

Its various forms of raising capital, its structure and various ways of allocation of its funds.

2. Superannuation

The major source of funds is from the compulsory government levee of 9% of salary plus additional funds from retail investors wishing to increase their contribution. Currently the government does not determine into which sector these funds are invested.

3. Venture capital

Has the important role of taking on innovation through to a saleable product or application.

4. Bonds

Corporate Municipal State and Federal bonds need to be highly developed for the role they play to provide additional finance for companies, municipalities and governments in a timely responsible risk known manner.

5. Technology

Provides the break-throughs, competition, productivity and efficiency that the finance industry and its systems need.

6. Government

Needs to be included in the financial system tools as government provides funding by way of grants, subsidies, relief payments, specific targeted funds and partnership agreements to develop a product, even infrastructure, to encourage the development of an industry and with transport, to improve its efficiency and lower costs.

Grants should be tied to an achievement time-line with some flexibility. Part of a grant is to stimulate and initiate development of a product or in a rare case, it could be for the partial restructuring of an Australian owned company. The majority of the grant must be repaid as the income increases with sales of the product or from recovery of the company. Much of the grant given must be repaid to avoid "corporate welfare". Such a process can assist the saving of Australian owned companies until Australia is able to introduce a US styled chapter 11.

USA uses government payments by the way of contracts to maintain USA world leadership in specific industries such as defence and indirectly airlines with their large technological and managerial spin-off for many US companies. USA also provides large grants to specific research areas to stimulate USA Industry to be a world leader in that field, like the genome project to create a Genome Industry and keep USA a leader in Biogenetics.

Australia too should be an “initiator” not a “follower”. The rewards are much larger for the initiator and can be very large, just as the USA IT industry has shown.

#### 7. Charities and ‘Not For Profit Organisations’

The charities and ‘Not For Profit Organisations’ (NFPO) which includes clubs, societies, Christian groups like Anglicare, St. Vincent de Paul, Salvation Army, Lifeline, the scientific and medical research bodies plus others, are part of the Nation’s Financial System. They raise money and distribute the funds for worthy causes that assist the alleviation of social problems, undertake local community projects and support the solid research our nation needs.

The role of the Financial System for charities and the NFPO’s is legislative. These bodies need adequate legislation covering the recording control and auditing of the collection and distribution of moneys.

Many submissions will cover these financial tools in detail, their composition, structure, facilitation and area of operation.

It is always necessary to examine the ability of the financial tool to achieve the outcome.

#### FINANCIAL TOOL FOCUS AND TEST

Will the design application and operation of the tool aid and ensure the sustainability and long-term growth of the economy?

Will the application stimulate innovation, foster research and development, increase value adding, encourage manufacturing and servicing preferably in Australia and by Australian owned companies?

Will operation of the tool help and encourage small businesses to grow quickly and even become an Australian Champion taking their product or service globally?

Will the financial tool be directed to maintaining and supporting Australian ownership?

These are the tests that Australia’s Financial System tools must pass.

Methods that facilitate the mobility of money, provide secure availability of loans or equivalent and have effective flexible repayments (to meet the unforeseen) will meet the Financial Systems tools focus and pass the test and provided APRA needs are met.

In Australia we have a limited money pool from which to maximise the growth of our companies, cooperatives and partnerships so the design and operation of the tool is critical. Our nation’s growth must not be restricted by faulty availability of moneys to the key cross-sector growth areas nor to small businesses.

#### KEY CROSS-SECTOR GROWTH AREAS OF THE NATION NEEDING GREATER FINANCE AVAILABILITY AND CREATIVITY

- 1) Innovation
- 2) Mobile robotics
- 3) Development of business services
- 4) Value adding
- 5) Commercialisation of a product or service from a prototype to a market in Australia then to overseas countries.

- 6) Growth of our service industries to overseas markets.
- 7) Selective creative financing for those charities and NFPOs seeking to raise additional capital for a special social need or a special research project that should greatly benefit our health.

## 1 INNOVATION

The taking of an idea and the creation of a new product or service through to marketing.

How much faster the nation could grow with an “innovation culture” where employees, individuals and companies are encouraged to think outside the circle and bring forth ideas and action. Surely a boom for a company’s ideas generation, action and productivity and for the individual or small groups it would lead to an increase in the development of unique products and a new Australian company.

The end result, greater industrialisation and servicing with the additional value added products, manufacturing and revenue growth of the economy.

The value of an “Innovation culture” to our nation would be immense. The method of implementation is presented in an extract of a paper by Greg Herbert, July 2013 on pages 5,6,7 and start of page 8, under “Innovation” and highlights the concept, implementation operation, costing and role of TANIAC. THE AUSTRALIAN NATIONAL INNOVATION AND APPLICATION CENTRE. See *Attachment “Innovation”*.

## RECOMMENDATION

That TANIAC, “THE AUSTRALIAN NATIONAL INNOVATION AND APPLICATION CENTRE”, be established promptly as an instrument for developing an Australian-wide Innovation Culture ensuring a wider and more rapid uptake of innovative ideas, financial and non financial within the small businesses, medium businesses and large businesses of Australia.

Innovation is a basic resource and approach in the development of a new financial system and then in its application to industry and small business.

## 2. MOBILE ROBOTICS

Their development and construction in Australia is essential. An Australian-owned mobile robotics industry is so necessary to overcome the high cost of labour in manufacturing wholesaling and agriculture within Australia.

Australia can lead the world in this field in the design patents manufacture and application of “mobile robots”. We have only to tap the Australian research developed here with the automatic robotic sheep shearing machine and the new research into the design construction and operation of mobile robots for picking of fruit from trees in horticulture.

In the mining industry, BHP and Rio have developed safe, integrated, distant control of mobile objects/vehicles such as for drilling, loading and transporting of iron ore. They are operating as mobile robots.

These three areas, basic areas of research and expertise, when integrated will provide the foundation for Australia’s new industry “mobile robotics” and greatly lower the cost of manufacturing in Australia provided we control, own and develop it and manufacture the mobile robots here.

Part of the funding for the mobile robotics development for car component and car manufacturing and other production line manufacturing is to come from the 150 million robotics fund hopefully to be included in the Commission of Audit. For the financial systems review to have its full impact and benefit on the funding, and growth of small and large businesses in agriculture, mining, manufacturing and the economy, then the government needs to allocate 150 million to developing and becoming a global leader in Mobile Robotics.

Mobile robotics will instil a degree of competition into wages and still allow employment growth – needed to manufacture, distribute, sell, service and program the mobile robots. Employment did grow with the introduction of computers and the internet. It will with mobile robotics. Australia has only a short window of opportunity to be a world leader.

## RECOMMENDATION

The Government create a 150 million MOBILE ROBOTICS FUND.

Please examine this recommendation closely. National opportunities occur rarely.

## 3. DEVELOPMENT OF BUSINESS SERVICES

Knowledge and quick action breeds productivity and success, especially for the small business, our largest employer. Knowledge is now doubling each 20 months requiring for a business's immediate access to, what is new, what is applicable, knowledge of the time it will take to reorganise to meet the new approach, cost and expected benefit (return).

In summary it needs to be via internet from the leader organisation or from a business interested in servicing that business activity e.g. Telstra and the "cloud". Some group discussions of like-minded business is good but not as quick as the internet.

Finance systems are part of business services in the development of on-site and immediate payment protocols or delayed payment with insurance. Finance systems is involved in the monitoring of records, auditing stock and real estate transactions etc.

Data mining has immense importance to marketing restocking levels and thus an ever greater need for "just-in-time" manufacturing of small goods, food and drinks, even larger items.

These are just two new business services "the cloud" for software and storage of data. "Data mining" for retrieval of data. Both should increase productivity, lower costs and support increased sales.

Tools or an instrument of the finance system is required to finance and support these new business services as they are developed, preferably in Australia.

## 4. VALUE ADDING

For Australia to support the growth in population it seeks and with mining, and in time the gas industry employment will reduce, and also in five years probably infrastructure developments thus there is a strong need for a new large across the nation activity and that is value adding of products and new services value adding. These will be directly related to Innovation followed by the marketing of the product or service here and overseas.

Needs for funds for value adding will be large and the Financial Systems will need to develop instruments within some or part of the tools discussed earlier. Specific company based products will be needed to service this area financially.

## 5. FROM START UP TO MARKETING

It involves venture capital and innovation funds investment banks, and other specialised funders. Later stages with overseas expansion or exporting involves specialised government entities and a different funding regime and may involve stock market listing with the encouragement that it is done in Australia and to mainly Australian shareholders.

Venture capitalist will make submissions I am sure.

Superannuation could and should be involved more fully in the late start-up stage of these businesses especially when sales have started.

## 6. GROWTH OF OUR SERVICE INDUSTRIES TO OVERSEAS MARKETS

Similar Financial tools are required with the addition of government bodies that aid export and assistance with insurance of the exported product.

Selective creative financing for those charities and NFPO's seeking to raise additional capital for a special social need or special research project that should greatly benefit our health. The title is self-explanatory and may need creative financing and a specific financial instrument that has some flexibility, however, it must meet APRA requirements.

## 7. OTHER SPECIAL FINANCIAL AREAS NEED

A Government Development Bank

So necessary to supply long-term low cost finance where the project, when up and running will generate the cost flow to pay back the monies provided. Applies to many new Agri business projects and must only be given to Australian owned companies to give them a financial record so that then, superannuation and banks are able and willing to provide long-term loans to repay the monies provided by the Government bank.

The Government Development Bank could also insure the project up to 30% of its cost. This will assist the raising of finance from non government sources be it banks or superannuation funds knowing that part of their funding has a partial Government guarantee.

## RECOMMENDATION

That the Australian Government creates an Australian Government-owned Development Bank for Agriculture and Industry and that its charter will allow the bank to do the above.

Yours sincerely,  
Greg Herbert

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**Attachment:** Innovation/Greg Herbert (p5-8)