Bill Shorten is promising that a Labor government would set up a A$1 billion fund to assist “advanced manufacturing”.

Modelled on the Clean Energy Finance Corporation (CEFC), which was established by Labor, the Australian Manufacturing Future Fund “will support innovative Australian manufacturing firms who want to grow their businesses and create jobs, but who might find it difficult to obtain private sources of finance”.

Shorten will make the announcement on Saturday in Adelaide. It comes as South Australia is hit by the shutdown of Holden’s car production plant there on October 20, with a loss of about 950 jobs. It also highlights the more interventionist policy approach being seen from both sides of politics.

A state where manufacturing struggles, SA faces an election early next year in which jobs and business opportunities will be issues. Last week’s announcement that Nick Xenophon will leave the Senate to lead a team of state candidate has thrown a wildcard into the poll.

Shorten and Shadow Industry Minister Kim Carr said in a statement that the proposed fund would help local manufacturers innovate and diversify. This could mean:

- auto component manufacturers re-tooling or diversifying into other industries;

- food manufacturers investing in new equipment for new products to export to Asia; and

- metals fabricators expanding into pre-fabricated housing.

They said that an ALP government would ask the fund to give priority to considering “transformative investments in the automative manufacturing and food manufacturing sectors”.

Shorten and Carr quoted the Australian Industry Group saying that financial institutions were “downgrading manufacturing industries and making access to finance more difficult and expensive”.

“Labor won’t let the big banks hold Australian advanced manufacturing back,” they said.

The fund, which would not be financing large-scale enterprises, would partner with private finance to reduce the perceived risk in innovative projects. It would “apply commercial rigour” when investing and would offer financing in the forms of equity, concessional loans and loan guarantees. It would not make cash grants.

It might partner with the CEFC to invest in energy efficient projects and equipment to help with a business’ energy costs, or with the Export Finance and Insurance Corporation to access new export markets with new products.

The fund would be off-budget. It would be expected to be financially self- sufficient and achieve a benchmark rate of return across its portfolio.

*Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.*

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