




Australian Government

# ■ GLOBAL INTEGRATION: CHANGING MARKETS, NEW OPPORTUNITIES





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# ■ PRIME MINISTER'S FOREWORD

Australians have good reason to be proud of the achievements of Australian industry over the last eleven years.

Australians have enjoyed the longest economic expansion of our modern history. The human dividend of this sustained economic growth is low unemployment, the creation of more than 2 million new jobs and much higher real wages for Australian families.

More subtly, there is a new mood of confidence in many parts of Australian industry. Without under-estimating the challenges ahead, many businesses know that they now have the experience and skills to tackle the most competitive global markets.

Success has been won by businesses taking risks and seizing opportunities. The Australian Government has played its part by providing support to businesses to improve their productivity and international competitiveness.

In the decade ahead we must continue to strengthen the foundations of our economy. This Industry Statement presents a long-term strategic view of Australian industry policy. It recognises that globalisation has forever changed the equation for Australian industry.

The Industry Statement builds on what has been achieved over the last decade - the policies that have helped to transform Australian industry. Support is focused on assisting businesses to build lasting competitive advantages through innovation and investment.



As important as these policies are, the Statement introduces new programmes which will enhance the capacity of Australian firms to integrate into the global economy. This \$1.4 billion Statement provides a platform for long-term growth for our manufacturing and services industries.

Australians and Australian businesses have a great entrepreneurial spirit. With sound economic management, flexible workplaces and effective government programmes, Australian industry is well placed to continue its vital contribution to our national prosperity.

A handwritten signature in black ink that reads "John Howard". The signature is fluid and cursive.

John Howard

May 2007



Since 1996, the Howard Government has invested more than \$35 billion in support for business innovation and investment. This assistance has helped transform Australian industry. Exports, spending on research and development, and investment have reached record levels.

## ■ MINISTER'S FOREWORD



More challenges lie ahead. This Industry Statement will position Australian industry for the next decade. The initiatives in this \$1.4 billion statement will help businesses meet the challenges of the global market: falling trade barriers; the concentration of trade in global supply chains; and the pressure on manufacturing and services firms to create new competitive advantages.

New government programmes will enhance the productivity and performance of thousands of Australian businesses, especially small and medium enterprises (SMEs). Export opportunities will be captured for more Australian businesses. Multinational companies, the lynchpins of global supply chains, will be attracted and retained in Australia.

Since 1996, Australian industry has outgrown the legacy of protectionism. Government policy has created an economic environment which rewards enterprise, backed by industry policies which equip Australian businesses with the skills and resources to be strong competitors. The Howard Government respects the fact that business decisions are best made by business. We don't believe in picking winners.

The decade ahead will present challenges for Australian industry. Integration in the global market will have its risks, but the benefits will be even greater. This Industry Statement complements our proven policies and will be a platform for long-term growth in our key manufacturing and services industries.

A handwritten signature in black ink, appearing to read 'Ian Macfarlane', written in a cursive style.

Ian Macfarlane

Minister for Industry, Tourism and Resources

May 2007

## ■ A DECADE OF ECONOMIC ACHIEVEMENT

Industry policies will fail without sound economic management. Businesses need a stable environment to invest with confidence.

Until recently, Australia has been a victim of boom-bust cycles. Since 1996, the Howard Government has made the Australian economy far more robust. Australia has sustained strong growth despite the 1997 Asian financial crisis, the dot.com crash and long periods of stagnation in many leading countries. The 2006 IMD World Competitiveness Yearbook rates Australia as the most resilient economy in the world.





#### OVER THE DECADE TO 2006

- Growth has averaged 3.5 per cent;
- Real GDP has grown 41 per cent from \$660 billion to \$933 billion;
- Real per capita GDP has grown by more than 25 per cent, to more than \$45 000;
- 2 million more Australians have jobs;
- The unemployment rate has been halved;
- Real wages have risen by almost 20 per cent;
- Despite strong growth, inflation has been contained, averaging 2.5 per cent a year;
- Interest rates remained low;
- Business profitability has never been higher;
- Business investment has never been higher at more than 15 per cent of GDP; and
- Australian exports have soared at an average annual rate of 7.5 per cent.

These achievements are not accidents. Government policy has created the right conditions for businesses to grow. Industry has responded, taking up the challenge. Australia cannot afford to slide back into complacency.

A photograph of an airport tarmac under a blue sky with wispy clouds. In the foreground, there are yellow and red ground markings. In the middle ground, a red scissor lift is positioned next to a large aircraft component, possibly a wing or fuselage section, which is secured with a blue metal cage. To the left, another similar aircraft component is on a green trailer. Several people are visible near the red lift. The overall scene depicts active cargo handling at an airport.

■ MARKETS DON'T STAND STILL –  
NOR CAN OUR INDUSTRY POLICIES

Past growth is no guarantee of future growth. The Government recognises that global markets are changing, putting pressure on Australian businesses to adjust.



One of the most significant changes is the concentration of trade in global supply chains. Supply chains have been rationalised, shrinking the number of businesses involved and requiring suppliers to expand to a truly global scale of production. Traded goods are now just as likely to be intermediate goods as finished products, often sold between affiliates of the same multinational enterprise (MNE).

More and more industries are exposed to this international competition. The services sector is now far more open to global competition. Commodity manufacturing is under intense pressure in all developed countries.

In this market, many businesses must grow to survive. Their benchmarks are global – matching overseas competitors is essential, as is finding new ways to add value to products and services. Australian businesses will need to reassess their management, their production processes and their use of technology.

# ■ PRODUCTIVITY CENTRES: BUILDING WORLD CLASS BUSINESSES

The Howard Government  
will increase its  
support to help trade-  
exposed businesses  
in the manufacturing  
and services sectors  
to become more  
competitive.





Support will be focused on businesses with strong potential for expansion. There are about 50,000 Small and Medium Enterprises (SMEs) which have grown beyond servicing just a regional market and stand on the cusp of significant national and international growth.

To deliver this support, the Government will commit \$351.8 million over the next ten years to establish and operate Australian Industry Productivity Centres. The Centres will offer a range of general and specialist services.

- The Centres will provide a free diagnostic service to help businesses assess their performance against world best practice and identify opportunities for improvement. Up to 2 000 businesses a year will use this service.
- The next step for many businesses will be to seek tailored advice on critical issues such as business planning, process improvement, and lean manufacturing. For many businesses, these professional services can be too costly. The Productivity Centres will meet up to 50 per cent of the cost of the service, up to \$20 000.
- Businesses seeking technology advice or access to specialised equipment will be assisted, with the Centres meeting up to 50 per cent of the costs of professional advice, up to \$20 000.
- The Centres will also connect businesses with leading technology and business experts in the universities, CSIRO and the private sector.

## ■ SEIZING GLOBAL OPPORTUNITIES

Global markets create unprecedented opportunities for Australian products and services. But most businesses lack the scale and expertise to seize these opportunities.

The Government helps many businesses by subsidising overseas marketing, providing market intelligence and overseas representation. But more can be done. The Government will launch a new co-operative programme with industry. Over ten years it will provide \$254.1 million to fund the Global Opportunities programme which will mobilise the critical mass and skills for international engagement and export success.





The Global Opportunities programme will target more than 30 large international projects each year, with a combined value of at least \$16 billion. Drawing on the resources of the Department of Industry, Tourism and Resources, Austrade, the Industry Capability Network and industry partners, project teams will identify the most promising opportunities for Australian industry. Consortia of Australian businesses will be formed to pursue these opportunities, giving SMEs the chance to forge new links with Australian and international businesses.


To further support the export efforts of Australian businesses, the Government will expand the mandate of the Export and Finance Insurance Corporation (EFIC). To date, EFIC's activities have been restricted to providing financial and insurance services for exports. EFIC's role will be broadened to support other export-related activities, such as the establishment of offshore distribution facilities.

The Government will also extend for two years the 30 export facilitators supporting Australian firms chasing new business under the US/Australia Free Trade Agreement.



## ■ AUSTRALIA AS A HUB FOR GLOBAL BUSINESSES

Foreign owned businesses in Australia contribute a disproportionate share of our exports and research and development. They account for two-thirds of manufactured exports and employ around one quarter of the workforce in the sector. They are the natural partners for other Australian businesses seeking to break into global supply chains.



Many of these businesses were established decades ago to exploit markets isolated by protectionism. That rationale for investment is gone. The local market is too small and too open; Australian subsidiaries must secure niches in their global businesses, based on a capacity to create value. And the key to creating value is innovation.

The Government will introduce a new initiative for continued investment by multinational enterprises in Australia. Businesses which hold their intellectual property overseas – a growing trend – do not qualify for R&D Tax Concessions. From 1 July 2007, this restriction will be abolished for the 175 per cent premium concession. Firms which boost their long-term investment in Australian innovation will be rewarded with a subsidy on their additional research and development.

Making Australia a more attractive place for world class innovation will boost investment, expand our skills base and help anchor in the local arms of leading multinationals in Australia.

More than 300 companies are expected to benefit from this change, generating around \$200 million in new research and development each year.

# ■ LINKING BUSINESSES WITH INNOVATION

SMEs seeking new ideas to strengthen their business are often unaware of the resources available in our public sector research agencies and in other businesses.

To help close this information gap, the five year \$20.1 million Intermediary Access Programme will fund services to link businesses with possible technology partners. SMEs will receive support to acquire and manage new technology and knowledge.

Provision of an additional \$90.3 million over ten years to the successful Commercial Ready programme will help public sector researchers and start-up companies take the first steps to commercialising their research. New grants offered through the programme will support proof of concept and early stage commercialisation.



CSIRO is a valuable knowledge asset for Australian business. The Government will strengthen the links between CSIRO and business through a \$36.2 million National Research Flagship for Niche Manufacturing. This funding will be provided over four years.

The Flagship will work with industry to create commercial opportunities from CSIRO research, in particular nanotechnology. The potential for products using nanotechnology is enormous: the global market for nanotechnology products and services could be as great as US\$2.6 trillion over the next decade.

The Government will provide \$21.5 million over four years for a National Nanotechnology Strategy to ensure Australia captures the full benefits of nanotechnology.

With food processing a key part of the manufacturing sector, the Government will continue to support innovation in the sector by providing \$54.2 million over four years for the Food Innovation Grants programme.

## ■ INITIATIVES FOR SMALL BUSINESS

The Government has long assisted small business operators seeking to improve their skills and business planning.

\$14.3 million over two years will be committed to extend the successful Building Entrepreneurship in Small Business programme. The programme funds a network of more than 60 Small Business Field Officers across Australia.

The Government will slash the red tape involved in establishing a business. A single online registration for both the Australian Business Number (ABN) and State/Territory registered business names will be introduced. This streamlined process will simplify registration of about 600 000 ABNs and 250 000 business names each year, at a cost of \$89.2 million over ten years.





