



Appendix G – Overview of the Industry Statement 2007

G.1 According to the Department of Industry, Tourism and Resources (DITR) website:

Following extensive consultations across the country, the 10-year, \$1.4 billion Statement was released by Prime Minister John Howard and Minister Macfarlane in Sydney on 1 May 2007.¹

G.2 The DITR website provides an overview of the key measures contained in the Industry Statement 2007. The text from this overview is shown below.

Global Integration: Changing Markets, New Opportunities²

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

1 Department of Industry, Tourism and Resources, *Industry Statement*, Canberra, May 2006, viewed online 18 May 2007,

<<http://www.industry.gov.au/content/itrinternet/cmscontent.cfm?method=clientdisplay&objectID=572C46BC-F5DC-42BA-7856D5B684345986&CFID=5261216&CFTOKEN=62959872>>.

2 This information is taken directly from: Australian Government, *Global Integration: Changing Markets, New Opportunities*, Australian Government, May 2007, viewed 18 May 2007, <http://www.industry.gov.au/assets/documents/itrinternet/Global_Integration20070504170028.pdf>.

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;
- Two 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.

Markets don't stand still – nor can our industry policies

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 global business hub

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.

