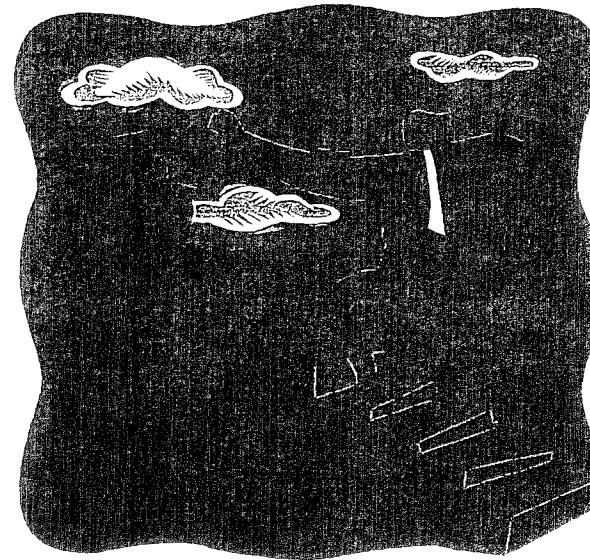
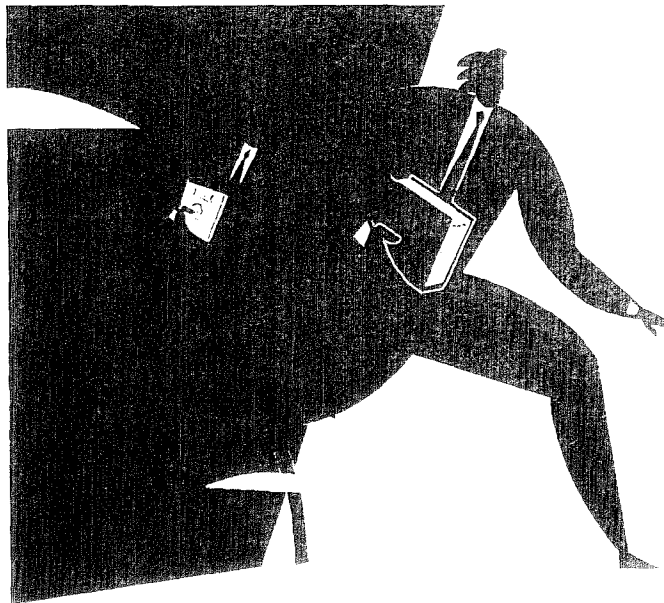


RE-POSITIONING AUSTRALIAN MANUFACTURING IN THE GLOBAL ECONOMY MEETING THE CHALLENGE

SUBMISSION 42

- THE GLOBAL CHALLENGE FOR MANUFACTURING IS ABOUT A RACE TO THE TOP NOT THE BOTTOM. TO STAY IN THE RACE NATIONS AND FIRMS ARE INVESTING IN INFRASTRUCTURE, SKILLS AND INNOVATION.
- MUCH OF THIS INVESTMENT IS AIMED AT MOVING BOTH NEW AND EXISTING FIRMS HIGHER UP THE VALUE ADDED LADDER IN ACTIVITIES THAT WILL HAVE MORE SUSTAINABLE COMPETITIVE ADVANTAGES

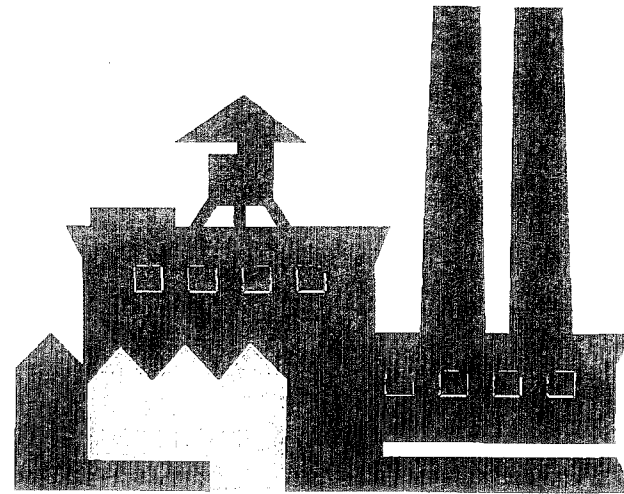
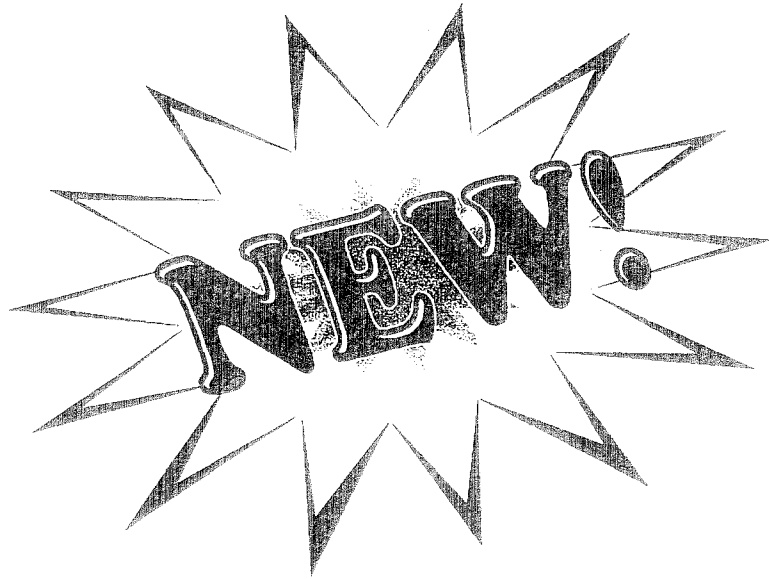


SLIDE ONE

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***"AUSTRALIAN INDUSTRY IS AT A CRITICAL POINT-
ITS ABILITY HASN'T DECREASED,
THE GAME HAS CHANGED"***

- **NEW MANUFACTURING ACTIVITIES ARE ONLY SLOWLY EMERGING. UNDERINVESTMENT IN R&D AND VENTURE CAPITAL IS PARTLY TO BLAME.**
- **EXISTING MANUFACTURING ACTIVITIES ARE BEING RAPIDLY DOWNSIZED & RATIONALISED. THIS IS NOT SURPRISING GIVEN THE REALITIES OF GLOBAL COMPETITION.**

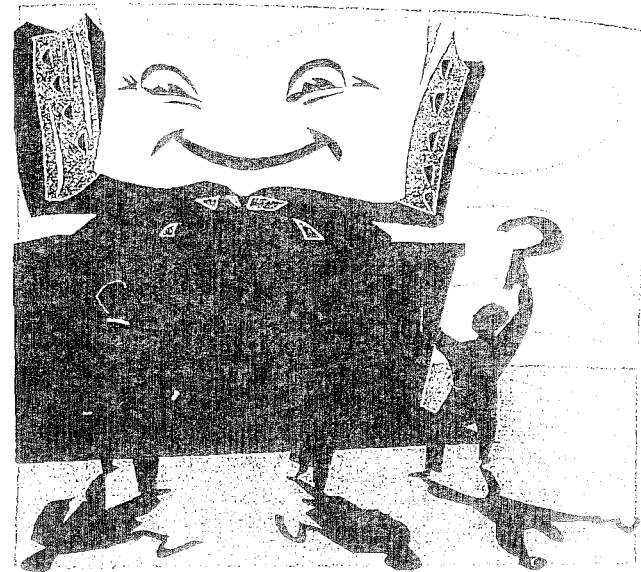
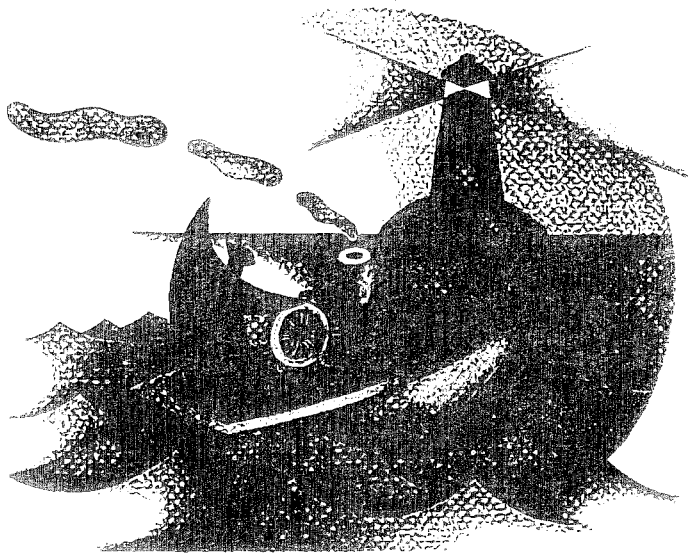


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SLIDE TWO

**THE FIRST STEP TO ASSIST BOTH NEW AND EXISTING
MANUFACTURING ACTIVITIES IS TO ESTABLISH A MANUFACTURING
ADVISORY SERVICE AND A NETWORK OF TECHNOLOGY DIFFUSION
AGENCIES LIKE QMI SOLUTIONS**

- THIS WILL HELP FIRMS RE-POSITION THEIR BUSINESS IN ACTIVITIES/NICHES WITH MORE SUSTAINABLE COMPETITIVE ADVANTAGES
- THIS WILL HELP FIRMS BUILD THE MANAGEMENT SYSTEMS AND ORGANISATIONAL CAPABILITIES REQUIRED TO SUCCEED IN THE GLOBAL ECONOMY

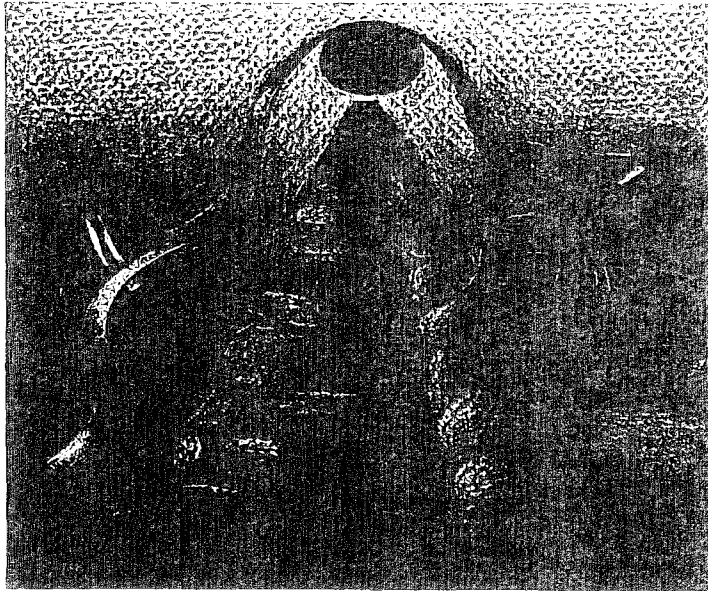


SLIDE THREE

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**AUSTRALIA NEEDS A NEW PARTNERSHIP BETWEEN THE COMMONWEALTH,
STATES AND TERRITORY'S TO ESTABLISH AND OPERATE MAS & A NETWORK
OF TECHNOLOGY DIFFUSION AGENCIES, AS WELL AS PROMOTING TRADE AND
INVESTMENT**

- CO-OPERATIVE FEDERALISM CAN PROVIDE A BETTER DIVISION OF LABOUR FOR PRODUCT DEVELOPMENT & SERVICE DELIVERY AS WELL AS COMPARABLE BENCHMARKING OUTCOMES
- CO-OPERATIVE FEDERALISM CAN INCREASE THE RATE OF RETURN FROM EACH DOLLAR INVESTED IN TRADE AND INVESTMENT PROMOTION.

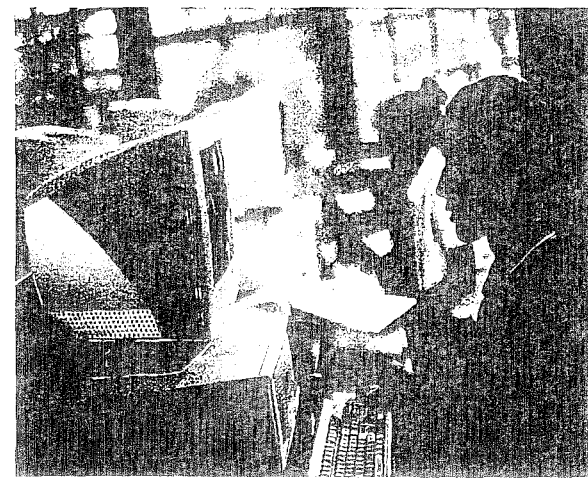
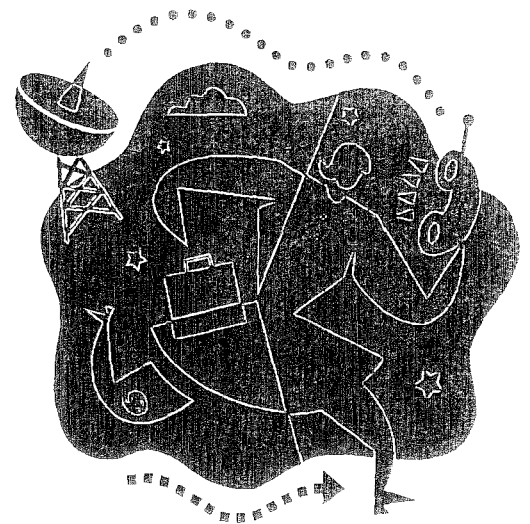


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SLIDE FOUR

THE SECOND STEP TO ASSIST BOTH NEW AND EXISTING MANUFACTURING ACTIVITIES IS TO LIFT PUBLIC AND PRIVATE INVESTMENT IN SKILLS AND INFRASTRUCTURE

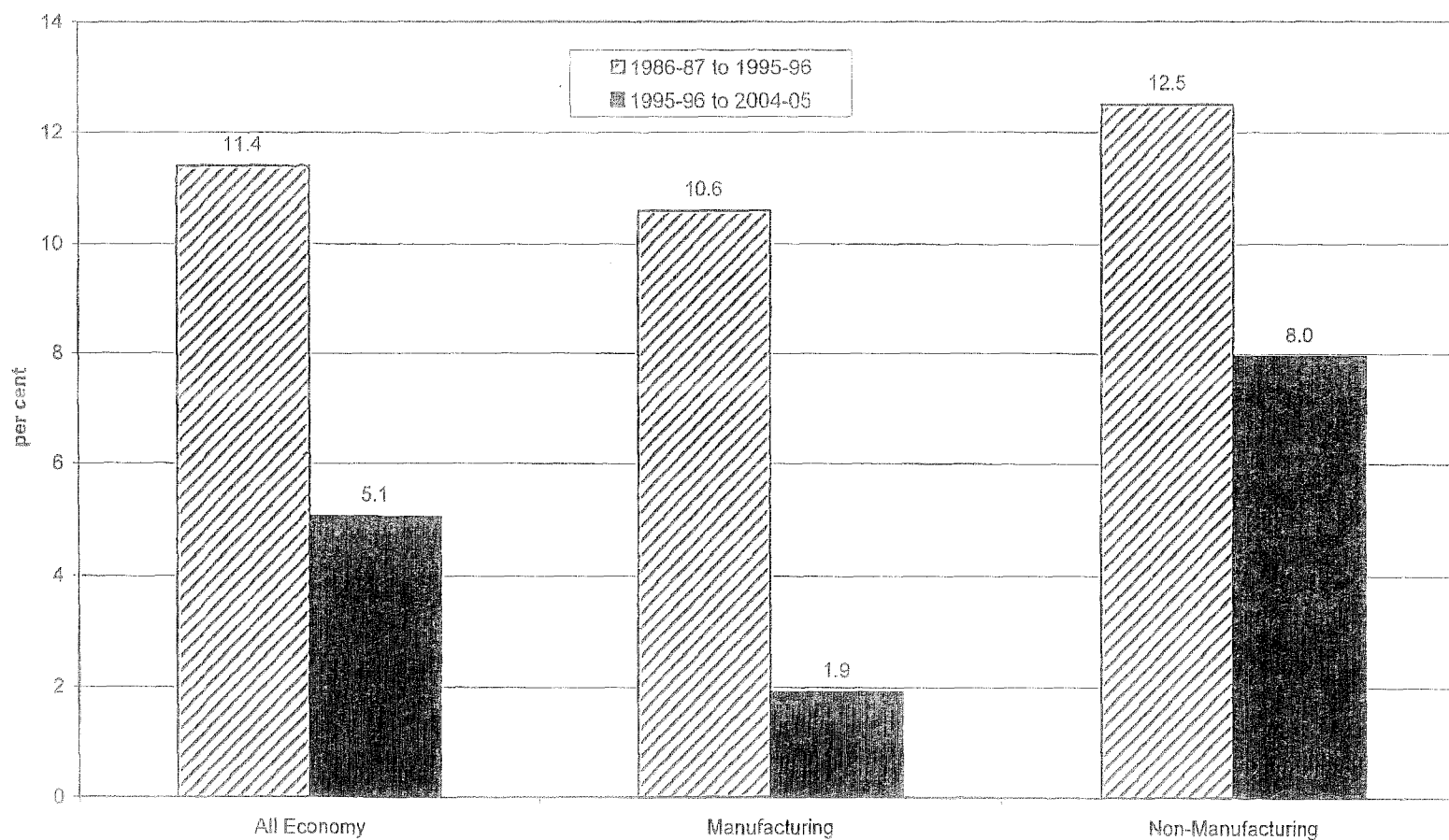
- INVESTMENT IN ECONOMIC AND SOCIAL INFRASTRUCTURE INCREASES THE COMPETITIVENESS OF FIRMS THAT EXPORT OR COMPETE AGAINST IMPORTS AND HELPS ATTRACT MORE FDI. IT ALSO ATTRACTS ENTREPRENEURS, SCIENTISTS, ENGINEERS AND OTHER KNOWLEDGE ECONOMY WORKERS TO RELOCATE TO AUSTRALIA
- WE NEED MORE FIRMS TO USE SKILLS FORMATION AS A STRATEGIC COMPETITIVE ADVANTAGE TO WIN MORE INTERNATIONAL BUSINESS OPPORTUNITIES. WE NEED TO PLAN AND INVEST MORE STRATEGICALLY IN OUR SCIENCE AND ENGINEERING SKILLS BASE



SLIDE FIVE

**TO ACCELERATE THE EMERGENCE AND GROWTH OF NEW
MANUFACTURING ACTIVITIES WE NEED TO RESTORE DOUBLE
DIGIT GROWTH OF MANUFACTURING INVESTMENT IN R&D**

Annual Average Growth Rate of Real Business Investment in Research and Development



SLIDE SIX

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**TO ACCELERATE THE EMERGENCE AND GROWTH OF NEW
MANUFACTURING ACTIVITIES WE NEED TO INCREASE INVESTMENT IN
VENTURE CAPITAL**

**Venture Capital (seed, start-up, early expansion) invested in
Australian based companies: 1996 – 2002
Per cent of international benchmark over 7 years**

New South Wales	50 to 71 per cent
Victoria	31 to 44 per cent
South Australia	12.5 to 18.0 per cent
Western Australia	21 to 30 per cent
Queensland	13 to 19 per cent
Tasmania	2 to 3 per cent
Australian Capital Territory	26 to 37 per cent
Northern Territory	3 to 4 per cent

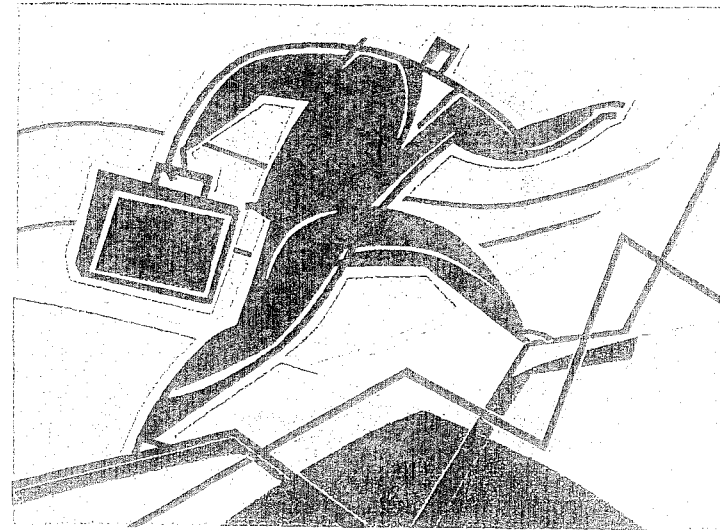
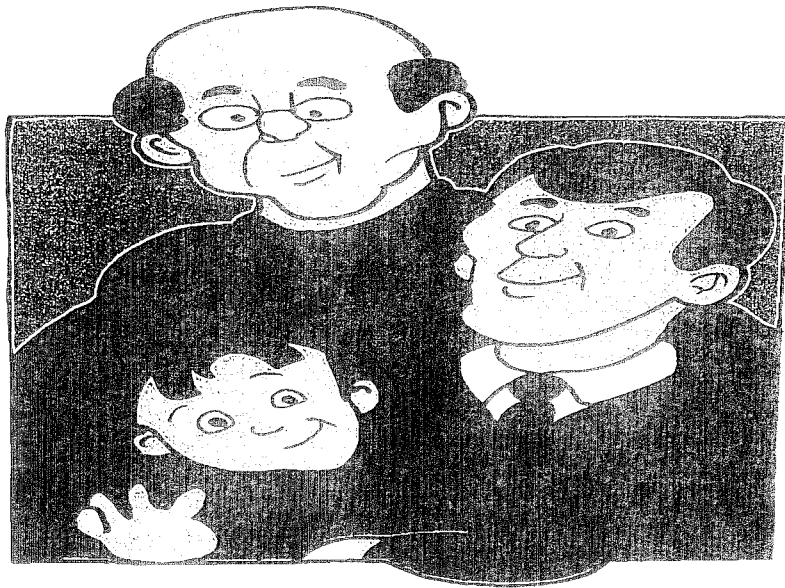
source: IFS Private Capital Group and AMWU estimated from International Venture Capital Databases and for Australia the AVCJ database. In Canada and the United States investment in venture capital average 0.1 per cent of GDP per annum over the 1996-2002 period. For the European Union (where somewhat different definitions are used) the comparable figure was 0.07 per cent of GDP. Thus the ranges expressed in the table above refer to the 0.1 per cent North American outcome and the 0.07 per cent European Union outcome).

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SLIDE SEVEN

TO ACCELERATE THE EMERGENCE AND GROWTH OF NEW
MANUFACTURING ACTIVITIES WE NEED TO ENCOURAGE SUCCESSFUL
GENERATIONAL CHANGE IN THE OWNERSHIP AND CONTROL OF
FAMILY BASED MANUFACTURING SME'S

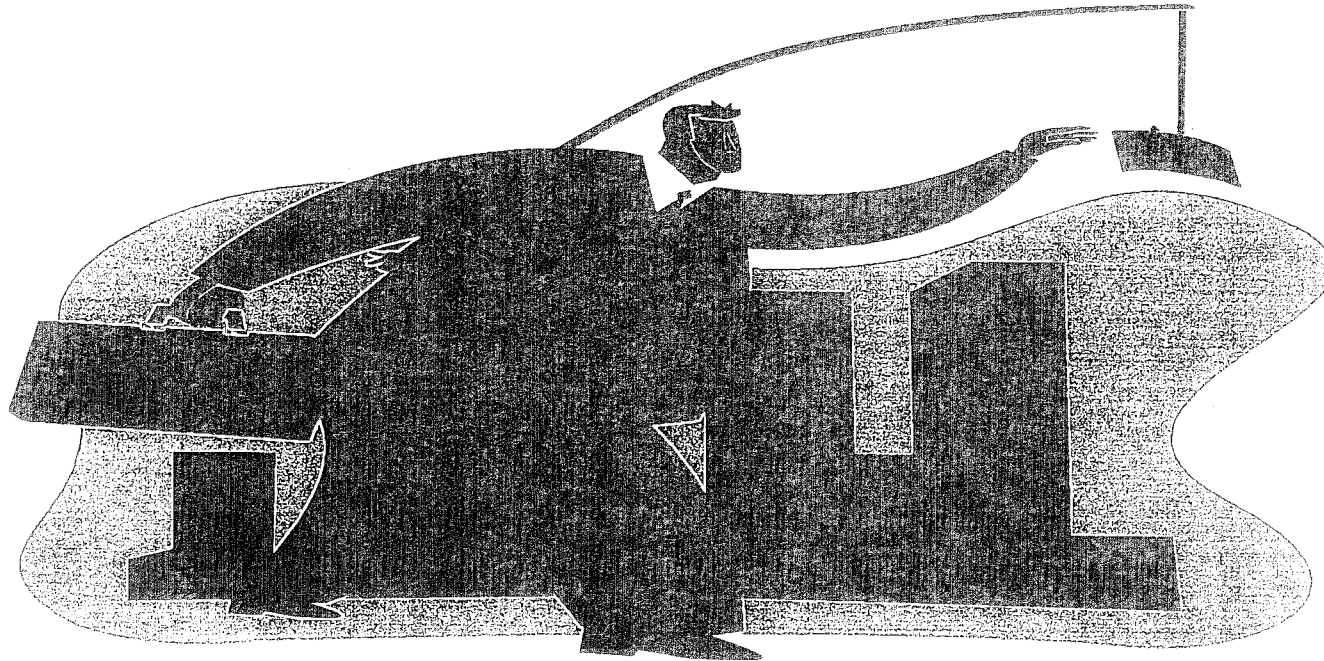
- MANY FAMILY OWNED
MANUFACTURING SME'S HAVE
RESTRICTED THEIR
ACTIVITIES AND INVESTMENTS
TO SERVICING THE LOCAL
MARKET
- GENERATIONAL CHANGE CAN
HELP THOSE SME'S WITH
UNIQUE
PRODUCTS,CAPABILITIES OR
INTELLECTUAL PROPERTY
TO GO GLOBAL



SLIDE EIGHT

*TO ACCELERATE THE EMERGENCE AND GROWTH OF NEW MANUFACTURING
ACTIVITIES HIGHER UP THE VALUE CHAIN AN INVESTMENT INCENTIVE SHOULD
BE PUT IN PLACE FOR THE LONG TERM TO ENCOURAGE HIGH RISK VENTURES
OPERATING AT THE TECHNOLOGICAL FRONTIER*

- SUCH AN INCENTIVE MIGHT WORK BEST IF REVENUE FOREGONE FROM THE INCENTIVE WAS CAPPED. THE HIGHER THE LEVEL OF THE INCENTIVE THE GREATER THE CASE FOR ELIGIBILITY TO BE MADE CONDITIONAL ON A ROYALTY PAY BACK FROM SUCCESSFUL VENTURES. ADMINISTRATION COULD BE MANAGED BY THE R&D BOARD IN CONSULTATION WITH TREASURY.



SLIDE NINE

TEN KEY SUCCESS FACTORS FOR AUSTRALIA TO WIN IN GLOBAL MANUFACTURING

- BUILDING BETTER MANUFACTURING FIRMS WITH THE ORGANISATIONAL CAPABILITIES AND MANAGEMENT SYSTEMS TO SUCCEED IN THE GLOBAL ECONOMY IS THE KEY TO SUCCESS.
- CO-OPERATIVE FEDERALISM IS NECESSARY AND CAN INCREASE THE RATE OF RETURN FROM EACH DOLLAR INVESTED IN INDUSTRY SUPPORT.
- MOVING UP THE VALUE CHAIN AND STRENGTHENING THE NATIONS SCIENCE AND ENGINEERING SKILLS BASE IS THE KEY MESSAGE THAT MUST INFORM FIRMS AND POLICY MAKERS
- BENCHMARKING FIRM CAPABILITIES AGAINST BEST PRACTICE IS CRITICAL IN MEASURING PROGRESS AND IN REFINING THE OBJECTIVES OF INDUSTRY ASSISTANCE PROGRAMS.
- MORE EMPHASIS SHOULD BE GIVEN TO ENCOURAGING THE EMERGENCE AND GROWTH OF NEW MANUFACTURING ACTIVITIES.
- INVESTMENT INCENTIVES REQUIRE LONG TERM CONTINUITY TO MAXIMISE THE RATE OF RETURN TO THE COMMUNITY FROM EACH DOLLAR OF INDUSTRY ASSISTANCE.
- SHORT TERM SECONDMENTS (OR RETAINER ARRANGEMENTS)FROM THE PRIVATE SECTOR FOR EXPERTS TO HELP PROMOTE TRADE AND INVESTMENT SHOULD BE DONE MORE OFTEN.
- WINNING MORE FDI IN VALUE ADDED EXPORT ACTIVITIES AND ATTRACTING EXPATS AND GLOBAL KNOWLEDGE ECONOMY WORKERS TO AUSTRALIA IS CRITICAL TO SUCCESS AND WILL SIGNIFICANTLY RAISE THE STANDARD OF INDUSTRY CAPABILITY.
- GENERATIONAL CHANGE IN AUSTRALIA'S MANUFACTURING SME'S COULD REALLY MAKE A DIFFERENCE
- STRUCTURAL ADJUSTMENT SUPPORT FOR WORKERS MADE REDUNDANT BY GLOBAL COMPETITION SHOULD BE MORE COMPREHENSIVE AND A HIGHER PRIORITY.

SLIDE TEN