

Strategic actions to boost Australian Manufacturing



‘...Across the globe there are paradigm shifts underway that are impacting on Australian manufacturing – significant pressures from emerging competitors, the rapid pace of technological development and innovation, access to capital and skills gaps and shortages... these are not insurmountable...’

‘...Australia should generate a feeling of excitement and confidence about its manufacturing prospects... this involves thinking, engaging and competing globally and capturing all the opportunities that flow therefrom...’

‘...There should be a united commitment to the future growth of a strong and sustainable Australian Manufacturing Industry and to the development of a strategy that will enable Australian Manufacturing to thrive in the global economy...’

‘...There is NOT any acceptance that Australia should allow the momentum it has achieved in manufacturing to wane... accordingly, industry, in concert with all levels of government, must develop and implement actions that will **BOOST AUSTRALIAN MANUFACTURING...**’

Summary of a Report by the National Manufacturing Forum

To State and Territory Ministers responsible for Manufacturing



**NATIONAL
MANUFACTURING
FORUM 2006**

The framework for government policy

The National Manufacturing Forum commissioned a search of manufacturing policies around the world. This helped shape a framework of policy priorities recognising that individual governments will decide the strategic actions to suit the composition and structure of manufacturing in their particular jurisdiction. The framework is as follows:

Globalisation priorities

- Recognise the holistic impact on the manufacturing sector of trade agreements and arrangements, and ensure that Australia's negotiations around them provide net gains for Australian manufacturing.
- Develop initiatives that facilitate export market development and encourage manufacturers to focus on the specific advantages of international business, including access to economies of scale and niche growth markets.
- Encourage Industry Capability Networks to work with Austrade, State and Territory agencies and other bodies to promote industry capability on a global supply chain basis, and provide specific project information and tendering advice to local firms.
- Maximise opportunities for manufacturing in areas where Australia currently has advantage, or the opportunity to develop advantage.
- Develop ways to attract equity into Australian small to medium sized manufacturers, especially in regional areas, as an avenue to access foreign markets, develop new products, improve processes and enhance capability.

Investment priorities

- Stimulate and assist firms to add value where ever possible prior to export, and the infrastructure that supports them.
- Build stronger linkages and understanding between investors, the finance industry, capital markets and the manufacturing sector through skills development, promotion and familiarisation initiatives.
- Enhance coordination of Invest Australia and State and Territory Government activities that promote investment from overseas, particularly in value-added manufacturing in areas based around comparative and competitive advantage.
- Pursue the use of local and international government procurement to stimulate innovation and to support local production.
- Encourage and support research institutes, consortia, clusters and joint ventures in the manufacturing sector to secure Australia's position in the global innovation network.

The framework for government policy

Innovation and Research & Development priorities

- Establish mechanisms for manufacturers to continuously improve and invest, by assisting them to:
 - share information;
 - encourage technology diffusion and best practice;
 - identify opportunities for international collaboration; and
 - benchmark performance.
- Significantly increase the investment in manufacturing-related research & development (R&D). Aspects of this include increased government support for R&D, improved awareness, attractiveness of and accessibility to existing support programs.
- Encourage initiatives that facilitate the development of organisational capabilities, including capabilities that will increase productivity in Australian manufacturing.
- Raise industry awareness of the benefits to be gained from innovation and overcome any unjustifiable perceptions that R&D/innovation is prohibitively risky, costly and of little benefit.
- Support networks, clusters, brokers and intermediaries that focus on bridging gaps within and between the public, private and research sectors.
- Recognise the strategic importance of linking Australian innovation into global supply chains specifically to:
 - translate that innovation into other industries; and
 - apply that innovation to other geographic markets.

Skill priorities

- Work with educational institutions to strengthen the national skills base and the knowledge systems that support it.
- Increase support to retain the skills of mature-aged workers through flexible work practices and succession planning.
- Promote opportunities for employees to acquire skills that apply across industry sectors to achieve a more adaptable workforce and to increase employment opportunity for all.
- Promote career paths in manufacturing, ensuring the raft of employment opportunities on offer have broad recognition.
- Increase investment in training management around strategic planning, domestic and international market development and global supply chain skills.
- Develop a broad approach to manufacturing-related training that ensures there are relevant, forward-looking training regimes to support the manufacturing sector.

Don't understate the contribution that manufacturing makes to Australia

'...Australian manufacturing is not just 'making'... it should be valued as the combination of all its parts: its contribution in design, innovation and ingenuity; how elaborately we transform raw materials and simple products up the value chain; the value of production and employment; the role of logistics in getting products to market; the marketing and sales process; its administrative requirements; environmental and social impact; and after-sales and through-life service ...'

'...Manufacturing is the second largest sector in the Australian economy. The most recent national accounts show that, even in the current testing environment, the sector contributes close to 12.5 per cent of Gross Value Added. Manufacturing businesses employ over 1.05 million Australians and the manufacturing sector accounts for around 20 per cent of Australia's exports. According to the ABS, businesses in the Australian manufacturing sector spent \$3.5 billion on research and development in 2004–05. At over 40 per cent of Australia's total R&D expenditure by business in that year, it was more than double the amount spent by businesses in any other sector...'

All governments should commit to greater cooperation and transparency in framing and implementing manufacturing industry policy

To drive implementation....

- *Ministers responsible for manufacturing from all governments to meet at least annually to review progress on implementation and consider forward strategies.*
- *Representatives nominated by the State manufacturing advisory bodies and the Commonwealth to meet on a regular basis (say quarterly) to drive implementation of strategic actions, exchange ideas, initiatives and details of successes and failures, provide input to Ministers, etc.*

And to engage industry....

A national Manufacturing Advisory Service (MAS Australia) be established to provide a comprehensive service to manufacturing industry through a single point of entry:

- *Enabling manufacturers to access information, programs and latest initiatives, provide links to research and a compendium to all Commonwealth, State and Territory manufacturing oriented programs;*
- *Disseminating critical information about the operation of markets and issues that may impact on the future performance of specific manufacturing sectors;*
- *Encouraging innovative ideas and thought leadership;*
- *Keeping abreast of international developments and conducting regular (say annual) manufacturing conferences with speakers who are world-renowned as leaders in their field;*
- *Coordinating the expansion of 'productive performance centres' and the extension of innovation intermediary services; and*
- *Monitoring, reviewing and modifying programs to ensure their continuing relevance and effectiveness.*

Strategic actions to boost Australian manufacturing*

Globalisation and related initiatives

- *Generate a feeling of excitement and confidence about Australia's manufacturing prospects in the global economy;*
- *Capture all the opportunities that flow from global engagement;*
- *Identify areas of advantage and how to build on them in favour of Australian manufacturing;*
- *State and Territory Governments to better align their export programs with invigorated Commonwealth programs;*
- *Market access, intellectual property rights, anti-dumping measures to work to the advantage of Australian manufacturers;*
- *Government overseas agencies (including Austrade) to use the Industry Capability Network (ICN) to better identify the capability of Australian industry; overseas postings for ICN staff may assist;*
- *Funding constraints on Supplier Access to Major Projects (SAMP) and SAMP Global schemes to be reviewed; and*
- *Government procurement to focus more on competent Australian suppliers, based on 'value for money over whole-of-life cycle'.*

Investment initiatives

- *Governments and industry to intensify cooperative and transparent investment attraction initiatives, including systematic value chain analysis, diagnosis of flow on benefits and the like;*
- *Maximise investment by those international companies with an already established presence in Australia; and*
- *Better acquaint the financial sector with manufacturing investment opportunities.*

Innovation and R&D initiatives

- *Develop a cohesive national agenda that addresses barriers to BERD and the incentives on offer;*
- *Explore the development of an Australia-wide network of 'productive performance centres' (see QMI Solutions model);*
- *Governments to actively support the use of innovation intermediaries to effect local and international collaboration;*
- *All governments to enliven their interest in the CRC program to strengthen industry's engagement in both R&D and commercialisation; and*

Strategic actions to boost Australian manufacturing*

- ***Enhance the 'Action Agenda' program by lifting present funding limits, engaging States, Territories and manufacturing advisory bodies and establishing a smaller number of compatible industry sector groupings.***

Skills initiatives

- ***Achieve a higher level and broader range of skills – frequently updated;***
- ***Lift and shift incentives from lower to higher level qualifications in the more export exposed sectors;***
- ***Open up more diverse pathways for entry from both school and other sources;***
- ***Improve careers advice and perceptions of manufacturing;***
- ***Recognise prior learning and create linkages of non-accredited workforce training with national qualifications;***
- ***Open up opportunities for life-long learning;***
- ***Strengthen industry skills councils in defining modern training qualifications and packages and improving system responsiveness;***
- ***Incentivate companies to provide access to their advanced technologies for training purposes;***
- ***Prioritise training in science, engineering and technology through scholarships, relief from HECS payments and CRC programs; and***
- ***Fill in the gaps in management education relating to global engagement.***

General initiatives

- ***Manufacturing not to carry an undue tax burden in comparative terms;***
- ***Regulation not to impede the agility of manufacturing;***
- ***Governments to exchange the detail of successful initiatives to cut red tape; and***
- ***Benchmark relative productive performance against competitors.***

* This document provides an outline of the recommendations. The full text and background to the recommendations are set out in the main Report of the National Manufacturing Forum (see www.nationalmanufacturing.org).

The National Manufacturing Forum comprised industry representatives nominated by each State and Territory Government, industry and business organisations, the trade unions, research organisations, and was supported by government officials from each jurisdiction.

The forum was informed by:

- Background, research materials and ideas from the National Manufacturing Summit in December 2005 attended by 230 delegates;
- Quality and comprehensive submissions detailing the specific views of representative organisations including the Australian Industry Group, ACTU, AMWU and AWU;
- A world-wide literature review by Deloitte, Touche Tohmatsu on manufacturing policies, strategies and issues conducted, analysed and workshopped by the Forum;
- Additional consultancies undertaken by Insight Economics on investment attraction and the 'Action Agenda' program;
- Submissions from Cooperative Research Centres (including Automotive and Advanced Manufacturing);
- Presentations from the Industry Capability Network Limited, the InnovationXchange Network, Intelligent Manufacturing Systems (IMS) and QMI Solutions;
- Consultations with Australian and international industry experts; and
- Consultations with and continuing input from the various State and Territory manufacturing advisory bodies.

This Report 'Strategic Actions to boost Australian Manufacturing' will provide valuable input not only to State and Territory Governments, but to the Commonwealth as well. This should facilitate a constructive, coordinated approach to manufacturing industry policy by all Australian Governments. There is no doubt that this is the desired outcome of all the representatives involved.

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For further information and access to electronic copies of this Outline of Recommendations, the Report and the Compendium, visit the website **www.nationalmanufacturing.org**