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Report of the Prime Minister's Manufacturing Taskforce

August 2012

On Thursday 16 August 2012, *Smarter Manufacturing for a Smarter Australia*, the report of the non-Government members of the Prime Minister's Manufacturing Taskforce (the Taskforce) was released. The report is the result of ten months of work by the Taskforce, which was established in October 2011 to set out a shared vision for the future of the manufacturing sector in Australia; and identify a plan for how to leverage the Government's existing policies to capture the opportunities arising from the Asian century and respond to its challenges.

The report is available in full [here](#).

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The Report

The Taskforce's 94 page report outlines their proposed strategy for the future of Australia's manufacturing sector. The report proposes specific policy directions to address both the immediate and underlying challenges facing Australian manufacturing. The report aims to reflect the diversity of views among non-government members of the Taskforce and seeks to offer one coherent framework for the Government's consideration.

The report assesses the position, pressures and prospects of Australian manufacturing, the Australian economy and outlines the policy framework that underpins Australian manufacturing. The report then proposes a five point policy agenda that has been developed by the Taskforce. This agenda looks to shape a more dynamic contribution from manufacturing over the medium to longer terms, while reiterating the urgency of addressing the immediate challenges faced by businesses and employees. The five-point policy agenda is as follows:

- 1. Managing current pressures:** To address the urgent challenges facing many parts of Australian manufacturing, and the real and imminent danger of large losses of jobs and capabilities, specific measures are proposed to boost the public and private investment pipeline, strengthen value capture from large projects in the existing pipeline, and help businesses, workers and communities manage change. This includes a strong focus on government procurement at all levels and on Australian Industry Participation in projects and tenders across Australia.

2. **Economy-wide measures:** To help reboot economy-wide productivity growth, encourage investment and reduce the costs of doing business, a targeted stimulus to demand, and initiatives in transport, broadband, energy, regulation and taxation are proposed.
3. **Smarter networks:** To address Australia’s underlying competitiveness, deeper collaboration is needed to not only generate, but also disseminate and apply knowledge. This calls for fundamental changes in behaviour on the part of researchers, research organisations and businesses. As part of a broader overhaul, the non-government members of the Taskforce propose the development of globally-oriented innovation precincts that build critical mass around our comparative advantages and opportunities and a new Smarter Australia Network linking businesses, research organisations and others is proposed to address systemic barriers to more widespread collaboration.
4. **Smarter Small & Medium Enterprises (SMEs):** To address the multiple barriers facing SMEs, and to help more SMEs grow into the innovative, global mid-sized firms Australia lacks, a number of steps are proposed: that Enterprise Connect be upgraded and its funding to support manufacturers be increased; that practical and proven new measures are put in place to address the weak contributions both researchers and governments currently make to SME innovation; to lift the capacity of SMEs to absorb new knowledge; to introduce and embed a greater focus on design, and to examine the potential for improving access to finance for SMEs.
5. **Smarter workplaces:** To sustain productivity growth into the future with continuous innovation in managerial and workforce skills and practices, a new national conversation between industry, unions and government around Smarter Workplaces is proposed. The national partnership for Smarter Workplaces recognises that productivity gains are ultimately realised in workplaces and firms. This involves a sustained commitment from industry, unions and government to build the managerial and workforce skills and practices – and the innovation culture – that high performance workplaces demand. Where appropriate this also involves working together and with Industry Skills Councils.

The report makes a total of 41 recommendations across these five policy areas. These 41 recommendations seek to achieve the following key outcomes:

- Building a new and stronger generation of small through to large manufacturing businesses with the management and capabilities to compete and succeed in the global economy.
- Transforming a larger portion of the \$9.4 billion that gets invested each year by the Commonwealth Government in science and research into applied knowledge in manufacturing and into jobs and wealth created by this nation’s manufacturers.
- Ensuring our manufacturers continue to invest in Australia, bringing global technology and knowledge to their customers. We will do this by providing them with a reason to invest – a good business environment, world class innovation, competitive taxation and regulatory regimes and a strong body of SMEs with which to link.
- Building better supply chains that constantly drive excellence through industry, while providing pathways for our smaller businesses into global markets so that they can expand and grow. Australia’s SME manufacturers will develop new business models, increase their absorptive capacity and leverage more services and original design thinking in the solutions they provide global customers.
- Building a smarter and more efficient manufacturing industry that helps build the nation’s mines, cities and urban and regional infrastructure. Better cities and better infrastructure will lift

the quality of life for working people and increase the nation's productivity. This is what winning is all about in today's global economy.

- Building better, more productive, smarter workplaces where trust, co-operation and collaboration helps build better more prosperous, productive and profitable manufacturing businesses.
- Alongside other initiatives, building a world class food industry and realising the benefits of the Asian century; through the Smarter Australia Network we will establish a centre to capture Asian consumer insights and develop capabilities to innovate and commercialise these insights, into high value food brands.
- Winning the lion's share of the \$25 billion plus to be spent on the next generation submarines and the upgrade of the existing fleet; and we do it on time, on budget and thereby build a marine engineering industry of substance in Australia.
- Building better manufacturing businesses capable of dealing with cyclical challenges and structural change. But we will also be vigilant in pushing government to reduce the time, cost and risk of doing business in this country – and to give manufacturing an investment environment that is internationally competitive. That is a priority all the leaders share.

Initial Government Response

In releasing the report, Prime Minister Julia Gillard, together with Minister for Industry and Innovation Greg Combet announced that the Government is supportive in principle of most of the report's recommendations. While the Government will take some time to consider each of the report's 41 recommendations in detail, Prime Minister Gillard and Minister Combet announced that the Government would immediately act to implement the Taskforce's recommendation to establish a Manufacturing Leaders Group. The Government said that this Group would play an important role in assisting the Government to implement its response to the Taskforce's other recommendations.

The Government also announced that it does not support recommendations in the report to further investigate a Sovereign Wealth Fund and a domestic reservation policy for gas.

Background - The Taskforce

The taskforce was announced by the Prime Minister at the Future Jobs Forum in October 2011. The taskforce consists of 25 members, who are representatives of Government, industry, unions, and science & technology. Additionally, two working groups, the Technical Working Group and a Deputy Secretary's Working Group, were established to support the work of the Taskforce. A full list of the membership of the Taskforce is available [here](#).

The objectives of the Prime Minister's Taskforce on Manufacturing are to:

- Establish a shared vision for the future of the manufacturing sector
- Co-ordinate and catalyse the work occurring across the manufacturing sector and government to respond to the immediate challenges of a high exchange rate, technological change and global competition and trading conditions
- Provide advice on how best to leverage and co-ordinate existing Commonwealth and state government policies and programs, and make further recommendations to capture at a national and regional level the opportunities arising from the 'Asian century' and respond to its challenges, including steps to address:

- The global trends in manufacturing to 2020 and beyond, especially in terms of emerging markets and technologies and opportunities for value adding to our agricultural and energy and resources sectors
 - The management and workforce skills required to build capability, drive productivity and increase innovation in the sector
 - Science and technology, investment and other firm capability requirements needed for 2020 and beyond
 - The opportunities available from clean energy and sustainable growth
 - The opportunities for new business creation and any barriers to the development of new businesses in Australia
 - Regulatory and other government-induced barriers to competitiveness
 - The productivity of the sector as a whole, and within sub sectors, assessed against international performance
 - The further export potential of Australian manufacturers into Asia
 - Creating international linkages to underpin integration into global production chains.
- Provide advice on building closer linkages and collaboration between industry and the research community, domestically and internationally, to assist to transform manufacturing through the application of science and technology and create international science and technology linkages to underpin integration into global production chains.

The full Terms of Reference of the Taskforce are available [here](#).

Background – The Australian Manufacturing Sector

Australian manufacturing is an important sector for Australia and its value is not measured by its contribution to economic output alone. The Department of Industry, Innovation, Science, Research and Tertiary Education reports that manufacturing currently provides 8.6 per cent of Gross Domestic Product and 8.3 per cent of employment. Manufacturing is an important driver of innovation in industry, supports value-adding of our natural resources and uses a significant proportion of the output of other sectors.

The Australian manufacturing industry faces a broad range of challenges and opportunities, including the need to adjust to a low carbon economy and the strong rise in the terms of trade and the Australian dollar. Technology is also driving changes in manufacturing and a restructuring of the sector - creating new pressures and opportunities.

In releasing the report, the Prime Minister and Minister Combet noted that the establishment of the Taskforce and the recommendations that would be implemented following the release of the report were part of the Government's broader manufacturing policy agenda. Other manufacturing policies currently being implemented by the Government include:

- Lifting Australian industry participation in major resources projects;
- Rewarding innovation in manufacturing by introducing a new R&D Tax Incentive and boosting support through Commercialisation Australia;
- Reducing the energy costs of manufacturers through the \$1.2 billion [Clean Technology Programs](#);
- Encouraging investment in clean energy through the \$10 billion [Clean Energy Finance Corporation](#) and the \$3.2 billion Australian Renewable Energy Agency;

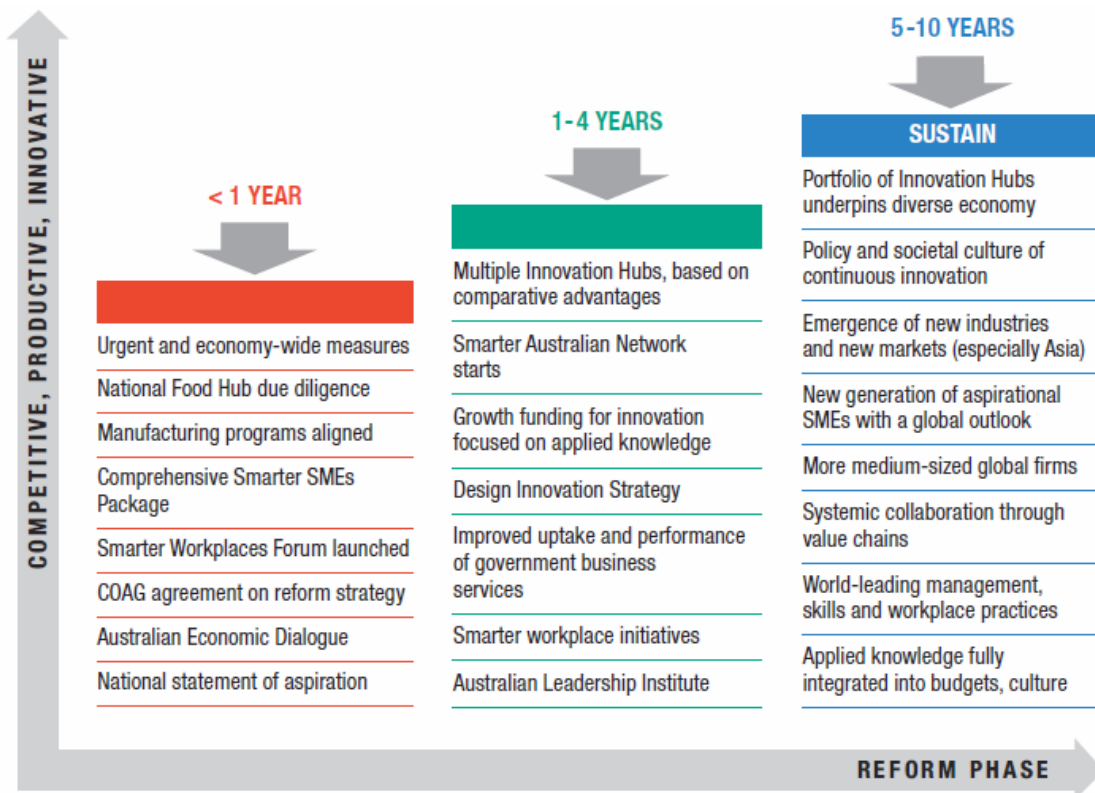
- Co-investing with industry in improved productivity and competitiveness in automotive manufacturing;
- Strengthening the Australian Government’s Fleet Vehicle Selection Policy requiring departments and agencies to select Australian-made passenger vehicles, unless there is a genuine operational requirement that means they have to do otherwise; and
- Delivering \$3 billion to create more training places and fundamentally reform the training system, including co-investing with industry to improve the [skills of the manufacturing workforce](#).

Additionally, the Government has previously commissioned a series of discussion papers and reports on future trends in manufacturing and high-performing workplaces. The Taskforce’s report drew heavily on this previous work, notably:

- *Australia’s Manufacturing Future*, report prepared by Professors Roy Green and Göran Roos for the Prime Minister’s Manufacturing Taskforce.
- *Leadership, culture and management practices of high performing workplaces*, Society of Knowledge Economics, October 2011.
- *Manufacturing Trends to 2020: A Foresighting Discussion Paper*, Future Manufacturing Industry Innovation Council, September 2011.

Next Steps

While the Government is yet to announce a timeframe for its response to the recommendations, the Taskforce have outlined their desired timeframe for the implementation , as detailed in the below chart.



The 41 Recommendations of the Taskforce

Recommendation 1

The non-government members of the Taskforce recommend that the Commonwealth Government make a clear statement that Australian manufacturing not only matters, but that it is critical to the broad-based economy we need and the sort of society we aspire to. In making this statement, the non-government members of the Taskforce recommend the following five-point policy framework which underpins the recommendations of this report and forms the basis of the Commonwealth Government's response:

1. To address the urgent challenges facing many parts of Australian manufacturing, and the real and imminent danger of large losses of jobs and capabilities, specific measures are proposed to boost the public and private investment pipeline, strengthen value capture from large projects in the existing pipeline, and help businesses, workers and communities manage change.
2. To help reboot economy-wide productivity growth, encourage investment and reduce the costs of doing business, a targeted stimulus to demand and initiatives in transport infrastructure, broadband, energy, regulation and taxation are proposed.
3. To address Australia's underlying competitiveness, deeper collaboration is needed to not only generate, but also disseminate and apply knowledge. This calls for fundamental changes in behaviour on the part of researchers, research organisations and businesses. As part of a broader overhaul, the non-government members of the Taskforce propose the development of globally-oriented innovation precincts that build critical mass around our comparative advantages and opportunities and a new Smarter Australia Network linking businesses, research organisations and others is proposed to address systemic barriers to more widespread collaboration.
4. To address the multiple barriers facing SMEs, and to help more SMEs grow into the innovative, global mid-sized firms Australia lacks a number of steps are proposed: that Enterprise Connect be enhanced and refocused; that practical and proven measures are put in place to address the weak contributions both researchers and governments currently make to SME innovation; to lift the capacity of SMEs to absorb new knowledge; to introduce and embed a greater focus on design, and to examine the potential to improve the access to finance for SMEs.
5. To sustain productivity growth into the future with continuous innovation in managerial and workforce skills and practices, a new national conversation between industry, unions and government around Smarter Workplaces is proposed. To recognise that productivity gains are ultimately realised in workplaces and firms, a new national partnership for Smarter Workplaces is proposed. This involves a sustained commitment from industry, unions and government to build the managerial and workforce skills and practices – and the innovation culture – that high performance workplaces demand.

Managing current pressures

Recommendation 2

The non-government members of the Taskforce recommend that a package of short-term measures be considered to help counter the cyclical factors confronting key manufacturing subsectors as set out in this report.

Recommendation 3

The non-government members of the Taskforce recommend that the Commonwealth Government bring forward and increase investments in infrastructure projects to stimulate demand coupled with appropriate local content and Australian Industry Participation provisions to support projects with a high need for Australian produced components and manufactures.

Recommendation 4

The non-government members of the Taskforce recommend that measures to stimulate residential and commercial construction should be considered given the current weakness in demand and soft prices. State budgets – as evidenced by New South Wales (NSW) – are starting to reflect this. There is also a need for these short term measures to focus on smoothing the peaks and troughs in defence procurement. The Industry Minister should consult with his state counterparts and call for a specific focus on government car fleet orders. These and other related measures should be the focus of early government action.

Recommendation 5

The non-government members of the Taskforce recommend that the Commonwealth Government expand the Buy Australian at Home and Abroad initiatives by selecting large Australian infrastructure projects and specific export opportunities, then working in concert with the Supplier Advocate program, the Industry Capability Network and Austrade to encourage local businesses to compete for those projects. This is needed in both the short and longer term.

Recommendation 6

The non-government members of the Taskforce recommend that in examining its anti-dumping policy, the Commonwealth's proposed inquiry into establishing an anti-dumping authority ensure that any new entity is properly resourced consistent with the material presented in Appendix One of this Report. In addition, in the context of the current environment, there is a need to enforce a rigorous approach, including the continued operation of the International Trade Remedies Forum as well as appropriate resourcing for ongoing operations and strike forces. This needs to be supported by a more systematic and comprehensive approach to negotiations aimed at removing non-tariff barriers erected by our trading partners.

Recommendation 7

The non-government members of the Taskforce recommend that the Commonwealth Government consider the following options to manage transitions of displaced workers including:

1. The development of a 'skills training allowance' scheme to support displaced workers during a period of structured retraining before losing their jobs.
2. The development of specific skills and job retraining programs in conjunction with key stakeholders for a particular industry facing structural adjustment.
3. Skills mapping of workers' skills against labour market opportunities, including opportunities elsewhere in the economy.
4. Relocation support to take up alternative employment if that is desired.
5. Early retirement, with government contributions to superannuation, for those within three years of retirement age.
6. The option of developing a business plan, which must pass normal finance hurdles, would be able to access a loan guarantee (which could not be used for salaries).

Recommendation 8

The non-government members of the Taskforce recommend that the Commonwealth Government engage with all levels of government through COAG in a strategy to increase investment in the built environment, social and community infrastructure and liveability in mining communities.

Recommendation 9

The non-government members of the Taskforce recommend a coordinated information campaign between the Commonwealth, States and Territories, on small business and industry advisory services and programs available to assist manufacturing firms (and firms from other sectors) with the transitions associated with succession planning and generational change.

Economy-wide measures

Recommendation 10

The non-government members of the Taskforce recommend that the Commonwealth Government commit to early and true consultation with industry in the development of all regulation, including assessing the regulatory impact on ancillary industries not just those companies or firms directly impacted.

Recommendation 11

The non-government members of the Taskforce recommend that the Commonwealth Government examine the regulatory arrangements related to the following industries and activities:

1. Medical devices and pharmaceuticals.

2. Product approval processes, in particular to better align approval and conformity certification processes in Australia with those required in major export markets.
3. Operation of state level environmental laws and their interaction with Commonwealth legislation.

Recommendation 12

The non-government members of the Taskforce recommend that governments examine ways to reduce tax burdens on business and, in particular, reduce effective rates of tax on business income. The non-government members of the Taskforce also recommend that the Commonwealth Government monitor the initial operation of the new R&D tax incentive arrangements and be ready to remedy any unintended consequences of the dominant purpose test and feedstock provisions and to reduce excess compliance burdens. It is also recommended that additional funding for the 2012-2013 year be provided to Commercialisation Australia. This will ensure applications (around 40 per cent of which are manufacturing related) that pass all the merit hurdles are not rejected because of a short fall of funds during the next 12 months.

Recommendation 13

The non-government members of the Taskforce recommend that the Commonwealth Government ensure manufacturing-specific initiatives are funded through its Digital Enterprise program, and that Enterprise Connect is equipped to provide knowledge and advice on the implications of broadband for the business models of its clients. The upgrading of the ICT capabilities of Australian manufacturing SMEs is particularly important in meeting the productivity and competitiveness challenge.

Recommendation 14

The non-government members of the Taskforce recommend that governments should:

1. Encourage investment in the nation's transport infrastructure and utilise the appropriate economic instruments for doing so. Where circumstances warrant public private partnerships in infrastructure provision this should be done.
2. Address and remedy inconsistent legislation and regulations covering road and rail infrastructure at local, state and national levels.
3. The Commonwealth Government should provide a clear, concise statement on strategic directions for multi-modal transport infrastructure and the future development of our cities and regions. This would enable manufacturing firms to plan for the future with greater certainty.

Recommendation 15

Australian manufacturers are increasingly finding that they are competing against products that do not conform to regulatory requirements and do not meet standards to which domestic businesses adhere. The non-government members of the Taskforce recommend that the Commonwealth Government:

1. Develop an approach to conformity marking along the lines of Europe's CE Marking.

2. Evaluate, in consultation with industry, the effectiveness of existing regulators with responsibilities for product assessment with a view to improving effectiveness of conformity assessment.
3. Enter a dialogue with the ACCC and, through the State and Territory Governments, Offices of Fair Trading, to increase the priority given to addressing misleading claims of conformity with regulation and voluntary standards.

Recommendation 16

With regard to energy policies, the non-government members of the Taskforce recommend that the Commonwealth Government:

1. Ensure that the Australian greenhouse gas reduction scheme links to overseas schemes.
2. Rationalise the Commonwealth/State mix of greenhouse schemes that have overlapping aims and coverage.
3. Undertake energy market reform to ensure the market and its regulation operate as efficiently as possible, delivering lower prices to energy users while encouraging investment in low-cost energy.

Recommendation 17

The non-government members of the Taskforce recommend continued funding for the \$1 billion Clean Energy Technology Investment Program, streamlining compliance requirements, and ensuring that SMEs have the support and information required for accessing the program. In addition, and in a practical way AusIndustry should provide information sourced from program participants on where they are purchasing their more energy efficient capital equipment, whether Australian suppliers are competitive and whether some of the best Australian suppliers are also looking for and winning international business opportunities.

Recommendation 18

The non-government members of the Taskforce note the importance of energy-intensive businesses, that the impacts of the carbon price need to be ameliorated given the current competitive environment, and recommend that the Jobs and Competitiveness program be monitored for impact and refined as needed to ensure the global competitiveness for those industries during their transition is maintained.

Recommendation 19

The non-government members of the Taskforce recommend that the Commonwealth Government: 1. Commission an independent investigation of a Sovereign Wealth Fund for Australia. 2. Initiate a dialogue on what it actually means to be 'downturn ready' in the years ahead, potentially as part of the proposed Australian Economic Dialogue proposed in the report.

Recommendation 20

The non-government members of the Taskforce recommend that in order to better leverage value chain opportunities:

1. Large firms considering re-investment priorities be encouraged to identify value chain opportunities from Australia.
2. That the Commonwealth Government support supply chain enhancement initiatives in its trade and industry policies.
3. That Austrade undertake work to better understand global supply chain opportunities in Asian markets for a range of prospective manufacturing industries.

Smarter networks

Recommendation 21

The non-government members of the Taskforce recommend the establishment of a limited number of Smarter Australia Precincts. These would involve large-scale facilities that bring together a critical mass of capabilities and industries – across businesses, researchers, end users, students and government – to share resources, support knowledge spill overs and diffusion, and strengthen networks.

Recommendation 22

The non-government members of the Taskforce recommend that smaller scale innovation hubs, based on niche specialisations, could be based in major regional centres, and based on existing strengths of these regional centres.

Recommendation 23

The non-government members of the Taskforce recommend that the Commonwealth Government consider the establishment of a Strategic Investment Facility:

1. To co-invest in economically significant activities that would not otherwise occur.
2. Requiring that beneficiaries of co-investment be active participants in the supply chain enhancement strategies that all precincts would be required to publish.

Recommendation 24

The non-government members of the Taskforce recommend that a formal and ongoing dialogue should be established between industry and the research and education sector.

In order to address deficiencies in current industry-research links and the lack of incentive in the research sector for collaborating with the manufacturing industry a research impact measure tied to funding should be introduced. In doing this consideration should be given to diverting a modest proportion of current research funding streams into a third-stream of funding aimed explicitly at knowledge exchange between users and the research sector, as has successfully been done in the United Kingdom.

Recommendation 25

The non-government members of the Taskforce recommend that the Commonwealth Government commission the development of a Smarter Australia Network, an online platform that would be a digital nervous system of the national innovation system, improve knowledge flows within and across industries and regions, and systemically create new spaces for collaboration.

Recommendation 26

The non-government members of the Taskforce recommend that a National Food Innovation Precinct and Network be progressed as the pathfinder project for the wider precincts and network proposal.

To ensure competitiveness is not undermined, the non-government members of the Taskforce recommend that the Commonwealth Government ensure that competition settings permit the development of scale and scope needed for success in larger Asian markets and that regulatory standards be reviewed.

The non-government members of the Taskforce recommend that this be done by the Commonwealth Government in a manner that does not diminish Australia's highly reputable regulatory standards around product labelling, marketing and ingredients.

Recommendation 27

The non-government members of the Taskforce recommend that key manufacturing initiatives to support a core recommendation of this report regarding applied knowledge be progressed as follows: A new committee be established that would be chaired by a senior business leader with a Deputy Chair being an eminent person from the private sector with expertise to help undertake a two stage due diligence process of the funding and activities of those entities (CSIRO, Universities, CRC's ARC etc.) with relevant connections to applied knowledge application and dissemination in Australia. This review committee would, among other things, test a Taskforce view that there are deficiencies in the manufacturing innovation system in Australia that need to be addressed. The review process would report on:

1. Who does what and where are the key entities located?
2. Who are their clients, both at Commonwealth, State and Territory level and within the private sector, and what are their engagement strategies with their clients and how successful have these been?
3. What is the current balance of support for science based R&D versus production technology adoption and adaption, and non-technological knowledge adoption and adaption (eg. design business model change)?
4. What is the most effective contribution the Manufacturing Technology Innovation Centre or Network can make and what role should be played by agencies such as QMI and Enterprise Connect?

5. Whether current funding of manufacturing innovation is sufficiently strategic to ensure the government and the sector are generating the benefits they should?
6. How and whether The Manufacturing Technology Innovation Centre (MTIC) or Network could be a Smarter Australia Precinct (though potentially involving multiple sites given the tendency for manufacturing subsectors to cluster in different locations), bringing together globally and nationally relevant manufacturing technology and expertise, with an innovation agenda defined by the needs of industry?
7. How and whether the ARC's Industrial Transformation Research Hubs would form part of a Manufacturing and Technology Innovation Network, operating as applied knowledge centres that connect with the MTIC, Enterprise Connect, QMI and other agencies?

The non-government members note that other industry sectors have functional, strategic innovation systems (mining, agriculture) underpinned by effective interaction between demand and supply forces. We note that other countries (eg. Germany) have clearly defined roles and responsibilities within their manufacturing innovation systems and that these systems appear to work well. Manufacturing deserves to have the same both for its own competitive future, and also to ensure the taxpayer receives full benefit for their investments. The non-government members of the Taskforce stress the need to consider the range of manufacturing initiatives as one package, and to do so from the perspective of what can support businesses to collaborate and innovate.

Finally, we note that our proposal for an independent review rather than an in-house review by the Department will take additional time. The non-government members of the Taskforce stress the need to get it done right rather than get it done fast. Independent expert due diligence is too important to compromise. And the institutional power of those occupying spaces (or silos as some might say) in the national innovation system is such that the review we are proposing is essential. As one Taskforce business leader who has been around Australia's science and research agencies for a generation put it 'we will only get one shot at this. Let's do it right.'

Recommendation 28

The non-government members of the Taskforce recommend that design be seen as a ubiquitous capability for innovation, and proposes that the Commonwealth Government commission an independent panel to advise on the changes needed to maximise the potential of design thinking on innovation in Australia.

Recommendation 29

The non-government members of the Taskforce also recommend that the design thinking approach form significant elements of the curriculum of the proposed Australian Leadership Institute.

Smarter SMEs

Recommendation 30

The non-government members of the Taskforce recommend that:

1. Enterprise Connect be upgraded, its funding to support manufacturing firms be significantly increased and its relationships and connections with other agencies be formalised. This will help Enterprise Connect exercise greater leverage and capacity in assisting manufacturing firms to meet the competitiveness and productivity challenges they face. Specifically Enterprise Connect should be configured as an entity with similar or greater management and operational autonomy as that enjoyed by Austrade and Commercialisation Australia.
2. Enterprise Connect be the 'one front door' for SME support, with a series of partnership agreements with other agencies to ensure that businesses receive appropriate support.

To achieve this, the government should carefully consider the option of merging or more closely integrating the operations of Enterprise Connect and ICNL Ltd. The Minister for Industry and Innovation and the Minister for Trade and Competitiveness should play a more active role in the prioritisation of joint activity between Austrade, Enterprise Connect and the Industry Capability network.

Partnership payments through COAG is one option for drawing the State based ICN's into a more collaborative national network. Alternatively existing Commonwealth resources such as SAMP grants, location and utilisation of supply advocates and national sector managers could form the basis for MOU's between individual States and the Commonwealth for a truly national industry capability network.

The objective of these proposed changes is to ensure that the existing suite of activities within Enterprise Connect that support manufacturing activities are enhanced and attract additional resources so that it can help drive the systematic upgrading of manufacturing SME capability and management skills, better supply chain links and performance. This includes segmenting its existing client base and, in partnership with other agencies, identifying and supporting high growth high performance firms, a theme that has been central to this report.

Better interaction between Enterprise Connect, its manufacturing clients and the research sector is essential. As manufacturing firms upgrade their capabilities, they need to plug into different types and sources of assistance at different times. They face real transaction costs, so Enterprise Connect and related services need to continue to ensure they address these transaction costs. The Taskforce strongly believes that government support needs to be joined up and client focused, not transaction/KPI focused. When it is joined up and client focused, it can deliver enormous value to SMEs at very little cost.

Recommendation 31

The non-government members of the Taskforce recommend the establishment of Innovation Vouchers to encourage researchers to directly assist SMEs in tackling their practical innovation challenges, increase the engagement between knowledge providers and SMEs, and raise the SMEs productive and innovative capacity.

Recommendation 32

The non-government members of the Taskforce recommend that the Commonwealth Government introduce a whole-of-government Small Business Innovation Research (SBIR) or Smart SMEs style

procurement initiative and, through COAG, actively encourage state governments to develop their own versions of such programs.

Recommendation 33

The non-government members of the Taskforce recommend that the Commonwealth Government commission an independent review into mechanisms to expand access to finance for SMEs. This would consider existing capital market failures, the applicability of loan guarantee schemes and the scope for new entrants to the SME finance market.

Smarter workplaces

Recommendation 34

The non-government members of the Taskforce recommend the establishment of a collaborative online forum that can showcase good practice in high performing workplaces, with this being a focus for a wider national conversation on high performing workplaces as a new element of economic policy.

Recommendation 35

The non-government members of the Taskforce recommend the expansion of the Researchers in Business program as a first step to overcome the cultural barriers between research and industry.

Recommendation 36

The non-government members of the Taskforce commit their organisations to:

1. Developing a broader and deeper knowledge of what firms and workers need to significantly transform the productive performance of their businesses and workplaces, and how the change process at the level of the firm and work place can be better managed.
2. Transferring that knowledge into new content and approaches in delivering education and training material for members through internal union and employer association programs, and through new alliances with external providers with expertise to add value to the training/education effort.
3. Developing high level capabilities internally and through new alliances with specialist external providers to assist members in workforce development initiatives and to improve the productive performance of firms through an agenda for developing high performance workplaces.
4. Embedding a new culture in employer and union organisations that prioritises these activities regardless of the changing political landscape.

Recommendation 37

The non-government members of the Taskforce recommend that, to underpin the important leadership dialogue required to implement this report, the Commonwealth Government support a national conversation on high performance workplaces, with the next steps in this to involve:

1. Support for a forum to enable the success stories of workplace practice to be shared more widely.
2. A significant expansion of the Researchers in Business program, to enhance the knowledge flows between researchers and industry, and enhance mutual understanding.
3. Support for improved data collection (such as was provided through the Australian Workplace Industrial Relations Surveys of the 1990s), with a focus on workplaces and their performance to enable practice to evolve with evidence.
4. Consideration to the role of workplace intermediaries, including industry associations and unions, in providing practical advice to those firms seeking it with proven strategies to lift the performance of workplaces.

Recommendation 38

The non-government members of the Taskforce recommend that the Commonwealth Government support an annual, non-partisan Australian Economic Dialogue to provide a forum for stakeholders and the community to better understand and consider the challenges of economic change.

Recommendation 39

The non-government members of the Taskforce recommend that the Commonwealth Government introduce an Australian Leadership Institute, which would supplement research, business, and design and policy schools to build national leadership capabilities on various levels.

Recommendation 40

The non-government members of the Taskforce in partnership with the Commonwealth will be establishing a Manufacturers Leaders Group (MLG) to work on issues such as the perceptions of manufacturing; to hold ongoing discussions about the environment the industry faces and what needs to be considered to build better firms and workplaces; to monitor the development of a manufacturing strategy and to conduct further research into the future of the manufacturing industry. It is recommended that the Commonwealth provide seed funding for the MLG research program for 2013 and 2014 after which the research funding would be reviewed.

Recommendation 41

The non-government members of the Taskforce recommend that the government take action to ensure Australian industry has access to natural gas for the domestic market at fair and competitive prices. There is merit in the position put forward by Andrew Liveris the CEO of Dow Chemicals and in Appendix Three of this report from Insight Economics. Accordingly the Commonwealth should:

1. Ask the ACCC to undertake an investigation of competition in the upstream supply of gas in Australia.
2. Ask the Productivity Commission to undertake an inquiry into lease provisions and the supply of gas to the domestic market.