

2001

Industry, Tourism and Resources Annual Report

2002



**INDUSTRY
TOURISM
RESOURCES**

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Additional information sources

2001–02 Portfolio Budget Statements

2001–02 Portfolio Additional Estimates Statements

Industry, Tourism and Resources Corporate Plan 2000–02

IP Australia's 2001 Corporate Profile

Geoscience Australia Work Program 2001–02

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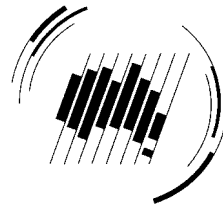
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TOURISM
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The Hon. Ian Macfarlane MP
Minister for Industry, Tourism and Resources
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present to you the 2001–02 Annual Report of the Department of Industry, Tourism and Resources for presentation to the Parliament, as required by subsection 63(1) of the *Public Service Act 1999*.

The annual report also includes information required by section 311A of the *Commonwealth Electoral Act 1918*; section 57 of the *Financial Management and Accountability Act 1997*; section 8 of the *Freedom of Information Act 1982*; section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*; and section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*.

The report is to be laid before each House of Parliament by 31 October 2002.

Yours sincerely

Mark I Paterson

15 October 2002

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Secretary's Review

Innovation, international competitiveness and investment

During the past year the Industry, Tourism and Resources (ITR) portfolio worked with industry and stakeholders to promote Australia's economic wellbeing and to drive economic growth through innovation, international competitiveness and investment.

The portfolio achieved major outcomes in each of these areas.

Changes to administrative arrangements following the November 2001 election saw the addition of some new responsibilities, including the Office of Small Business and the Business Entry Point. At the same time, some responsibilities, including science and sport functions, were moved to other portfolios.

The policy and economic environment

Continuation of a policy of sound macroeconomic settings and persistence with microeconomic reform and competition policy ensured that the health of the Australian economy endured through a year of global economic weakness.

The Australian economy continued to grow strongly through the 2001–02 financial year, recording gross domestic product (GDP) growth of 3.2 per cent during the first three quarters (with full-year estimated growth being around 4 per cent), significantly outperforming virtually all other advanced economies, and resulting in 10 consecutive years of economic growth for the Australian economy.

This performance was supported by a low interest rate environment with real (inflation adjusted) official rates at around 1.7 per cent on average, sustained high labour productivity growth exceeding 3 per cent for the year, and ongoing growth in employment over the year of almost 2 per cent.

As the United States economy slowed and the technology and other stock boom faltered, the year saw a reversal in the rapid decline in foreign investment flows into Australia that had developed in the late 1990s and into 2000–01. At the same time, the value of the Australian dollar increased by some 18 per cent relative to its intra-year low.

Australia's export performance remained remarkably resilient in the face of a very weak global economy and a strengthening domestic currency. This performance was supported by an increase of more than 50 per cent in exports of transport equipment over the year to June 2002. However, by year end the stubbornly slow global economy, combined with the appreciation of the Australian dollar and the continued growth in domestic demand, were manifesting themselves in growing trade deficits.

The broad macroeconomic and microeconomic policy settings have been supported by key industry policies focused on driving the nation's innovation, investment, and international competitiveness. These include the Department's role in implementation of programs under the *Backing Australia's Ability* initiative, key strategic investment successes, and specific initiatives to improve Australia's international competitiveness in global venture capital markets.

Achievements in innovation

During the year the portfolio achieved the following major outcomes in innovation.

- The number of patents granted to Australian residents has been steadily rising over the long term, with an increase of more than 400 in the past two years – from 1,301 in 2000 to 1,719 in 2001.
- Business expenditure on research and development (BERD) in 2000–01 was estimated to be \$4,825 million at current prices – 18 per cent higher than in 1999–2000. This is the highest level recorded and reverses the recorded decreases of the previous four years.
- The Department continued to implement the Government's innovation initiatives outlined in *Backing Australia's Ability*, including sharing management of some programs with the Department of Education, Science and Training, following the split in responsibility for science and innovation policy. The first annual report on innovation, *Backing Australia's Ability – Real Results, Real Jobs*, was released in September 2001.
- In May 2002 the Prime Minister announced the Biotechnology Centre of Excellence – the National Stem Cell Centre, established through funding of \$43.55 million over four years provided through *Backing Australia's Ability*.
- Demand for the R&D Start program was so high that the program was fully subscribed in the financial year.

Achievements in international competitiveness

A range of activities were implemented to assist Australian services and industries improve their international competitiveness. The following list indicates the breadth of activities that were undertaken.

- The Automotive Council, chaired by Ministers Macfarlane and Vaile, provided industry input into the Government's consideration of post-2005 assistance arrangements for the automotive industry. The Council secretariat was provided by the Department and relevant agencies.
- A Productivity Commission Inquiry was held into the Australian automotive industry to consider the policy settings that will apply after the completion of the Automotive Competitiveness and Investment Scheme in 2005. The Inquiry examined tariff reform measures and the longer-term impediments to the viability of the car industry. It identified policy options to assist the industry to achieve long-term sustainability. The Government will respond to the review in 2002–03.
- Several activities designed to support the development of a commercial space launch industry in Australia were successfully undertaken during the year. These included the establishment of the Space Licensing and Safety Office (SLASO), which administers the framework to regulate civil space activities under the Space Activities Regulations 2001. Further refinement of the framework was subsequently undertaken and proposed amendments to the *Space Activities Act 1998* were introduced into Parliament. The SLASO issued the first instruments of authorisation under the Act, and progress was made towards additional Australia–Russia agreements for the proposed Christmas Island spaceport.
- Australian industry was assisted to identify priorities and meet the challenges of the global marketplace through the Action Agendas program, with five new Action Agendas announced for development.
- During the financial year, the Department assisted the Government to maintain strong support for the Australian liquid natural gas (LNG) industry's efforts to win long-term export contracts to North Asia. At the time of writing, the North West Shelf Venture had just gained a \$25 billion contract to provide LNG to China.
- A memorandum of understanding between the Department and the Fujian Province authorities facilitated the first Australian coal exports to Fujian Province in China.
- A Ministerial Council on Energy was established, in recognition of the importance of a reliable supply of sustainable energy to Australia's economic, social and environmental wellbeing, and to provide energy policy development in Australia. The Council comprises Commonwealth, State and Territory Ministers with responsibility for energy policy. The Council met twice during the year. Issues considered included longer-term energy supply and security, energy efficiency and greenhouse gases,

energy market development, downstream petroleum industry, and national oil supply security arrangements.

- The Ministerial Council on Energy established the Independent Review of Energy Market Directions, chaired by the Hon. Warwick Parer, to identify future priorities for the National Energy Market. The review will be completed in 2002–03.
- The Department played an active role in 2001–02 in shaping the agendas and work programs for international energy bodies such as the International Energy Agency and the Asia–Pacific Economic Cooperation Energy Working Group, to ensure those reflected Australian priorities in areas such as market reform, energy security and energy for sustainable development.
- The importance of the tourism industry sector to the Australian economy was reinforced by the inclusion of ‘Tourism’ in the title of the portfolio. One of the new portfolio’s major tasks during the year was the development of the discussion paper, *The 10 Year Plan for Tourism*, which was the first stage in the development of a Tourism White Paper.

Achievements in investment

Investment achievements such as those described below were an integral part of the portfolio’s activities during the year.

- Private new capital expenditure rose from \$9,613 million in the June 2001 quarter to reach \$9,971 million in the March 2002 quarter in seasonally adjusted terms (a 3.7 per cent increase), with mining and manufacturing recording significant new expenditure. Private capital expenditure fell 3.2 per cent in the most recent quarter (March 2002) but underlying investment spending remained strong.
- In 2001–02, Invest Australia helped attract 55 new investments, leading to a total planned investment expenditure of \$1 billion with the potential to create more than 1,300 new jobs and more than \$650 million in exports. In addition, the Government announced support for:
 - Rio Tinto, to secure the commercialisation of the Hismelt technology at Kwinana, Western Australia
 - Comalco, for a greenfield alumina refinery at Gladstone in Queensland
 - Methanex for a methanol plant at the Burrup Peninsula in Western Australia
 - Australian Magnesium Corporation for a magnesium smelter at Stanwell, Queensland.
- Seven projects were granted Major Project Facilitation (MPF) status during the year. MPF status assists companies to obtain information on Government approvals and identify policies and programs that may benefit their projects, and assists in coordination of processes across the tiers of Government.

- A regional investment guide, *Inside Intelligence: Building an Investor's Guide*, was developed to assist regional communities to develop profiles of their economic strengths and potential.

Biotechnology Australia – a national approach

Achieving a true national approach to our biotechnology effort through better coordination by Commonwealth, State and Territory Governments and industry has been highlighted as one of the critical factors for success of the biotechnology sector. In an effort to better understand the needs of the sector, the Government announced in March 2002 the appointment of the Australian Biotechnology Advisory Council. This Council, chaired by Professor John Hearn, has, among other things, organised industry and research workshops throughout Australia to assist in a review of the National Biotechnology Strategy. The findings of this review will be reported to the Biotechnology Ministerial Council later this year and are likely to form the basis for reprioritising our biotechnology efforts.

At the same time, a State–Territory–Commonwealth liaison committee was formed to help ensure that biotechnology resources are being used most efficiently and effectively with the development of the sector in mind. We have seen a true whole-of-nation focus on our biotechnology efforts at international gatherings such as BIO 2002 in Toronto, Canada, where Australian States and Territories, the Commonwealth and industry came together under the one *Destination Australia* banner to showcase Australia's strengths to potential partners, collaborators and financiers. Such an approach needs to be replicated across all biotechnology initiatives.

The Government has implemented biotechnology initiatives under its Innovation Statement, *Backing Australia's Ability*, that are focused on developing Australia's biotechnology sector. The \$40 million Biotechnology Innovation Fund (BIF) aims to increase the rate of commercialisation for promising biotechnology developments through support for start-up companies. The \$46.5 million Biotechnology Centre of Excellence initiative complements BIF by creating a critical mass in research.

During the year Biotechnology Australia undertook several significant public awareness activities that attracted national and international attention. The schools' resource, Biotechnology Online, was launched at the National Conference of the Australian Science Teachers' Association. This resource subsequently received international acclaim and several countries are negotiating to use the material for their own school programs. Studies into public attitudes towards gene technology underpinned many media statements and public presentations, enabling biotechnology to gain substantial balanced media coverage. Also, a *Gene Technology Information Kit* was distributed to all local Government councils around Australia, providing balanced and factual information on a wide array of gene technology topics, to assist councils to make more informed decisions on biotechnology.

Geoscience Australia – advances in geoscience

Investigation into the petroleum potential of Australia's southern margin has revealed the existence of an ancient river delta complex on the Ceduna Terrace, which forms part of the edge of the continental shelf. This delta complex shows structural similarities to and has a similar geohistory to the Niger Delta in West Africa, which is a prolific oil producer. This suggests that the Ceduna Terrace might also have good petroleum potential.

Geoscience Australia has examined the character of almost 1,000 Australian estuaries and coastal waterways and has been able to classify them into seven distinctive types, each with its own characteristic features. This allows resource managers to understand natural function and to better predict responses of individual systems to human activity. This facilitates greatly improved management of our estuaries and waterways.

A probabilistic earthquake risk assessment model has been developed for Australia's urban communities. This model has been applied to the Newcastle and Lake Macquarie region to provide a robust estimate of the risk to those communities posed by earthquakes and is also being used to improve Australia's building codes.

Geoscience Australia, in collaboration with State and Northern Territory geological surveys under the National Geoscience Agreement, released new information on the geological evolution and mineral potential of important but underexplored mineral provinces. New information and exploration models were released for Olympic Dam-type copper-gold (copper and gold) systems in the Gawler Craton and gold systems in the Tanami province of the Northern Territory. A major seismic reflection survey was conducted in the Leonora-Laverton area of Western Australia by the Australian National Seismic Imaging Resource, commissioned by Geoscience Australia in collaboration with the Geological Survey of Western Australia and the Predictive Mineral Discovery Cooperative Research Centre. The seismic results, coupled with a structural analysis of gravity and magnetic data, are providing a new tectonic model for this important gold belt.

In an increasingly competitive environment for petroleum exploration investment, Geoscience Australia has strengthened its effort in the technical promotion of offshore petroleum exploration acreage. Online access has been provided to a number of technical databases relevant to the acreage release areas and promotional seminars have been held in China and South Korea, in addition to those given in Australia, the United States and Japan.

During 2001–02 Geoscience Australia commenced preparation of the first of nine submission documents to support definition of the legal limits of Australia's marine jurisdiction under the United Nations Convention on the Law of the Sea for Australia and its island territories. Completion is required, to be in time for submission to the United Nations Commission on the Limits of the Continental Shelf, by November 2004.

IP Australia – intellectual property initiatives

A number of key intellectual property initiatives were implemented to support the delivery of the Prime Minister's Innovation Statement *Backing Australia's Ability*. The Melbourne University was selected and appointed to manage the Intellectual Property Research Institute of Australia. The institute will provide independent interdisciplinary research on intellectual property matters. Other activities implemented included: the introduction of the *Patents Amendment Act 2001*, strengthening the examination of the novelty and inventiveness requirements of the *Patents Act 1990*; the *IP Toolbox*, a comprehensive and interactive resource for Business Advisers; and IP Access, a web portal developed in consultation with other Government agencies with a role in intellectual property.

IP Australia continued to play an important role in the international intellectual property arena. In particular, it obtained the endorsement of the last Pacific Islands Forum Trade Ministers Meeting for the proposed World Intellectual Property Organization – Australia Regionally Focused Action Plan to develop the intellectual property systems of Pacific Island Forum member countries.

Significant progress was made with IP Australia's online agenda, enhancing customer access to its services. A number of online products and strategies were developed and tested. These included the successful trial of business-to-business electronic data exchange, improvements to IP Australia's online resources and the development of the New Patent Solution (NPS) system. The NPS system will allow all new patent filings to be processed electronically and allow customers to file standard as well as innovation patent applications online.

The Department's people

Departmental officers demonstrated their continued dedication and professionalism through their approach to the activities of the Department over the past year. I recognise the valuable contributions they make, which are the keys to our success. We have many talented and valuable people in the organisation and it is important for all to recognise the hard work involved in achieving our goals.

I wish to take this opportunity to express my appreciation for their efforts.

In preparation for a year with reduced available budgetary resources we successfully reduced the Department's overall employee numbers by redeploying people to priority areas and filling vacancies from our existing resources. This outcome relied on both the flexibility and the commitment of our managers and employees. I was pleased that we were able to achieve this outcome without the need for a costly redundancy program.

We successfully renegotiated new Australian Workplace Agreements with our Senior Executive Service employees in October 2001. New agreements were also made with a number of non-Executive employees during the year.

A new occupational health and safety agreement was signed during the year and we focused on ensuring our occupational health and safety framework reflected contemporary employment practices.

We maintained our commitment to the learning and development of our employees, both through the continuation of existing development programs, and by successfully developing and piloting a program aimed specifically at our Australian Public Service group – the resulting Pathways program focuses on both organisational education and individual growth.

Our successful partnership with the Australian National University through the Master of Management (Industry Strategy) program continued, with 23 graduates in the 2002 year. Assistance was also provided to around 70 employees to pursue ongoing tertiary study.

A challenging year ahead

The Department's achievements in the past year mean that it is well placed to address a number of important challenges expected in the year ahead. These include the following.

- The Department will assist in the development of Government responses to the Parer Energy Review and the Productivity Commission review of the automotive industry.
- The Government will undertake an Inquiry into the post-2005 industry assistance arrangements for the textiles, clothing and footwear manufacturing industry during 2002–03.
- Invest Australia will be restructured into a more proactive whole-of-government agency for inward investment attraction. It will develop and implement a national strategy to attract overseas direct investment.
- We will help the development of the small business sector through the Small Business Assistance Program. This program funds advisory services for small businesses in regional communities (through the Small Business Answers Program), and supports skills development and business incubators.
- Small- and medium-sized enterprises will be assisted to become more involved in major projects, through enhanced funding for the Industrial Supplies Offices Network and the Supplier Access to Major Projects Program.
- The Tourism White Paper will be completed.
- Negotiations with Russia for the establishment of a space launch facility on Christmas Island will be finalised.

The Industry, Tourism and Resources portfolio will continue to work with industry and stakeholders to promote Australia's economic wellbeing and to drive economic growth through innovation, international competitiveness and investment.

Overview

Industry, Tourism and Resources portfolio

Portfolio responsibilities

The Industry, Tourism and Resources portfolio (ITR) replaced the Industry, Science and Resources portfolio following the Government's Administrative Arrangements Order instituted on 26 November 2001.

The Industry, Tourism and Resources portfolio (outlined in Chart 1) comprises the Department of Industry, Tourism and Resources; two agencies – Geoscience Australia and IP Australia; and two statutory authorities – the Australian Tourist Commission and the National Standards Commission.

During the financial year 2001–02, ITR's aim was to improve the wellbeing of Australians by:

- increasing the international competitiveness of Australian manufacturing, resources and services industries
- developing Australia's innovation and technology capabilities and infrastructure.

The portfolio has responsibility for developing, implementing and administering policies, programs and services designed to achieve these aims.

The Administrative Arrangements Order resulted in the following changes to the Portfolio.

- ITR now has responsibility for the Office of Small Business and the Business Entry Point. They were parts of the former Employment, Workplace Relations and Small Business portfolio but are now parts of the Department of Tourism, Industry and Resources.
- Responsibility for science policy and programs was transferred from ITR to the Education, Science and Training portfolio. A number of former ITR agencies were also transferred: namely, the Commonwealth Scientific and Industrial Research Organisation, the Australian Nuclear Science and Technology Organisation, and the Australian Institute of Marine Science. Responsibility for sport was relocated from the ITR portfolio to the Communications, Information Technology and the Arts portfolio, as were the Australian Sports Commission and the Australian Sports Drug Agency.

Portfolio Ministers

Each portfolio agency reports to the Parliament through the Minister for Industry, Tourism and Resources, the Hon. Ian Macfarlane MP. He is assisted by the Hon. Joe Hockey MP, Minister for Small Business and Tourism, and the Parliamentary Secretary, the Hon. Warren Entsch MP.

Portfolio agencies

The Department of Industry, Tourism and Resources is the central policy and coordinating agency of the portfolio. It provides advice to the Ministers and the agencies on issues such as policy, program management and accountability arrangements.

The Department, IP Australia and Geoscience Australia operate under the *Public Service Act 1999* and the *Financial Management and Accountability Act 1997*. These three agencies report on their performance during 2001–02 in this annual report. Their roles and functions are outlined below.

The two other agencies in the portfolio are described as follows and operate under enabling legislation and the *Commonwealth Authorities and Companies Act 1997*. They produce separate annual reports.

The Australian Tourist Commission promotes Australia internationally as a tourist destination, with the aim of winning Australia a greater share of the global tourism market. The National Standards Commission coordinates the operation of Australia's national measurement system. It provides advice to the Government on the scientific, technical and legislative requirements of the system.

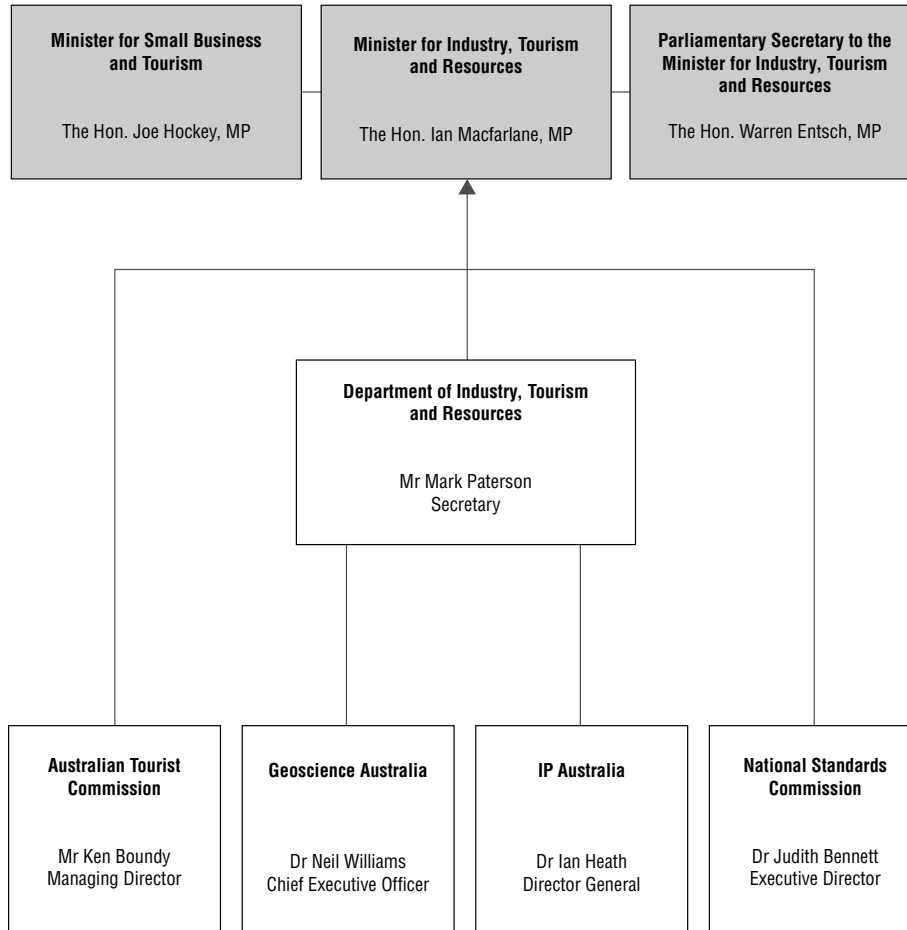
Government business enterprises

Two Government business enterprises, the Australian Technology Group and the Snowy Mountains Hydro-electric Authority, were located within ITR during the year under report.

The Australian Technology Group (ATG) is a venture capital company which invests in private early-stage technology companies. It aims to help companies commercialise their technology and become internationally competitive. The Commonwealth owns 99.9 per cent of ATG with the remainder held by two minority shareholders. The Government is currently considering options in respect of the future of the Commonwealth's interests in ATG.

The Snowy Mountains Hydro-electric Authority was corporatised on 28 June 2002. Since this date a new company, Snowy Hydro Limited, has owned and operated the Snowy Mountains Scheme, a dual irrigation and hydro-electric scheme which trades in the National Energy Market. The Commonwealth has retained a 13 per cent shareholding in the company, with 58 per cent of the company now owned by the New South Wales Government and 29 per cent by the Victorian Government.

Chart 1: Structure of the Industry, Tourism and Resources portfolio as at 30 June 2002



Department of Industry, Tourism and Resources

The Department of Industry, Tourism and Resources (the Department) is committed to promoting increased prosperity for all Australians by working in partnership with business and other stakeholders to maintain and facilitate internationally competitive sustainable Australian industries.

Innovation, investment and international competitiveness are the focus of the Department as the three drivers of industry policy.

The Department's role is to understand the operation of business, and the environment in which business operates, and bring that understanding to bear in policy development across Government. The Department advises the Government on measures to enhance the development of efficient and globally competitive industries, and ensures efficient and effective delivery of business programs to assist industry development and, as required, adjustment.

In addition the Department identifies Government policy settings or proposals that need to be adjusted to assist the performance of Australian industry, and advises the Government on changes to those settings.

Organisational structure

The organisational structure of the Department as at 30 June 2002 is illustrated in Chart 2. The Department has its headquarters in Canberra and State offices in Adelaide, Brisbane, Hobart, Melbourne, Perth and Sydney as well as 14 regional AusIndustry offices throughout Australia.

Although IP Australia and Geoscience Australia fall within the Department's organisational structure as prescribed agencies under the *Financial Management and Accountability Act 1997*, they operate independently of the Department on financial matters.

Descriptions of the agencies and of their outcomes and outputs are provided later in this chapter; descriptions of the respective performance, management and accountability attributes of the agencies are provided later in this report.

Departmental divisions

The departmental restructure in April 2002 resulted in a number of changes impacting the divisions. At 30 June 2002 there were 13 divisions, which are described briefly below. They develop policy, administer activities and provide advice and strategic leadership on a diverse range of matters.

The Resources Division is responsible for providing policy and legislative advice and administrative support to the Government for the resources sectors of the economy including upstream and downstream petroleum, coal and minerals.

The Energy and Environment Division provides policy advice on domestic and international aspects of energy including market reform, climate change, environmental issues that impact ITR industries broadly, and matters that relate to sustainable development. It represents the portfolio and Australia in international negotiations, and provides secretariat support to the Ministerial Council on Energy and the Asia–Pacific Economic Cooperation Energy Working Group.

The Innovation and Industry Policy Division provides high-quality analysis and policy advice on innovation and industry policy issues to help develop an internationally competitive, innovative and sustainable business environment in Australia. It aims to encourage innovation in Australian business and bring an industry perspective to all policy issues affecting the business environment.

The Industry Competitiveness Division develops and delivers policy advice and programs that focus broadly on industry development and particularly on the pharmaceuticals, space and aerospace, spatial information and electronics industries, and Australian industry participation in major projects.

The Manufacturing, Engineering and Construction (MEC) Division comprises

two industry branches and the Australian Building Codes Board. It provides analysis and policy advice to the Government on manufacturing, engineering and construction industries. MEC maintains close contact with the business community and other relevant areas of Government at Commonwealth, State and Territory levels. The activities of MEC contribute to the development of stronger, sustainable and internationally competitive Australian industries.

The Tourism Division develops, implements and administers tourism policy and programs. It works to ensure that the tourism sector is considered in the overall context of the Government's industry policy settings. The division has administrative responsibility for the Bureau of Tourism Research (BTR), which collects and analyses tourism information and disseminates that information to the general public, Government and industry. The BTR is a non-statutory agency jointly funded by the Commonwealth Government and State and Territory Governments.

The Office of Small Business supports and advances small business interests within Government. It provides policy advice and support to the Ministers on small business issues, builds and maintains effective links with small businesses and their representative organisations, and fosters an understanding within Government agencies of the critical factors influencing the growth and performance of small businesses.

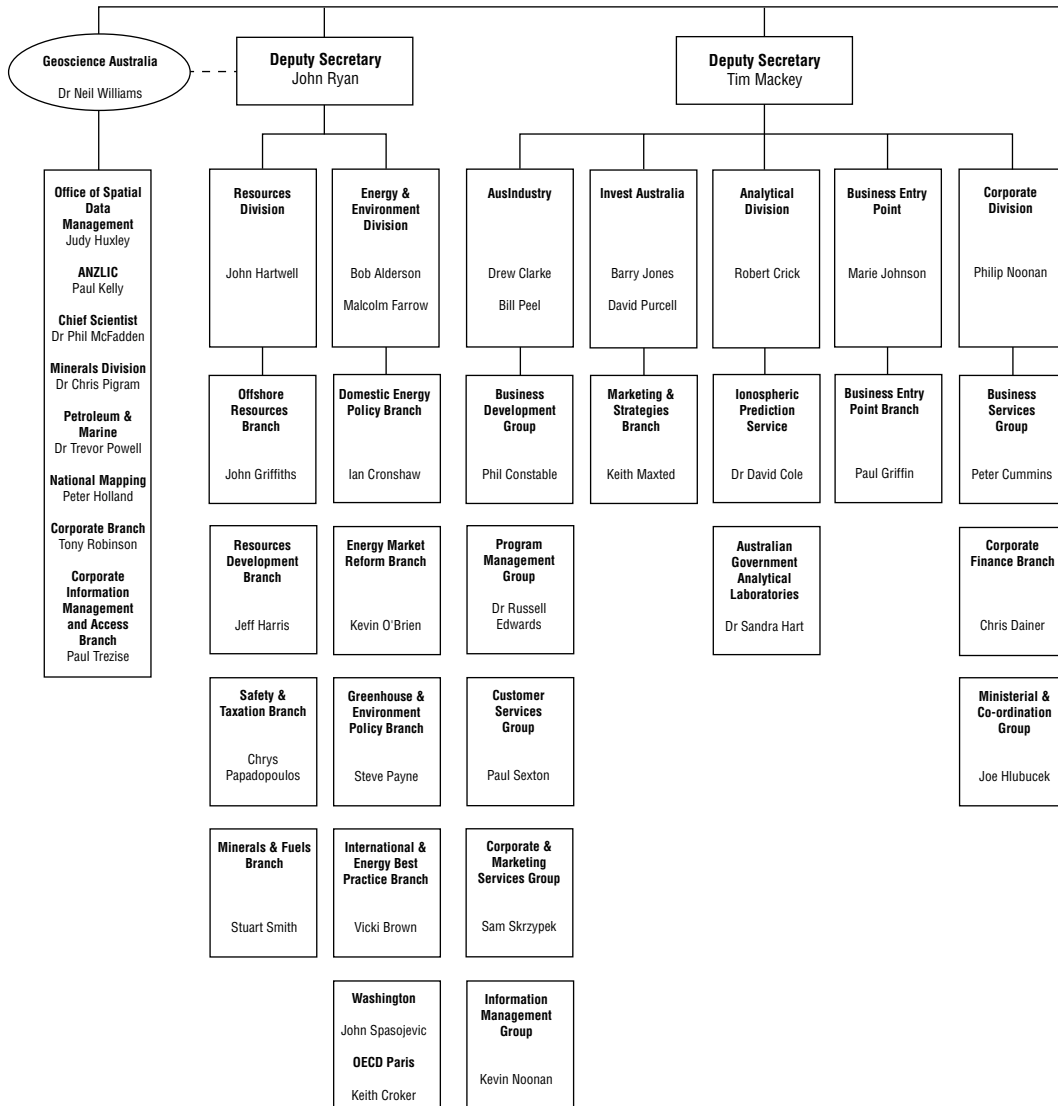
Biotechnology Australia is a multidepartmental Government agency responsible for coordinating non-regulatory biotechnology issues for the Government. The agency reports to the Commonwealth's Biotechnology Ministerial Council, which is chaired by the Minister for Industry, Tourism and Resources.

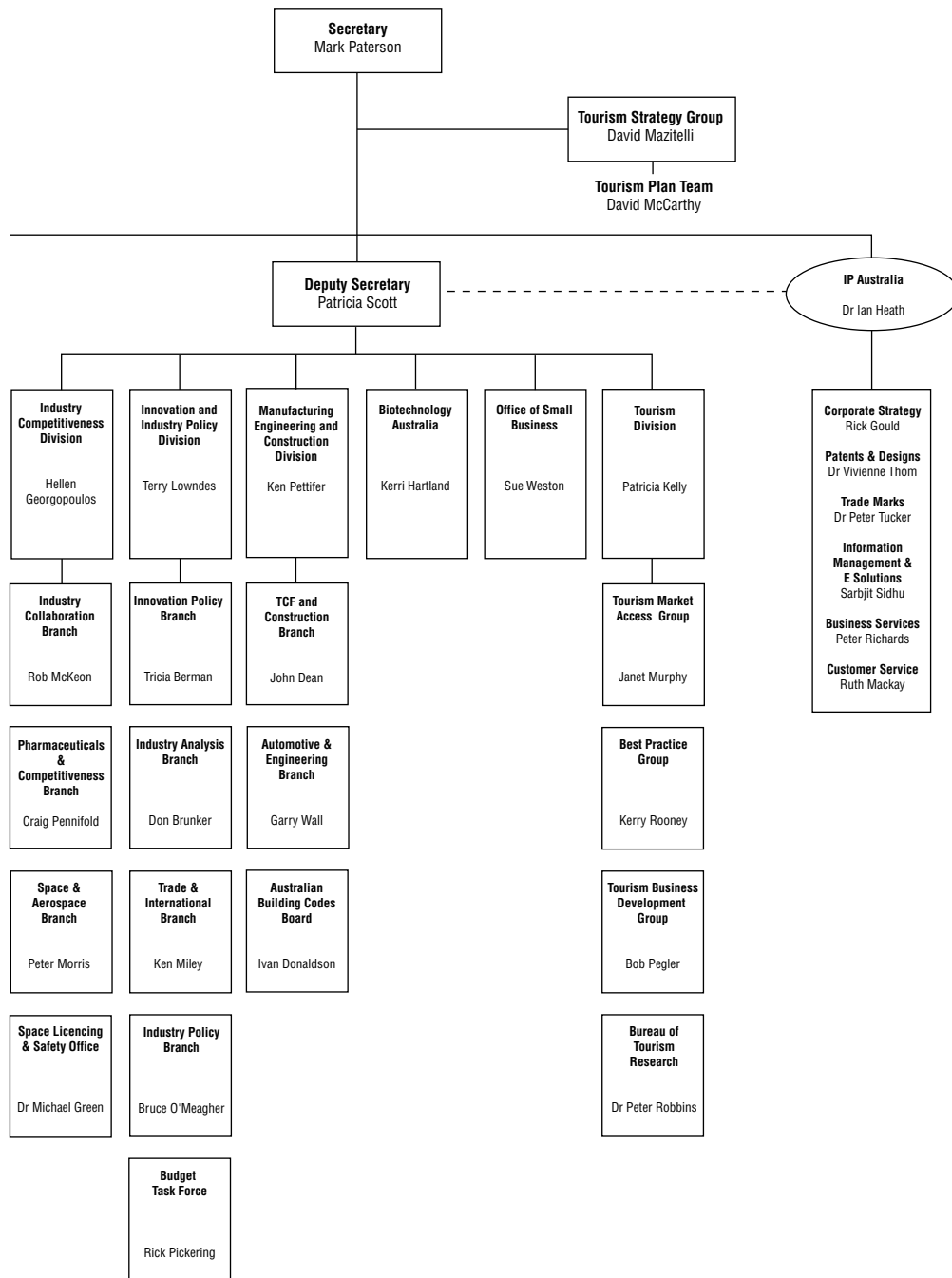
Business Entry Point (BEP) Division seeks to reduce the compliance burden on business by improving online access to business related information and services across the three levels of Government. BEP maintains a website as well as a range of other online projects developed in collaboration with other agencies. From 1 July 2002 BEP combined with the newly formed Industry Online Branch to form eBusiness Division.

AusIndustry is the innovation and industry program delivery division of the Department, established to help Australian businesses to become more innovative and internationally competitive. Through its State, Territory and regional offices across Australia, during 2001–02 AusIndustry delivered 25 programs worth about \$1.9 billion to more than 11,000 customers.

Invest Australia is the Government's national investment agency. It aims to attract productive foreign direct investment into Australia to stimulate economic growth and support sustainable industry development. It provides services to assist foreign investors establish or expand their operations in Australia. The agency also assists Australian businesses to identify strategic foreign partners and attract overseas investments that enhance the development prospects of targeted Australian businesses. From 1 July 2002, Invest Australia was reorganised into a more autonomous agency bringing together all the Government's investment attraction activities.

Chart 2: Organisational structure as at 30 June 2002





The Analytical Division comprises the following two business units.

- The Australian Government Analytical Laboratories (AGAL) is the Government's principal agency for providing chemical and biological measurement services in support of industry and trade, the environment, public health and safety and sport. Additionally, AGAL develops and maintains standards to improve the quality of chemical and biological measurement within Australia and the South East Asia region.
- The Ionospheric Prediction Service (IPS) monitors the space weather environment and reports and advises on radio propagation and space weather to safeguard customer operations against adverse conditions. IPS services enhance the performance of technological systems that support national security, safety-of-life operations, communications and industry.

Corporate Division supports the Department by providing a range of essential services and facilities in meeting the priorities and goals of the portfolio Ministers. It also provides support and advice on human resources, finance, information and communications technology and corporate governance matters to the portfolio Ministers, the departmental executive, senior managers and staff.

Outcomes and outputs

During the year under report, the Department's outcomes and outputs structure consisted of two outcomes and eight generic outputs. The two outcomes relate to Government priorities in the areas of industry, comprising the manufacturing, resources and services sectors, and of innovation. In 2001–02, departmental divisions were responsible for some of the activities under one or more of the outputs. The output structure has been changed for future years (see the 2002–03 Portfolio Budget Statements).

The Department's outcomes and outputs are listed below. The performance information for each of the outcomes and outputs can be found in the chapters following this overview.

Table 1: Department of Industry, Tourism and Resources outcome and output structure, 2001–02

Outcome 1	A stronger, sustainable and internationally competitive Australian industry, comprising the manufacturing, resources and service sectors Output 1.1 Strategic industry leadership Output 1.2 Industry policy development and implementation Output 1.3 Industry program design and management Output 1.4 Investment promotion, attraction and facilitation
Outcome 2	Enhanced economic and social benefits through a strengthened national system of innovation Output 2.1 Strategic innovation leadership Output 2.2 Innovation policy development and implementation Output 2.3 Innovation program design and management Output 2.4 Business services

The outcomes and outputs differ slightly from those in the 2001–02 Portfolio Budget Statements. The word ‘science’ has been removed due to the Administrative Arrangements Order of November 2001.

IP Australia

Australia has a strong intellectual property (IP) system that promotes innovation, investment and trade. IP Australia is the Government agency that grants IP rights in patents, trade marks and designs.

IP Australia examines applications and grants rights in patents, trade marks and industrial designs. It also undertakes programs to educate and promote an awareness of IP rights, provides IP policy input to Government and contributes to bilateral and multilateral negotiations to improve IP protection internationally.

IP Australia is not funded by the Appropriation Acts (Nos. 1 and 2). It operates on a full cost-recovery basis. A standing appropriation enables IP Australia to fund its operations from revenue raised through charges for IP services.

Organisational structure

IP Australia has its central office in Canberra and state offices in each capital city. It consists of the following six business units:

- Patents and Designs processes applications for patents and for registration of designs, considers and decides disputed matters relating to the granting or refusal of patent and design rights, and maintains the Register of Patents and the Register of Designs.
- Trade Marks examines trade mark applications, registers trade marks and maintains the Australian Trade Mark Register.
- Customer Service is responsible for the strategic management of customer relationships and delivers frontline services through the State Offices and the Customer Support Centre. It is also concerned with ensuring Australians are aware of the benefits of intellectual property protection, and of how to manage it as an important element of Australian business assets.
- Corporate Strategy provides a framework for IP research, policy and legislative development. It influences the development of IP systems internationally and ensures the availability of a high-quality patent and trade mark attorney profession.
- Business Services provides corporate infrastructure and a broad range of support services that has significant impact on the achievement of business outcomes.
- Information Management and E-Solutions supports the business delivery of IP Australia by providing quality advice, solutions and infrastructure.

Outcome and outputs

IP Australia's outputs have not changed from those reported last year. IP Australia's 2001–02 outcome and outputs structure is as follows.

Table 2: IP Australia outcome and output structure, 2001–02

Outcome 1	Australians benefit from the effective use of intellectual property, in particular through increased innovation, investment and trade
Output 1	Patents
Output 2	Designs
Output 3	Trade marks
Output 4	Public information and awareness
Output 5	Program development

Geoscience Australia

Geoscience Australia is Australia's national geoscience research and information agency, created when the Australian Geological Survey Organisation (AGSO) and Australia's national mapping agency, the Australian Surveying and Land Information Group (AUSLIG), were merged on 1 October 2001.

Geoscience Australia assists the Government and the community to make appropriate and informed decisions about the use of resources and about the management of the environment and the safety and wellbeing of citizens. This is done by undertaking geoscientific research and maintaining, developing and allowing access to fundamental geoscientific data.

Geoscience Australia works in partnership with other Commonwealth agencies and State and Territory Governments through the National Geoscience Agreement and the Australian and New Zealand Land Information Council. It also encompasses the Office of Spatial Data Management, which was established by the Government in October 2001 to coordinate implementation of the Commonwealth's Policy on Spatial Data and Access and Pricing.

Organisational structure

Geoscience Australia has three divisions – Minerals and Geohazards, Petroleum and Marine, and National Mapping – that deliver the agency's geoscientific and spatial information outputs. For the most part there is a one-to-one relationship between these divisions and the intermediate output groups – onshore, offshore and spatial information.

The Corporate Branch, Corporate Information Management and Access Group and Chief Scientist support the three divisions.

Outcome and output

Geoscience Australia's outcome and output structure reflects the Government's commitment to meeting the Australian community's need for geoscientific research and advice on land information issues which may be used to achieve a range of economic outcomes and to inform decision makers involved in achieving a range of social and environmental results.

Geoscience Australia's 2001–02 outcome and outputs structure is as follows.

Table 3: Geoscience Australia outcome and output structure, 2001–02

Outcome 1	Enhanced potential for the Australian community to obtain economic, social and environmental benefits through the application of first class geoscientific research and information Output 1 Geoscientific research and information which meets Australia's geoscientific needs
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The Department's Report on Performance for Outcome 1

Outcome 1

Outcome 1 is:

A stronger, sustainable and internationally competitive Australian industry, comprising the manufacturing, resources and services sectors.

This chapter summarises the Department's achievements in relation to Outcome 1 during 2001–02, using Portfolio Budget Statement measures of performance in terms of production, exports, investments, productivity and industry assistance.

Outputs of Outcome 1

The Department contributed to Outcome 1 through four Outputs:

- Output 1.1 Strategic industry leadership
- Output 1.2 Industry policy development and implementation
- Output 1.3 Industry program implementation and management
- Output 1.4 Investment promotion, attraction and facilitation.

In the following chapters (from page 29), each Output describes its priorities, other projects and performance information for the 2001–02 financial year.

Results

Production

Indicator	Changes in Australia's per capita gross domestic product relative to our major international trading partners and trading competitors, at purchasing power parities.
Measure	Change in Australia's annual GDP per capita at purchasing power parity, as measured by OECD data

In this annual report, Organisation for Economic Cooperation and Development (OECD) data for per capita gross domestic product (GDP) are reported; the necessary data were not available from the World Bank source used in previous annual reports, on which the performance measure was based. From 2002–03 the performance measure will refer to OECD data.

The 2001 data are the most recent available. According to the OECD statistics, Australia's per capita GDP, in terms of purchasing power parity, for the calendar year 2001 was US\$26,600 – revealing a 1.9 per cent increase compared with the US\$26,100 reached in 2000. This growth rate is higher than the corresponding figure for the United States of 1.4 per cent.

In 2001, the level of per capita GDP (in purchasing power parity terms) in Australia was higher than in Germany (US\$26,500), Japan (US\$26,500), the United Kingdom (US\$25,400) or France (US\$25,100), and higher than the OECD average (US\$24,600).

The OECD data shows that Australia's GDP growth rate (that is, the average annual volume change, as opposed to purchasing power parity) from 2000 to 2001 was 2.4 per cent, significantly higher than the OECD average of 1.0 per cent. Australia's GDP growth rate was also higher than those recorded in the United States (1.2 per cent), the United Kingdom (2.2 per cent), New Zealand (1.8 per cent), Finland (0.7 per cent), Germany (0.6 per cent), Canada (1.5 per cent) and Japan (–0.4 per cent).

The Department has many programs and activities in place that have contributed to the overall increase in production of Australian industry. For example, Action Agendas represent a key Government–industry initiative to assist industry by identifying and addressing market obstacles in order to promote sustainable industry development and export growth. The five new Action Agendas announced for development in the last financial year were in aerospace, electronics, pharmaceuticals and mining technology services, and the National Food Industry Strategy. A further 13 Action Agendas were in the implementation stage during the year. These industries were renewable energy, environment management, spatial information, sport and leisure, textiles, clothing, footwear and leather, furnishing, liquefied natural gas, printing, heavy engineering and infrastructure, forest and wood products, and light metals.

Exports

Indicator	Trends in exports from the manufacturing, resources and services sectors.
Measure	Annual change in total exports of goods and services less rural exports, as recorded in Australian Bureau of Statistics (ABS) balance of payments data.

Despite the world economy's weakening in 2001, Australian non-rural exports recorded strong growth of 2.3 per cent in 2001–02. The non-rural exports share of GDP for 2001–02 was 16.6 per cent, which is similar to the share they achieved during the previous financial year. During the June quarter of 2002, exports of non-rural goods increased by 5.7 per cent to reach about \$21 billion.

Throughout the year, the Department actively sought to improve export opportunities for Australian industry. In particular, the Department improved access to Japanese markets for Australian made steel-framed housing, and worked on facilitating a memorandum of understanding with the Fujian Province which led to the first exports of Australian coal to China. The Department also successfully concluded bilateral consultations with Japan, China and Taiwan to promote Australian export capabilities and identify trade and investment opportunities in the energy and minerals sectors.

Investments

Indicator	Trends in level of aggregate capital expenditure by the manufacturing, resources and services sectors and the proportion of this investment attracted and/or facilitated.
Measure	Annual change in ABS private new capital expenditure series, and proportion of that expenditure attracted or facilitated by Invest Australia.

According to ABS data, private business investment rose from \$9,483 million in the June 2001 quarter to reach \$10,378 million in the June 2002 quarter (a 9.4 per cent increase), with mining, in particular, recording significant new investment. Private business investment increased by 5.6 per cent in the most recent quarter (June 2002). In 2001–02, Invest Australia helped attract 55 new investments, leading to a total planned investment expenditure of \$1 billion with the potential to create more than 1,300 new jobs and more than \$650 million in exports.

The Department is actively engaged in projects to encourage investment. During the year, the Department's investment and attraction activities included the approval of \$172,000 in grant funding for five new feasibility study projects and the granting of Major Projects Facilitation status to seven projects, which could generate capital expenditure of \$6.4 billion and create almost 1,000 full-time jobs. In addition, strategic investment incentives encouraged Comalco to develop a \$1.4 billion greenfield alumina refinery at Gladstone in Queensland, and Methanex to locate its methanol plant on the Burrup Peninsula in Western Australia.

In addition, the Department was actively involved in encouraging overseas investment in Australia's energy markets. This work culminated in the announcement, on 15 May 2002, that a reduction would take place in the 'effective life' caps for large assets used by the resource and energy sector. This initiative is expected to provide further incentives for foreign investors to invest in Australia's capital intensive energy and resources sectors.

Productivity

Indicator	Trends in labour productivity and multifactor productivity in the manufacturing, resources and services sectors.
Measure	Annual change in aggregate ABS estimates of labour productivity and multifactor productivity for the market sector, as published in the National Accounts.

Australia's productivity recorded a mixed result during the reporting period. In 2000–01 (the most recent period for which data are available) labour productivity increased by 0.3 per cent and multifactor productivity fell by 1.1 per cent. The fall in multifactor productivity was due to the fact that, while output and hours worked remained relatively stable, the volume of capital services continued to increase.

Data from the ABS show that in the nine months to March 2002, labour productivity in the market sector increased by 3.6 per cent.

Throughout 2001–02 the Department undertook activities to help Australian industry improve its productivity. For example, during the year approximately \$2 million was provided under the Regional Tourism Program to assist 29 projects aimed at boosting the capacity of businesses and organisations to deliver high-quality tourism attractions, products and services in regional Australia. The Department also continued its work in relation to energy market reforms. These reforms seek to promote an efficient, competitive and sustainable energy market. In addition, the Department organised a session at the OUTLOOK 2002 conference entitled 'Sectoral Trends in Productivity'. The session attracted leading researchers in the field and business representatives, and was aimed at increasing understanding of productivity issues facing Australian industry and the economy at large.

Assistance

Indicator	Progress in meeting Australia's commitment to the Asia–Pacific Economic Cooperation (APEC) goal of free and open trade.
Measure	Main points from Australia's annual APEC Individual Action Plan, and from the Productivity Commission's annual Trade and Assistance Review.

Australia is continuing to meet its Asia–Pacific Economic Cooperation (APEC) commitments in relation to tariff reductions. Tariff reduction legislation lowered simple average applied tariffs from 4.4 per cent in July 2000 to 4.2 per cent in December 2001. The percentage of duty free tariff items increased from 45 per cent in July 2000 to nearly 48 per cent in December 2001.

The Productivity Commission found that government assistance to the manufacturing sector had declined significantly during the past decade, largely due to reductions in tariffs on manufactured goods. The effective rate of tariff

assistance for total manufacturing – including the motor vehicles and textiles, clothing, footwear and leather categories – fell from 14 per cent in 1991–92 to under 5 per cent in 2000–01 (the latest data available).

Assistance to passenger motor vehicles and textiles, clothing, footwear and leather industries attracted effective rates of tariff assistance of 14 per cent and 23 per cent, respectively, in 2000–01. These rates are due to be further reduced in January 2005.

In 2001–02 the Department made progress in reducing trade and investment barriers through a range of initiatives. For example, the Department maintained its commitment to the work of the World Trade Organisation (WTO) by providing input to Australia's support for the commencement of a new round, at the WTO Ministerial Meeting in November 2001. The Department has also played an important role in the ongoing negotiations aimed at finalising a free trade agreement with Singapore. In addition, it continued implementing and managing existing mutual recognition agreements with Europe and Singapore. These agreements reduce the costs of regulatory compliance for Australian exporters, importers and consumers.

During the year the Department continued to represent Australian interests at the APEC Standards and Conformance Subcommittee. Seven contracts totalling more than \$600,000 were issued under the Standards and Conformance Subprogram during 2001–02. The Department provided about \$540,000 in grant money to business and industry organisations through the APEC Market Integration/Industrial Collaboration Program to assist in developing linkages between Australian industry and industries in other APEC economies. The Department also gave input to a number of trade policy committees and boards, including the Secretary's membership of the Austrade and Export Finance and Insurance Corporation boards.

Purchaser–provider arrangements for Outcome 1

Austrade

The Department had a purchaser–provider arrangement with Austrade to provide investment promotion and attraction services, using funds appropriated under Output 1.4. Under the agreement, Austrade shared the responsibility for: contributing and maintaining staff located in the National Investment Response Centre and Invest Australia's overseas offices; providing investment promotion and attraction services; identifying foreign companies as potential investors in Australia; providing information on impediments to investment, investment policies and promotion and marketing campaigns; and assisting with the involvement of Ministers and other nominated senior Government representatives in foreign investment attraction and promotion initiatives.

As part of the Automotive Market Access and Development Strategy (AMADS), the Department continued its purchaser–provider arrangement with Austrade

using funds appropriated under Output 1.2. Automotive industry specialists, working within the Austrade network and located in the key automotive centres of Detroit, Bangkok, Tokyo and Frankfurt, delivered export market development and promotion services to the Australian automotive industry. In 2001–02 a number of initiatives were supported under the arrangement, including automotive industry visits to and/or from China, Indonesia, Saudi Arabia, United Arab Emirates, Kuwait and Bahrain, and market research reports on the Brazilian and Mexican automotive industries. The Department paid Austrade \$2.2 million under this arrangement in 2001–02.

Australian Bureau of Agricultural and Resource Economics

The Department continued its purchaser–provider arrangement with the Australian Bureau of Agricultural and Resource Economics (ABARE), in the portfolio of Agriculture, Fisheries and Forestry – Australia, for the provision of economic analyses and research. In 2001–02 ABARE provided services at a cost of \$4.4 million.

Evaluations for Outcome 1

Automotive Market Access and Development Strategy

The objective of AMADS was to assist the Australian automotive industry to achieve greater integration into the global marketplace. The strategy included activities to raise international awareness of Australian industry capability and to assist it to achieve better access to overseas markets. An evaluation of AMADS carried out during the year indicated that it had been successful in facilitating more than \$1 billion in expected new business for Australian firms as well as introducing 27 firms to export markets and 57 existing exporters to new export markets. The industry substantially increased its export focus over the life of AMADS; between June 1998 and June 2001, automotive exports increased from \$2.8 billion to \$4.7 billion, an increase of 80 per cent overall.

Regional Tourism Program

An evaluation of the Regional Tourism Program (RTP) was undertaken during 2001–02. The RTP provides grants of up to \$100,000 to help boost the capacity of businesses and organisations to deliver higher-quality tourism attractions, products and services in regional Australia. The evaluation was carried out by the Allen Consulting Group and a final report was provided in December 2001. The methodology included a survey of grant recipients and some unsuccessful applicants. A key finding of the evaluation was that the RTP was ‘an effective vehicle for assisting regional tourism’.

Review of Electric Energy Industry

No formal review of the export strategy for the Electric Energy Industry was undertaken during the year, but an internal assessment led to impetus being given to the completion of three market surveys.

Review of investment promotion, attraction and facilitation

An independent review of the Commonwealth's investment promotion and attraction efforts, conducted by Dr Ian Blackburne, was completed in August 2001. This review included the relevant activities of the then Department of Industry, Science and Resources and Invest Australia. The review recommended that investment promotion and attraction be delivered through an autonomous, prescribed agency called Invest Australia in the Industry portfolio, and that the inwards investment promotion and attraction activities of other Commonwealth agencies be incorporated into Invest Australia.

The role of Invest Australia should include responsibility for the development of an appropriate whole-of-nation strategy for promoting and attracting overseas direct investment into Australia. The Government broadly accepted the recommendations of this review.

Tradex Scheme

The Tradex Scheme, which replaced the TEXCO Scheme on 23 June 2000, allows for the importation of goods, without the payment of customs duty or other taxes, provided the goods are subsequently exported or incorporated into goods that are exported, within 12 months. By June 2002 there were almost 1,000 Tradex order holders. This compares with about 480 TEXCO users at the time when that scheme was replaced by Tradex.

In October 2001, the Department's Corporate Division contracted KPMG to undertake an independent audit of Tradex. KPMG concluded that the scheme was being substantially managed in accordance with current product guidelines and appropriate accountability requirements.

Small Business Assistance Officer

A review of the pilot Small Business Assistance Officer initiative commenced in April 2002. The review found that the initiative had generated good outcomes, and made recommendations for a new program targeted to small businesses in regions where there is a need for advisory services. A new competitive grants program will be announced by Minister Hockey in September 2002.

Business Entry Point

In 2001–02 two independent reviews were undertaken of the Business Entry Point and its related initiatives. The reviews were: an intellectual property audit undertaken by external legal consultants from Australian Government Solicitor, who are members of the Department's legal panel; and a privacy audit undertaken by the Office of the Federal Privacy Commissioner.

The intellectual property audit was instrumental in increasing awareness of what BEP activities have led to the creation of intellectual property and how to protect and licence intellectual property rights. The outcome of the privacy audit was also positive, resulting in increasing awareness of privacy issues relating to BEP activities and also leading to the modification of the BEP Privacy Statement accessible through the BEP website.

Action Agendas

The review of Action Agendas showed that the process has clarified the balance of responsibilities between government and industry in identifying strategies for sustainable growth and removing impediments in 27 industry sectors. This has enabled industry to forge future directions and strategies for investment, innovation, competitiveness, education and training and regional development to promote sustainable growth and better position industry to meet the challenges of the future.

Forthcoming reviews

The review of the National Industrial Supplies Office Program was not undertaken in 2001–02. It was postponed to 2002–03 to allow it to focus on progress by ISONET in implementing an enhanced range of services to industry as part of the Government's Small Business Package of September 2001.

Resources for Outcome 1 2001–02

Table 4: DITR total resources for Outcome 1

	(1) Budget ^(a) 2001-02 \$'000	(2) Actual 2001-02 \$'000	Variation (2) - (1) \$'000	Budget ^{(b)(c)} 2002-03 \$'000
Administered Expenses (including third party outputs)	1,113,199	3,760,641 ^(d)	2,647,442	1,049,523
Total administered expenses	1,113,199	3,760,641	2,647,442	1,049,523
Price of Departmental Outputs ^(c)				
Output 1.1 Strategic Industry Leadership	43,662	39,387	(4,275)	77,091
Output 1.2 Industry Policy development and implementation	50,215	50,184	(31)	49,460
Output 1.3 Industry Programs design and management	23,650	27,490	3,840	26,397
Output 1.4 Investment promotion, attraction and facilitation	12,914	13,082	168	-
Total Revenue from Government (Appropriation)	130,441	130,143	(298)	152,948
Revenue from other sources	9,826	10,467	641	28,964
Total Price Outputs	140,267	140,610	343	181,912
Total for Outcome 1 (Total Price of Outputs and Administered Expenses)	1,253,466	3,901,251	2,647,785	1,231,435
Staffing	903	831	(72)	1,051

Notes:

- (a) Full-year budget, including additional estimates
- (b) Budget prior to additional estimates
- (c) ITR has a new Output Structure for 2002-03:
 - Output 1.1 Program Management Services;
 - Output 1.2 Policy Advice; and
 - Output 1.3 Business Services
- (d) Write off \$2.333 billion of Snowy Mountains Hydro-electric Authority investment after the corporatisation of the Authority in June 2002.

Output 1.1 Strategic Industry Leadership

Contribution to Outcome 1

In 2001–02, Output 1.1 contributed to a stronger, sustainable and internationally competitive Australian industry by:

- cultivating best practice within Australian industry
- encouraging a culture of enterprise and innovation
- promoting a vision for the future of Australian industry.

Priorities

Action Agendas

Action Agendas constitute one of the Government's key strategies to assist Australian industry to identify opportunities and to meet the challenges to sustainable industry development and export growth in the global marketplace.

The Department has overall responsibility for the Action Agenda process. In 2001 five new Action Agendas were announced for development – the Action Agendas for the aerospace, electronics and pharmaceuticals industries and mining technology services, and the National Food Industry Strategy. Of these five, the Department has portfolio responsibility for all but the National Food Industry Strategy. During the year, the development phases of three other Action Agendas were successfully completed, in the areas of the environment, spatial information and light metals (see Output 1.2).

The *Action Agendas 2002* report, released at the OUTLOOK 2002 Conference, provided a profile of each of the 27 Action Agendas, progress to date, achievements and noted the enthusiastic support received from the industry representatives leading each Action Agenda.

Aerospace Industry Action Agenda

The Aerospace Industry Action Agenda was announced on 26 June 2001. An industry-wide workshop was held in September 2001 to identify sectoral issues before the formation of the Strategic Leaders Group, which met four times during 2001–02. A number of sectoral issues were identified, and six working groups were established to develop strategies to address sector impediments and to capitalise on market opportunities. Those strategies will contribute to the Action Agenda report which will be finalised later in 2002.

Electronics Industry Action Agenda

The Strategic Industry Leaders Group formed to develop the Electronics Industry Action Agenda met on three occasions in 2001–02, focusing on three key themes: market access and opportunities; industry development; and commercialisation of research and development (R&D).

Pharmaceuticals Industry Action Agenda

The Pharmaceuticals Industry Action Agenda process was launched in May 2001. During 2001–02 the Leaders Group was convened to reflect the interests of all those Australian players who contribute to the discovery, creation and supply of pharmaceutical products and services in this global industry. The Leaders Group met seven times; a discussion paper was prepared, analysing the Australian industry and the issues likely to impact on it during the next decade; four working groups were established; and a series of industry consultation sessions were run. This led to a draft Action Agenda, called ‘Local Priority, Global Partner’, being released in June 2002. The Action Agenda is expected to be completed in the first quarter of 2002–03.

Mining Technology Services Action Agenda

The strategic planning phase of the Mining Technology Services Action Agenda was announced on 6 June 2001 by then Minister for Industry, Science and Resources, Senator Nick Minchin. The Action Agenda will undertake an in-depth analysis of the opportunities and impediments facing the sector during the coming decade. Five key issues were identified by the industry as crucial to the future of the sector. These issues will form the basis of stakeholder consultation. They are response to the globalisation challenge; technology transfer and R&D coordination; education and training; marketing and promotion; and international competitiveness.

Chemicals and Plastics Action Agenda

The Department worked with the Chemicals and Plastics Action Agenda Steering Group and key industry associations and stakeholders to finalise the Action Agenda. The steering group delivered a report, *Underpinning Australia's Industrial Growth*, just prior to the commencement of the financial year, which outlined 26 recommendations for the Government's consideration. The recommendations ranged across four broad themes: regulatory reform, investment, education and training, and innovation. At the time of reporting, a Government response was being finalised and was expected to be announced shortly.

Developing innovation and infrastructure linkages to Action Agendas

Several industries have used the Action Agenda process to consider opportunities for maximising innovation. For example, a series of business tools were developed as part of the Printing Industries Action Agenda to encourage innovation at the individual printing firm level. Similarly, productive cross-sector connections were made through the National Food Industry Strategy and the Freight Transport Logistics Action Agenda, to enable

the adoption of innovative business practices including improvements to the efficiency of global supply chains.

National Biotechnology Strategy

Key achievements delivered under the National Biotechnology Strategy in 2001–02 included:

- contributing to developing ‘critical mass’ in the industry through the announcement of the Biotechnology Centre of Excellence – known as the National Stem Cell Centre – which was established through funding provided for by the Innovation Statement, *Backing Australia’s Ability*
- raising public awareness on biotechnology issues through developing and disseminating gene technology information kits to all local councils and libraries, doubling the reach of the Biotechnology Australia website and expanding the role of the Gene Technology Information Service
- promoting education about biotechnology in schools by developing and promoting the Biotechnology Online resource and the related teaching kit
- contributing to development of stem cell research by representing stakeholder interests in the course of the development of legislation.

Industry policy direction and outlook

Industry policy overview

The Department compiled the *Developments in Australian Industry Policy 2001* statement during the year, to provide the community with an updated overview of the Government’s industry policy direction. The review examined the main industry policy priorities and reported on recent policy initiatives in relation to each of the priority areas, and on their effectiveness. It also outlined the Government’s priorities for the year ahead.

New economy

Research on wealth creation in the new economy informed policy debates in the Department, particularly in considering the linkages between competitiveness, skills, innovation, information and communications technology, and the economic and legal environment.

Following a meeting of Commonwealth, State and Territory Industry Ministers held in April 2001, Ministers agreed to share information to increase awareness of Australia as a modern economy, recognising that Australia has strong credentials as a modern economy in many of its traditional and emerging industries.

Industry advice and analysis

The *Industry Outlook 2002* report, released at the OUTLOOK 2002 Conference in March 2002, examined the performance of a number of Australian service and manufacturing industries over recent years and described their medium-term prospects.

The report *Women in Business*, released at the Telstra Women in Business Awards in October 2001, outlined the achievements of a number of successful Australian businesswomen.

Advice on the economic performance of, and industry assistance measures in, regional Australia was also provided to the portfolio's Ministers.

E-commerce and global supply chains

The Department, in partnership with the Department of Transport and Regional Services, and the National Office for the Information Economy, commissioned a report from the business advice firm Ernst & Young titled *The Internet's Impact on Global Supply Chains*. The report found that Internet eBusiness had the potential to become a major contributor to productivity growth, and to increase Australia's access to global markets, particularly via global supply chains. The report included detailed appendices on development in nine industry sectors and possible steps to accelerate the take-up of eBusiness in those sectors. Agencies and industry are considering issues raised in the report.

Australian industry participation in investment projects

The Government's *Delivering for Small Business* package, announced on 24 September 2001, committed up to \$6.2 million over three years with up to a further \$3.0 million to be provided subject to ISONET demonstrating significant progress in the implementation of a cost recovery strategy. This will fund a range of measures aimed at increasing the participation of small- to medium-sized enterprises in major private and public sector projects, and facilitating their access to global supply chains. A key part of the package involved enhancing the range of services offered to small business when competing for major projects including ISONET, the Commonwealth-funded body that coordinates the Industrial Supplies Office network and the Supplier Access to Major Projects (SAMP) Program.

Identification of opportunities and facilitation of business outcomes for growth industries

In support of the development of high-growth service industries, the Department prepared negotiating proposals covering business and distribution services, and worked with industry to identify Australian negotiating priorities for the Doha Multilateral Trade Round.

OUTLOOK 2002 Conference

During the year, the Department continued its involvement in the annual OUTLOOK conference; OUTLOOK 2002 was held in Canberra from 5 to 7 March 2002. The Department sponsored eight manufacturing and service related sessions at OUTLOOK 2002, including sessions on spatial information, the 'triple bottom line', innovation, e-business, biotechnology and sectoral trends in productivity.

Several departmental publications were released at the conference, including the *Industry Outlook 2002* report, *The Internet's Impact on Global Supply Chains* and the *Action Agendas 2002* review, the latter being formally launched by Minister Macfarlane.

Competition policy review

On 15 October 2001, the Prime Minister announced that there would be an independent review of the competition provisions of the *Trade Practices Act 1974* and their administration. The Treasurer announced the terms of reference for the review and the membership of the review committee on 9 May 2002. The committee, chaired by Sir Daryl Dawson, will report to the Government by the end of November 2002. The Department is monitoring developments given its stakeholder interest.

The review of the *Commerce (Trade Descriptions) Act 1905* (CTD Act) was undertaken by a committee of officials in accordance with terms of reference endorsed by the Minister for Justice and Customs on 19 August 2001. Both the CTD Act and the subordinate Commerce (Imports) Regulations 1940 are listed for review on the Commonwealth's legislation review schedule. The Department contributed to the review through its representation on the relevant Committee of Officials and involvement in the development of a draft report released for public comment in 2001–02.

Tourism

The Tourism White Paper

The Department assisted the Minister for Small Business and Tourism, Mr Hockey, to implement the Government's election commitment to develop a 10 year plan for the Australian tourism industry.

To facilitate public consultations and to stimulate submissions and debate, the Department developed a discussion paper, *The 10 Year Plan for Tourism: A Discussion Paper*. Around 7,000 hard copies of the discussion paper were distributed to interested parties and more than 30,000 electronic copies were downloaded from the Department's website.

The Department also held around 30 consultations with tourism groups in locations across Australia, including many regional centres, involving 400 people. In response to the discussion paper and consultations, more than 260 submissions were received from interested parties.

The Tourism White Paper is expected to be finalised during 2002–03.

Facilitating development of special interest tourism

The Department worked with several special interest tourism sectors to facilitate industry development. Some key initiatives worked on included:

- wine tourism – assisting the Winemakers' Federation of Australia to implement the National Wine Tourism Strategy
- Indigenous tourism – providing secretariat support for a private sector initiated national Indigenous Tourism Leadership Group
- ecotourism – supporting the Ecotourism Association of Australia in developing and implementing a strategy for Australia's participation in the United Nations-designated International Year of Ecotourism 2002

- marine tourism – providing a \$350,000 grant to assist the Association of Marine Park Tourism Operators to control a crown-of-thorns starfish outbreak in the Great Barrier Reef Marine Park.

The Department supported the Minister's participation in the activities of the Great Barrier Reef Ministerial Council, the Fraser Island Ministerial Council and the Northern Territory World Heritage Areas Ministerial Council (responsible for Kakadu National Park and Uluru Kata Tjuta National Park), in overseeing the management of world heritage areas.

Commercial space launch industry

A number of milestones were achieved in support of developing a commercial space launch industry, including the following.

- The Space Activities Regulations 2001 came into effect and completed the framework to regulate civil space activities. Further refinement of the framework was subsequently undertaken and proposed amendments to the *Space Activities Act 1998* were introduced into Parliament.
- The Space Licensing and Safety Office was established to administer the framework, and issued the first instruments of authorisation under the Act.
- Australia's obligations arising from the Australia–Russia intergovernmental agreement on space cooperation were implemented in domestic law.
- Substantial progress was made towards additional Australia–Russia agreements for the proposed Christmas Island spaceport.
- The report of the International Space Advisory Group on priorities for international collaboration on space industry issues was finalised.

Mining, minerals and metals industries

Development of the Australian light metal industries

Minister Macfarlane launched the report from the first phase of the Light Metals Action Agenda on 10 December 2001. The report contained recommendations to promote the future development and international competitiveness of the aluminium, magnesium and titanium sectors, as well as downstream industries using those metals in manufacturing. The Action Agenda is now in its implementation phase, and the Government is working with industry, research agencies and State and Territory Governments to coordinate activities focused on the growth and sustainable development of a competitive Australian light metal industries sector.

Enhancing the growth potential of the coal, minerals and metals industries

Regional Minerals Program

The Regional Minerals Program (RMP) encourages a coordinated approach by industry and Government to facilitating the regional development of mining and mineral processing activities, and to promoting regional employment opportunities. The RMP aims to provide an overview of the mineral resources

and potential for mineral processing development in selected regions and to assess the infrastructure and Government services of such regions and develop proposals to overcome any impediments.

Under the RMP, the following regional mineral projects were progressed during 2001–02:

- a regional mineral study of the Central Region of the Northern Territory, incorporating the Tanami, Tennant Creek and Arunta regions;
- a regional mineral study of the East Kimberley–West Tanami region of Western Australia;
- the development of a national atlas on mines and mineral processing centres (undertaken in partnership with Geoscience Australia and the Minerals Council of Australia);
- a feasibility study of rail infrastructure options for the Surat–Southern Bowen Basin coal region in Queensland;
- a survey of the cost of land access, being conducted by the Australian Bureau of Statistics.

Mining Industry and Indigenous Communities Regional Partnership Program

The Mining Industry and Indigenous Communities Regional Partnership Program was announced in the 2001–02 Budget, and allocated funding of \$1.2 million over four years. The program aims to support and encourage the cultural change that is taking place in relations between Indigenous communities and the mining industry, and to promote long-term, effective partnerships with benefits for all stakeholders. The key aims of the program involve:

- conducting a series of regional workshops bringing stakeholders together to promote ways of developing better relationships with mutually beneficial outcomes
- promoting the publication of case studies highlighting examples of partnerships between the mining industry and Indigenous communities, including information on relevant Government and industry programs
- maintaining and improving the program website, to further promote examples of good practice.

The Working in Partnership with Mining Industries and Indigenous Communities publication, which illustrates best practice through case studies, promoted 17 case studies during the program's first year. Each case study highlights good practice in working with mining companies and Indigenous communities.

The program also ran its first regional workshop, in Alice Springs, which was well supported by industry, Indigenous groups and Governments. The program website was developed and expanded to promote good industry practice and provide information on relevant Government programs.

Coal industry developments

The first Australian coal exports to Fujian Province in China in 2001–02 were facilitated under the memorandum of understanding on coal cooperation reached in 2000–01 between the Department and Fujian Province authorities. Coal trade, investment and research relationships between Australia and Europe were strengthened through the Australia–European Union Coal Conference and associated coal researchers’ workshops held in Aachen, Germany on 24–25 September 2001. The conference was a joint initiative of the Department and the Australian Embassy in Berlin. Participants included the Premier of New South Wales and the Deputy Premier of Queensland. The conference culminated in the New South Wales and Queensland State Governments and the North Rhine Westphalia Government signing an agreement known as the Aachen Declaration on Cooperation on Coal Trade and Research.

Technical collaboration with Japan on coal use was advanced through the inaugural Australia-Japan Coal Research Workshop held in Newcastle on 28–30 November 2001, which was organised by the Department.

Uranium industry developments

During 2001–02 Minister Macfarlane gave final Commonwealth approval, in the form of a conditional export permit, for the Honeymoon uranium mine in South Australia. The permit, issued in November 2001, places stringent environmental requirements on the operation of the mine and gives effect to advice received from the Minister for the Environment and Heritage.

Energy market reform

National Electricity Market developments

During the year, the Department continued its work to progress an appropriate framework for energy market development. Among its activities, the Department:

- chaired a National Electricity Market (NEM) working group that will enable Tasmanian participation in the NEM from 2004
- managed the Commonwealth–State working group that secured agreement on an effective shore-to-shore legislative regime for the Basslink project
- initiated the NEM Ministers’ Forum Working Group on Demand Side Participation, whose recommendations were subsequently accepted by NEM Ministers.

Council of Australian Governments’ (COAG) Review of Energy Market Directions

The commencement of the Independent Review of Energy Market Directions (also called the Parer Review) in March 2002 was positively supported by all major industry participants. The review will examine impediments to the development of Australia’s energy markets and provide advice to Government. An issues paper was released for public discussion by the review in March,

and 147 submissions were received in response. During 2001–02 the review conducted extensive consultations in all capital cities. The Ministerial Council on Energy, Chaired by Minister Macfarlane, is responsible for oversight of the review.

Investment in Australia's energy infrastructure

The Department responded to concerns raised by the resource and energy sector in relation to major project proposals involving pipeline, oil and gas assets. On 15 May 2002, the Government announced reductions in the 'effective life' caps for large assets used by the resource and energy sector. The effective life cap on gas transmission assets was revised downward from an initial expectation of 50 years to 20 years. It is expected that, together with lower company tax rates, these statutory caps will provide incentives to further investment in Australia's capital intensive resource and gas pipeline industries.

Corporatisation of the Snowy Mountains Hydro-electric Scheme

A highlight of the year was the corporatisation of the Snowy Mountains Hydro-electric Authority, which was achieved on 28 June 2002. This was the culmination of a long-running project, in which the Department was the lead Commonwealth negotiator and responsible for delivering a whole-of-government outcome.

The Snowy Mountains Hydro-electric Scheme is the largest supplier of renewable energy to mainland Australia, and its corporatisation has ensured that Snowy Hydro Limited, the new owner and operator of the scheme, is a fully competitive player in the commercial electricity market. The Commonwealth Government now has a 13 per cent shareholding in Snowy Hydro Limited, managed through the Industry, Tourism and Resources portfolio, with New South Wales holding 58 per cent and Victoria 29 per cent.

The corporatisation process involved a series of complex negotiations culminating in the execution of some 50 intergovernmental agreements. A key challenge for the Department was to protect the viability of the scheme. A major outcome was the agreed framework for the refinancing and repayment of around \$900 million of debt owed to the Commonwealth, expected to commence in 2002–03. Significant environmental goals were also delivered, by means of \$75 million in Commonwealth funding for an 'environmental flow' program for the Murray River and \$300 million in State funding for flow management in the Snowy River.

Energy efficiency

Energy Efficiency Best Practice Program

In 2001–02 the Energy Efficiency Best Practice Program (EEBP) successfully partnered with industry in trialling its new innovation and capacity building approach in the beverage, beverage packaging, bread, dairy, and wine processing sectors, with work beginning under the new approach in the resource processing and supermarkets sectors. Key sector results included:

- Australia's prototype best practice energy efficiency shopfront bakery opened – the prototype aims to lead to a 40 per cent energy use reduction and the integration of energy-efficient operational procedures in the more than 500 stores owned by the bakery franchise involved
- bakery oven and refrigeration suppliers altered equipment specifications to improve efficiency by up to 18 per cent
- a maltings company reduced energy costs to achieve a total that was 12 per cent under budget across six sites, and identified a potential 45 per cent energy saving in a new plant
- a brewery continued the process of reducing its refrigeration energy consumption by 35 per cent
- four of Australia's largest winery companies identified actions that will lead to energy savings of up to 20 per cent, to be implemented during the next vintage.

Significant achievements made using the EEBP's cross-sectoral tools included:

- launching and promoting the Motor Solutions website aimed at assisting the purchase and maintenance of electric motors (5,000 users);
- running a series of Motor Solutions workshops in partnership with the Commonwealth Greenhouse Challenge Program and State agencies, attracting 170 participants;
- developing and launching a *Best Practice Guide to Energy Performance Contracting* in partnership with the Australian Energy Performance Contracting Association. The Guide has been utilised by State and local Governments to support implementation of energy performance contracting; and
- launching, in partnership with the Australian Fleet Managers Association, the Greener Motoring program aimed at reducing greenhouse gas emissions from the transport sector (350 registered users responsible for 400,000 vehicles).

Measures for improving energy efficiency in Commonwealth operations

The fourth annual report on improving the energy efficiency of the Commonwealth's own operations – a policy undertaking overseen by the Department – was tabled in Parliament in December 2001. The report showed that in 2000–01 the Commonwealth had continued to improve the energy efficiency of its operations. In all three key end-use categories where there were energy performance targets, improvements were observed. The target for Office Central Services had been met. The target for Office Tenant Light and Power will be met a year earlier than targeted if 2000–01 trends continue (representing a 25 per cent improvement over 1997–98 levels). For the first time the Department of Defence reported a decrease against its 2,500,000 gigajoules target for Defence Establishments.

Deployment of the EDGAR (energy data gathering and reporting) software commenced among Commonwealth agencies, with the prospect that this

system, inspired and managed by the Department, would be adopted by most States and Territories to give jurisdictions a uniform reporting framework.

Performance information

Summary of overall performance

The performance of Output 1.1, in making its contribution to Outcome 1, was monitored against key performance indicators in 2001–02.

There were significant achievements made under Output 1.1 with some highlights including:

- the establishment of the Biotechnology Centre of Excellence
- the establishment of the Australian Biotechnology Advisory Council (ABAC)
- raised public awareness of biotechnology issues, through the dissemination of gene technology information and promotion of biotechnology education in schools
- the finalisation of the regulatory framework for civil space activities and establishment of the Space Licensing and Safety Office to administer the framework
- the granting of Parliamentary approval for the Australia–Russia agreement on space cooperation for peaceful purposes
- the drafting of the report of the International Space Advisory Group on priorities for international collaboration on space industry issues
- the establishment of the Tourism Plan Group to develop a medium- to long-term strategy for the tourism industry
- the release of the public discussion paper, *The 10 Year Plan for Tourism: A Discussion Paper*
- the establishment of the Ministerial Council on Energy
- the establishment and commencement of the Council of Australian Governments' (COAG) Energy Market Review
- the corporatisation of the Snowy Mountains Hydro-electric Authority.

Quality

Reducing hurdles facing growth industries

Biotechnology Australia

In March 2002, the Government announced the establishment of ABAC (Australian Biotechnology Advisory Council). This industry council advises the Government on priority issues in biotechnology, including research and development, international links, commercialisation, public interest and ethics.

At its first meeting, ABAC identified four key issues impeding development of the biotechnology sector in Australia. They were:

- a lack of community awareness and understanding of biotechnology developments
- the continued absence of a whole-of-nation approach to biotechnology development
- the need for greater business development, including development of commercialisation skills, within the sector
- a lack of well defined strategic priorities.

During 2001–02 ABAC commenced holding a series of workshops in capital cities around Australia to assess stakeholder and community views on the National Biotechnology Strategy, as part of the mid-term review of the strategy. ABAC will report to the Commonwealth Biotechnology Ministerial Council late in 2002.

In addressing the issues raised by ABAC, Biotechnology Australia further developed its public awareness campaign. It distributed information kits to all councils and libraries; doubled the reach of its website; produced fact sheets on a range of issues, including genetic testing, stem cells and cloning; expanded the role of the Gene Technology Information Service; and produced an internationally acclaimed education kit on biotechnology.

To improve national development of the sector through creating a ‘critical mass’ of expertise, the Government announced the allocation of \$43.55 million towards the establishment of the Biotechnology Centre of Excellence, the National Stem Cell Centre. The centre will bring together Australia’s expertise in embryonic and adult stem cell technology, both in the public and private sectors, and cement Australia’s world standing in this field.

Australia has a unique opportunity to consolidate its strengths in the area of stem cell biotechnology, leading to significant health and economic benefits for the Australian community. The vision of the National Stem Cell Centre is to use Australia’s international research advantage in this field and consolidate Australia’s leadership in regenerative medicine through stem cell technology capability.

The Centre of Excellence process saw many groups joining together that previously had not cooperated effectively. The scenario-planning workshop run in conjunction with the Biotechnology Centre of Excellence initiative was a first step in bringing together industry players to look at strategic issues for the sector. The Young Advisory Group on Biotechnology was established as part of this exercise. This work will be built upon in the coming 12 months.

In other moves to improve the national approach to biotechnology development, Biotechnology Australia established a State–Territory–Commonwealth Liaison Committee. The Committee was established to ensure that programs for the sector are developed effectively and in a complementary way; that information is shared and that a joint

approach can be taken to development issues. The Committee has identified a range of matters which require improved national cooperation, including ethics, public awareness and international promotion.

Regional Minerals Program

The RMP aims to assess the infrastructure and Government services of a region and develop proposals to overcome impediments to mining or minerals processing in that region. Issues associated with land access, particularly in regard to negotiations with Indigenous land owners, were identified by two RMP studies, conducted in Western Australia and the Northern Territory, as being key impediments to mineral industry exploration and development. In response, a project to engage the Australian Bureau of Statistics to survey industry to identify the costs associated with land access was approved under the RMP.

Geoscience Australia is developing another project addressing the information needs of the minerals industry. This project, to develop a national atlas of mineral resources, mines and processing centres, will provide an Internet based, national framework of spatial data, digital maps and information on the Australian minerals industry.

Case Study 1 – Carey Mining Demonstrates Mining And Indigenous Partnerships In Practice

Carey Mining is considered a market leader in the mining industry because it is not only a successful business but also an organisation that is wholly owned and run by Indigenous people.

AngloGold Australia's working partnership with Carey Mining was born in 1995 when the company (then Acacia Resources) was developing the Sunrise Dam Gold Mine in Western Australia and was negotiating with native title claimants in the area.

Whilst traditional remuneration was sought by some of the claimants, one claimant – Daniel Tucker, managing director of Carey Mining – had a different vision. He wanted to establish a sustainable business – one committed to providing employment and training opportunities for local Indigenous people.

Carey Mining and AngloGold reached an agreement whereby, when the mining contract was awarded at Sunrise, AngloGold facilitated a joint venture with the contractor, AWP (now Roche Mining and Carey Mining).

From this beginning Carey Mining has built a reputation as being a reliable service provider to the mining industry, through its track record as a project manager and joint venture partner in mining and civil contracts. Through current strategic alliances, Carey Mining provides mining services to companies including WMC Resources Limited, BHP Billiton Limited, Lionore Mining International Limited and Sons of Gwalia Limited. It has also operated stand-alone projects for clients including Anaconda Nickel Limited and Barrick Gold Corporation.

While building a successful business, Carey Mining has remained committed to providing employment and training opportunities for Indigenous people, and in 2001–02 was employing 28 Indigenous people.

A positive working relationship with AngloGold and strong joint venture partnerships have enabled Carey Mining to build a robust business and to provide opportunities and support for Indigenous people. It has also sent a message to the mining industry that these types of arrangements can work, creating a win–win situation for all parties.

Implementing electricity and gas market reform initiatives

The corporatisation of the Snowy Mountains Hydro-electric Authority was welcomed by all stakeholders as the necessary catalyst to the Snowy Mountains Hydro-electric Scheme's commercial viability in the National Electricity Market and as the critical precursor to environmental reform initiatives in the Snowy Mountains area.

Previous COAG commitments to implement full retail contestability for electricity and gas were achieved in some jurisdictions. Full retail contestability for electricity commenced in New South Wales and Victoria in January 2002. Full retail contestability for gas commenced in New South Wales and the Australian Capital Territory in January 2002.

Promoting awareness of strategic industry issues

Biotechnology Australia

The Biotechnology Public Awareness Program, which is a major component of the National Biotechnology Strategy, began in 1999, and continued with an annual budget of \$1 million in 2001–02.

The Public Awareness Program sought to create an environment where members of the public were able to make informed decisions on the applications, uses and future of biotechnology, through the provision of balanced and factual information, explaining the benefits and risks of the technology.

Initiatives to raise public awareness included:

- issues management and media relations activities
- regional programs
- the development of gene technology information resource packages for local libraries and councils
- the establishment of the Gene Technology Information Service (accessible by telephoning the 1800 631 276 hotline) and Biotechnology Australia website
- the launch of the Biotechnology Online school resource
- progress in trialling the Biotechnology Professional Development Package for use by teachers.

The Public Awareness Program positioned itself as a credible source of quality and unbiased information through its key initiatives. It was also widely perceived by the media and interest groups as the lead agency for information about public attitudes towards biotechnology in Australia, according to two tracking surveys into public attitudes conducted in 2001–02.

The Biotechnology Australia website averaged between 2,000 and 3,000 hits per day, having doubled the monthly hit rate between November 2001 and June 2002. During an evaluation of the site conducted from December 2001 to May 2002, visitors to the Biotechnology Australia website said they were generally very happy with the accessibility and quality of information on the website.

Regular tracking of press coverage showed that biotechnology reportage over the past 12 months was increasingly positive or neutral. Consistently, less than 20 per cent of all biotechnology stories were reported negatively. Reportage of the media activities of Biotechnology Australia was generally positive, and often more so than the overall press coverage.

For the majority of the past 12 months, the main biotechnology issues reported on were agricultural and largely related to genetically modified crops and foods. The introduction, in December 2001, of prescribed labelling for genetically modified foods generated a good deal of coverage.

Health and medical applications of biotechnology also remained high-profile and well reported issues. In March 2002, stem cells, their possible uses and the regulation thereof became very topical. This coincided with COAG's deliberations on the appropriate approach to take to stem cell research. There was a large amount of debate about the pros and cons of embryonic stem cell research and, overall, the coverage was conducted in a reasonably well balanced fashion.

Industry policy outlook

The report *The Internet's Impact on Global Supply Chains* stimulated interest among the media and industry participants following its release at the OUTLOOK 2002 Conference, including extensive coverage in the press and industry newsletters.

Tourism

The 10 Year Plan for Tourism: A Discussion Paper canvassed more than 200 strategic questions and attracted considerable public interest and attention - more than 7,000 copies were distributed and a further 30,000 copies were downloaded from the Department's website.

Extensive consultations were held with more than 400 stakeholders at around 30 locations across Australia, including all capital cities and many regional centres. The response to the discussion paper was considerable, with more than 260 organisations or individuals making submissions.

The strategic issues addressed in the discussion paper included forecasts and targets; investment and infrastructure; domestic tourism; international tourism; product development; sustainable development and risk management.

Progressing towards best practice

Biotechnology Australia

To improve knowledge of biotechnology developments, the Biotechnology Online school resource was launched by the Minister in July 2001. A professional development kit was subsequently developed and is being trialled by teachers. Teachers' associations applauded the move and there has since been international interest expressed by teachers in the United States and Canada in accessing this resource. The resource was acclaimed as international best practice at the world's largest biotechnology conference, BIO 2002.

Biotechnology Australia assisted in the development of nationally consistent legislation to ban human cloning and certain other practices as agreed to by COAG in April 2002. Biotechnology Australia managed significant industry input into the policy development on stem cell research and other assisted reproductive technologies through undertaking extensive stakeholder consultation, representing partner agencies on the Commonwealth Steering Committee and participating in meetings of the COAG implementation working group.

Mining Industry and Indigenous Communities Regional Partnership Program

Case study 2 demonstrates best practice by industries participating in the Department's initiatives under the Mining and Indigenous Communities Regional Partnership Program.

Case Study 2 – BHP Billiton Iron Ore In The Pilbara

'We are successful when the communities in which we operate value our citizenship.'

BHP Billiton's Aboriginal Affairs Department has adopted these words from the BHP Charter as the framework for its work and relationships with the Indigenous peoples of the remote Pilbara region in west Western Australia.

Recent examples of partnerships between BHP Billiton's Iron Ore division and Pilbara Aboriginal communities include a contract engaging the Western Desert Puntukurnuparna Aboriginal Corporation (WDPAC) to maintain gardens, and the division's sponsorship of the Royal Lifesavers Programs at Jigalong and Yandeyarra.

The latter communities recently benefited from the installation of a swimming pool each, and BHP Iron Ore also funded the Royal Life Saving Society Australia to enhance community health by providing accompanying programs of physical aquatic activity.

The pools are open six days a week and attendance is noted to facilitate the new 'no school, no pool' policy – positively promoted as 'School means Pool!' School attendance at the Jigalong community alone has risen from 26 per cent to 82 per cent since the pool opened.

Another benefit of the programs is the anticipated improvement in community health. Since the installation of the swimming pools, health workers have noticed a reduction in the overall incidence of infections, particularly of the skin, ears and eyes.

Securing industry commitment to Action Agendas and identified goals

As stated above, five new Action Agendas were commenced during 2001–02, in the food, aerospace, electronics, pharmaceuticals and mining technology services sectors. Industry’s high-level commitment to each of these Action Agendas was achieved through the respective leadership groups; information about some of these groups is provided below.

Aerospace

Industry led the preparation of the Aerospace Action Agenda, with the Department taking a facilitation role. A 14-member Strategic Leaders Group was appointed (comprising representatives of the industry, the Department and the Department of Defence) to oversee the development and progression of the Action Agenda. The Chair of the Strategic Leaders Group is Mr Ken Peacock, former Chairman of Boeing Australia Limited.

The Department facilitated a number of working groups to progress the Action Agenda, under the headings of: Investment and Risk Sharing; Defence Procurement; Education and Training; Technology Acquisition and Commercialisation; Trade Restrictions and Mutual Recognition; and Supply Chains and Industry Clusters. A member of the Strategic Leaders Group chaired each of the working groups.

The Strategic Leaders Group, along with the six working groups, met on a regular basis to investigate key aerospace issues. Although no funding was received from industry, members of the groups gave up their time and travelled from interstate at their own expense to attend the meetings. Representatives of both small- to medium-sized enterprises and larger aerospace companies participated in formulating the Action Agenda, ensuring a broad perspective and coverage.

Electronics

The Electronics Industry Action Agenda Strategic Leaders Group is chaired by an industry representative, Mr Bruce Thompson, Chief Executive Officer of KeyCorp. Its work has focused on three key themes of market access and opportunities, industry development and the commercialisation of research and development.

Pharmaceuticals

The Pharmaceuticals Industry Action Agenda (PIAA) was launched in mid-2001, having been developed by industry leaders in conjunction with the pharmaceuticals industry and the Government. More than 700 industry and other stakeholders were consulted in the course of its development.

Industry is to take the lead in implementing six of the 16 actions, and will work with the Government on the remainder. Industry will chair and support an Implementation Group that will oversight the implementation of the Action Agenda.

Industry representatives supported the development of the PIAA through their leadership of, and participation in, a range of analytical and strategy development meetings; by establishing a four-person team dedicated to the development of the Action Agenda; and through funding a facilitator and a company survey.

The PIAA Leaders Group was composed of 10 senior industry people, plus senior officials from both the Department and the Department of Health and Ageing. It was chaired by Dr Graeme Blackman, Chairman and Managing Director of the Institute of Drug Technology Australia. Industry leaders also led workshops and seminars in consulting the wide range of stakeholders involved in the development of the Action Agenda.

Mining Technology Services

The Mining Technology Services Action Agenda (MTSAA), announced in June 2001, will focus on developing greater strategic alliances and international opportunities for Australian MTS companies.

The strategic planning phase of the MTSAA is being led by the Strategic Leaders Group (SLG), which comprises representatives of some of Australia's top mining technology services companies, the sector's industry associations, Government and interested individuals.

No direct industry funding has been provided for the MTSAA's development, but significant time and effort has been devoted to the process by a wide range of industry participants, including the critical work of the SLG, which is headed by Mr Alan Broome, chairman of Austmine.

Satisfying Ministers and other stakeholders

The Minister was very supportive of the Biotechnology Centre of Excellence initiative. Along with the Prime Minister and Minister for Education, Science and Training, Minister McFarlane announced the successful centre on 30 May 2002 and has made numerous public comments on the value of establishing such a centre to help establish Australia as a regional and world centre for biotechnology innovation and application.

The Minister thanked Biotechnology Australia for the quality of its briefing and other work in the lead-up to the COAG decision on regulating stem cell research and cloning. The Minister was involved in extensive consultation on these issues.

Ministerial satisfaction with the Regional Minerals Program resulted in an extension of the program for four years from 2000–01 and the launch of new program guidelines in January 2002.

The Minister for Small Business and Tourism expressed a high level of satisfaction with the Department's work done developing *The 10 Year Plan for*

Tourism: A Discussion Paper and facilitating development of special interest tourism markets. An example of such facilitation was the Commonwealth contribution to the UN-designated International Year of Ecotourism 2002.

Stakeholders' satisfaction

The Department undertook a stakeholder satisfaction survey during 2001–02 with the objective of seeking information to better assess and improve its relationships with key stakeholders.

The aims of the survey undertaken on the nine activities in Output 1.1 were to assess the service and consultation attributes of stakeholder relationships, gauge the extent to which stakeholders viewed their interaction with the Department as contributing to fulfilling the Output objectives, and identify areas where stakeholder relationships could be improved.

The respondents to the Output 1.1 survey included Federal (31 per cent) and State (17 per cent) Government organisations, business (24 per cent), industry (16 per cent), professional associations (3 per cent), university (1 per cent) and research organisations (3 per cent).

Stakeholders were asked several questions regarding the Department's service attributes. The responses received indicated that: 74 per cent of respondents rated the level of professionalism in dealing with stakeholders as good; 68 per cent of respondents rated the Department's knowledge and understanding of the relevant legislation as good; 67 per cent of respondents indicated that the Department provided good quality information in response to their enquires; and 67 per cent of respondents considered the Department responded in a timely manner to enquires and requests for assistance.

Stakeholders' responses to questions regarding the Department's consultation attributes were positive: 63 per cent of respondents were satisfied with their opportunity to provide feedback in the development of activities and proposals that related to the Output; 58 per cent of respondents were satisfied with the Department's level of consultation; 59 per cent of respondents were satisfied that their feedback was taken into consideration in the development of proposals in the Output; and 45 per cent of respondents were satisfied with the Department's explanations regarding the reasons for decisions.

Overall the finding from the stakeholder satisfaction survey indicated that 35 per cent of stakeholders were satisfied with the Department's services and consultation processes, whilst 25 per cent were dissatisfied and 40 per cent were neither satisfied nor dissatisfied.

Quantity and price

Table 5: Output 1.1 quantity results, 2001–02

Output 1.1	Quantity
Ministerial briefs and correspondence	1,208
Reports and publications	257
Consultations and/or negotiations	3,905
Other advice	7,904

Only the key products and services listed in Table 5 above were measured in 2001-02. These cost in total \$10.005m.

Output 1.2 Industry Policy Development and Implementation

Contribution to Outcome 1

In 2001–02, Output 1.2 contributed to a stronger, more sustainable and internationally competitive Australian industry by:

- developing industry policy initiatives that addressed market failures and assisted with transitional arrangements
- formulating and implementing industry policy (including program design) that placed a stronger focus on business innovation and encouraged economic growth
- evaluating and reviewing industry programs
- providing regulatory regimes that encouraged safe, sustainable industry growth.

Priorities

Implementation of Action Agendas

Thirteen Action Agendas were in the implementation stage during the year. Those falling within the Industry, Tourism and Resources portfolio were the Liquefied Natural Gas; Renewable Energy; Environment Industry; Spatial Information Industry; Textiles, Clothing, Footwear and Leather; Furnishing Industry; Printing Industries; Heavy Engineering and Infrastructure; Building and Construction; and Light Metals Industries Action Agendas. Action Agendas managed by other portfolios in consultation with the Department were the National Food Industry Strategy, Sport and Leisure Industry Action Agenda, and the Forest and Wood Products Action Agenda.

Further information on Action Agendas is provided in Output 1.1.

Liquefied Natural Gas Action Agenda

The Liquefied Natural Gas (LNG) Action Agenda was launched in October 2000. The Action Agenda sets out the shared vision of industry and the Commonwealth, Northern Territory and Western Australian Governments for an internationally competitive LNG industry.

Throughout the financial year, the Department played an integral role in the Government's efforts to help the Australian LNG industry to win long-term export contracts to North Asia. Highlights included visits to China by the

Prime Minister and Minister Macfarlane in support of the North West Shelf Venture's bid to supply three million tonnes a year of LNG to Guangdong, in southern China. The North West Shelf Venture won the contract, which is valued at up to A\$25 billion and represents the biggest single export deal in Australia's history.

The commitment made in the LNG Action Agenda to introduce a new by-law for major projects was finalised on 1 July 2002, with the introduction of a new scheme rolling five existing by-laws into one expanded by-law, allowing for a streamlined application process and widening the tariff exemption for certain industry sectors.

Renewable Energy Action Agenda

In 2001–02, the Department continued to work in partnership with industry to implement the Renewable Energy Action Agenda. Early in the year, industry leaders reported to the then Minister, Senator Nick Minchin, that the Action Agenda had attracted strong industry involvement and good progress was being made on implementing key Action Agenda initiatives. A highlight this year was the staging of the Renewable Energy Exporters Network's first trade mission, with support from Austrade and the Department. The April 2002 trade mission to South America visited Brazil, Chile and Mexico and was a major success, resulting in prospective business worth up to \$70 million.

Two documents aimed at attracting investment were developed in partnership with Invest Australia and the industry: the 'Greener Fields' brochure and the *Sustainable Energy Innovations* promotional book. Documents on Australian renewable energy capability were prepared for use by Austrade when investigating business opportunities for the industry and are being widely distributed overseas. A Renewable Energy Technology Roadmap was developed to inform the industry's innovation strategy. The Renewable Energy Technology and Innovation Network of Australia was formed, to stimulate collaboration between research institutions and industry partners and undertake implementation of the technology roadmap recommendations.

Environment Industry Action Agenda

The Environment Industry Action Agenda was considered and endorsed by the Government and launched by the then Minister, Senator Nick Minchin, on 26 September 2001. The environment industry formed the 'Barton Group' of industry leaders to oversee implementation of the Action Agenda. Project champions were identified and task forces formed to progress strategies relating to exports, the built environment, the finance sector and environmental impact measures, and to encourage a collaborative approach involving industry clusters, networks and partnerships. In response to Recommendation 1 of the Environment Industry Action Agenda, calling for a high-level sustainable development forum involving Government and industry, a presentation on Australian industry's sustainable competitiveness was prepared for the May meeting of the Prime Minister's Science, Engineering and Innovation Council. The presentation was prepared by an industry working group supported by the Department.

Spatial Information Industry Action Agenda

Industry and the Government endorsed a range of initiatives in the Spatial Information Industry Action Agenda report, *Positioning for Growth*, to facilitate the development and repositioning of the spatial information industry over the next five to 10 years. These include the formation of the Australian Spatial Information Business Association; the provision of free access to online Government-held fundamental spatial data; and the merger of the Australian Geological Survey Organisation and the Australian Surveying and Land Information Group as Geoscience Australia. A joint steering committee comprising representatives from industry, the State and Territory Governments and the Commonwealth Government oversees implementation of the Action Agenda.

Textiles, Clothing, Footwear and Leather Action Agenda

A strategic plan for the textiles, clothing, footwear and leather (TCFL) industry, titled 'Global and Growing Blueprint for a Positive Future', was completed and disseminated by the TCFL Forum (an industry body established as part of the industry's commitment to the Textiles, Clothing, Footwear and Leather Action Agenda, to oversee its implementation). The delivery of this strategic plan is a key milestone in the forum's commitment to the TCFL Action Agenda.

Furnishing Industry Action Agenda

This was the second year of three in the implementation of the Furnishing Industry Action Agenda. During this period, the first cohort of students completed a management education program delivered through the University of Adelaide. An Australian Bureau of Statistics (ABS) survey focusing on commercial furniture statistics was completed, with the aid of funding from the Department, and several research reports were released examining strategies to improve trade performance and access to finance. A website for the industry was established, and work commenced to engage visiting overseas specialists to deliver workshops and one-on-one consultations with Australian firms on efficient and responsive manufacturing techniques. The Commonwealth Scientific and Industrial Research Organisation was also commissioned to deliver a production efficiency program, which resulted in several firms re-engineering factory layouts and the results being showcased to the wider industry.

The Commonwealth also provided support for the industry through the establishment of the Cooperative Research Centre for Wood Innovations and a grant to expedite the uptake of e-commerce in the industry.

Printing Industries Action Agenda

Industry support for the Printing Industries Action Agenda was particularly strong, with the Printing Industries Association of Australia taking the lead in implementing the Action Agenda's recommendations and disseminating its messages. A feature of the Action Agenda was the distribution of a set of self-help tools (available in both paper based and CD-ROM versions) to the industry. The tools enable individual firms to assess their business

performance and develop strategies for growth. A comprehensive program is under way to educate firms in the industry in the use and application of the tools in their businesses.

Heavy Engineering and Infrastructure Action Agenda

The Heavy Engineering and Infrastructure Action Agenda continued in its implementation phase, with the Government and industry bringing agreed recommendations to fruition. A study of the behaviour of global supply chains in the domestic market was undertaken, which resulted in the production of a joint Government/industry funded guide for small- to medium-sized enterprises, about networking to position themselves to win work in major projects. This complemented the Government's policy undertakings to require developers seeking tariff duty concessions on inputs to major projects via the Enhanced Project By-laws Scheme to complete an Australian Industry Participation Plan for each project. The Government also progressed its Action Agenda undertakings to encourage a nationally consistent approach to private provision of public infrastructure, including by issuing its *Guidelines for Private Financing*. Industry continued to develop its marketing presence, including through the production of capability statements in areas of global competitiveness.

Building and Construction Action Agenda

This was the third and final year of implementation of the Building and Construction Action Agenda. Continued support for the Australian Construction Industry Forum (the peak consultative body for the industry) saw that body publish a report on innovation in the industry, develop a website for non-residential construction forecasting, and complete studies into supply chain management, innovative contractual arrangements such as project alliancing, and project documentation. The Business Builders program, which provided seed-funding for networks of building product and service companies, to assist such companies to market themselves internationally, was concluded with 12 networks involved. The Cooperative Research Centre for Construction Innovation was launched, and the Royal Australian Institute of Architects was licensed to market the benchmarking tool 'Global Construct' to companies in the building industry. The Commonwealth continued to support regulatory reform in the industry by supporting the work of the Australian Building Codes Board (ABCB) and encouraging the development of a national plumbing code.

Light Metals Action Agenda

The report from the first phase of the Light Metals Action Agenda, *Australia Leading the Light Metals Age*, was launched by Minister Macfarlane on 10 December 2001. The report included a vision for Australia's light metal industries which will underpin commercially viable and internationally competitive growth during the next 20 years and beyond. The report contained 21 recommendations, identified by industry and Government, to maintain and build on Australia's international competitiveness in light metals

production. Minister Macfarlane established a steering committee to oversee the implementation of the recommendations.

Office of Small Business

The Office of Small Business (OSB) is focused on supporting and advancing small business interests within Government. It provides policy advice and support to Ministers on small business issues, builds and maintains effective links with small businesses and their representative organisations, and fosters an understanding within Government agencies of the critical factors influencing the growth and performance of small business.

Taxation policy advice

The OSB provided secretariat services, including preparation of background briefing and issues papers, for the Small Business Consultative Committee, which advises the Minister for Small Business and Tourism on tax matters. The committee is an important mechanism for obtaining small business's feedback on the impact of the New Tax System on the sector. It met four times during 2001–02.

With a number of tax reform measures in place, OSB delivered prompt and high-quality analysis on a range of issues and independent surveys related to the impacts of the New Tax System on small business. There were approximately 44 formal and a number of informal briefings of this nature during the year. OSB was also involved in liaison and consultation with other federal agencies on a number of business tax reforms during the year, including in relation to the tax value method, alienation of personal services income, and consolidation.

Supporting key aspects of small business growth

During 2001–02, OSB administered three programs to support small business growth: the Small Business Enterprise Culture Program (SBCEP); the Small Business Incubator Program; and, with the Department of Transport and Regional Services, the Small Business Assistance Officer initiative.

The SBCEP gives priority to projects in regional areas, and those that support skills development and mentoring projects, as well as providing support for women in business. During the year, 26 SBCEP projects were funded, for a total of \$1.5 million.

The Small Business Incubator Program provided funding for 67 incubator projects, totalling \$4.4 million, including for feasibility studies and enhancements to existing incubators.

Funding of \$6 million from the Regional Assistance Program was provided for 47 Small Business Assistance Officers as a 12-month pilot program to finish on 30 June 2002. On 16 May 2002, Minister Hockey announced that the Small Business Assistance Officer pilot would be extended to 31 December 2002. A review of the pilot by the Office of Small Business found that the initiative had generated good outcomes, and made recommendations for a new

program targeted to small businesses in regions where there is a need for advisory services. Minister Hockey will announce a new competitive grants program in September 2002.

Reducing the regulatory burden on small business

OSB continued to take steps to reduce the regulatory and paperwork compliance burden on small business. OSB continued to manage and coordinate the whole-of-government compliance with reporting requirements in relation to departmental Annual Regulatory Plans. OSB also reports on Regulatory Performance Indicators and the Government's Time Saver Initiative, which aim to improve the quality of future regulation and the design of Government forms.

Supporting the franchising and retail grocery codes of conduct

OSB provided secretariat support for a meeting of the Franchising Policy Council on 12 June 2002, and provided a point of contact for industry and community advice and consultation regarding Franchising Code of Conduct policy matters. OSB also played an integral role in assisting the Minister, the Retail Grocery Industry Code Administration Committee (RGICAC) and the Retail Grocery Industry Ombudsman through the provision of policy advice, consultation and secretariat support. The RGICAC met on 17 August 2001, 18 December 2001 and 16 April 2002.

Supporting the Minister in communicating with small business

OSB plays an important role in supporting the Minister in communicating with the small business sector. For instance, OSB is responsible for maintaining consultative forums attended by the Minister for Small Business and Tourism, such as the National Small Business Forum and the Small Business Consultative Committee, which forge effective links between the Government and small businesses and their representatives. Also, during the 2001 calendar year, the former Minister for Small Business, the Hon Ian Macfarlane MP, engaged in a series of 'roundtable' consultations with small businesses across Australia, organised by OSB. Thirty-seven meetings were held across all States, with a total of about 650 representatives of small business taking part. These consultations provided an opportunity to hear first-hand the issues affecting small business. Issues raised included taxation, superannuation, skills training, and workplace relations, along with a number of rural and regional issues.

Small business package

OSB managed and coordinated the September 2001 release of the small business package aimed at reducing red tape and making it easier for small businesses to do business with Government. The package introduced initiatives such as streamlining the Australian Securities and Investments Commission's company document lodgment processes, and capping annual company fees; introducing mandatory maximum payment terms for Government agencies of 30 days; and developing a range of online services aimed at improving small business access to Government information and services. There were also

initiatives to encourage small businesses to take up e-commerce by providing a range of practical guides and information tools. Funding was also announced as part of the package for the ISONET and the Supplier Access to Major Projects Program, as well as other activities to enhance the range of services to small business when competing for major procurement projects.

Affordability of and access to public liability insurance

The Department played an active role in developing Government strategies to respond to the difficulty small businesses and tourism operators have been experiencing in obtaining affordable public liability insurance.

Tourism

Response to events of September 2001

The Prime Minister established a Tourism Industry Working Group on 20 September 2001 to assess the impacts on the tourism sector of the events of September 11, 2001 and the collapse of Ansett Airlines. The Group was asked to develop possible options and strategies, for adoption by the industry and Governments, to assist the tourism sector to meet the challenges posed by these developments. The Working Group presented its report to the Prime Minister on 12 October 2001.

The report estimated that the impact on the Australian economy and on the tourism sector of the collapse of Ansett Airlines and of the US terrorist attacks would be significant. It anticipated that a loss of 0.6 per cent of GDP could be expected in the December 2001 quarter, representing a loss to the Australian economy of around \$1 billion. It also estimated that it would take at least two years for the industry to recover, assuming no other significant shock occurred during the period.

The Working Group identified three key areas requiring attention. These were:

- maintenance of consumer confidence and demand
- employment and cashflow concerns
- restoration of domestic air capacity and discounted airfares.

The Working Group sought additional funding for the Australian Tourist Commission to help promote Australia's "safe haven" reputation and to re-develop international business and leisure markets. It also recommended continued support for *See Australia* and its domestic marketing campaign and for regional marketing activities. Other initiatives proposed included measures to stimulate consumer demand in the short term; measures to address cash flow problems within the industry; a compensation package to meet the shortfall of the Travel Compensation Fund; and measures to complement action already being undertaken to restore capacity and servicing of regional air routes.

The Government initially announced a \$20 million tourism assistance package on 8 October 2001, prior to finalisation of the Working Group's report and before the Parliament was dissolved ahead of the last election. This package comprised:

- \$15 million to assist small businesses to honour components of Ansett's holiday packages, in order to keep faith with customers (through the Ansett Holiday Package Relief Scheme); and
- \$5 million in direct holiday incentives for Australians to help stimulate domestic tourism, with a \$150 rebate offered under certain conditions (through the Holiday Incentive Program (HIP) see Output 1.3).

A number of other measures were proposed by the Working Group, including tax measures and further initiatives to support regional aviation services. The Government undertook to consider these and any other proposals in the context of developing the Tourism White Paper.

In the wake of the Ansett crisis, the Department also provided information and advice on the tourism effects of domestic and international aviation capacity changes as well as taxes and charges on air travel.

Implementing Election Commitments

The Government followed up its initial response to the events of September 2001 with an additional \$45 million tourism funding after the election as follows:

- increased funding for the Australian Tourist Commission of \$24 million over five years
- increased funding for the Regional Tourism Program of \$8 million over four years
- increased funding for *See Australia* domestic tourism promotion of \$8 million over four years
- a one-off contribution of \$5 million paid to the Travel Compensation Fund, to be matched by State and Territory Governments, which have primary responsibility for travel agent licensing.

The \$45 million in new tourism funding was in addition to the \$20 million short-term assistance package, some of which was under-subscribed. The \$15 million Ansett Holiday Package Relief Scheme was targeted at small to medium sized firms. In the event, only \$3.2 million was required for assistance to this target group. The Government subsequently allocated \$1 million of the under-subscribed funding to bushfire relief in New South Wales.

In addition the Government provided funds to assist a number of regional tourism initiatives in the 2002-03 Budget.

Key projects assisted were:

- Cairns Foreshore Promenade Development: \$9 million over four years, to provide a world class foreshore precinct, readily accessible to major accommodation establishments.
- Australian Stockman's Hall of Fame and Outback Heritage Centre at Longreach: \$4 million over two years (\$1.4 million allocated in 2001-02 and \$2.6 million in 2002-03)

- Back O’ Bourke Exhibition Centre: \$1 million towards stage two (\$850,000 in 2001-02 and \$150,000 in 2002-03). This \$5 million project is expected to be a significant tourist attraction
- Fishing Hall of Fame and World Heritage Fraser Island Interpretive Centre in Hervey Bay: \$3 million, conditional on matching funding from the Queensland Government and community
- Tasmanian Regional Tourism Infrastructure projects: A total of \$2.1 million (including \$600,000 in 2001-02).

Productivity Commission Review

The Department actively contributed to the Productivity Commission’s Inquiry, “Price Regulation of Airport Services”, and the Australian Competition and Consumer Commission’s consideration of guidelines for domestic airline competition.

Japanese tourism

The Department completed and published a major report identifying key factors impacting on Australia’s declining market share of the Japanese outbound tourism market. The report *Building Momentum: Japanese Tourism to Australia – An Action Plan*, was prepared in consultation with Government and industry stakeholders. It identifies a series of key actions addressing four critical areas – aviation arrangements and services; aligning tourism product with changing demand patterns; industry distribution systems; and the provision of industry and consumer information.

Chinese tourism

The Department continued to lead and coordinate joint Government–industry initiatives to expand the number and enhance the quality of tourism products and services delivered to Chinese tourists under the Approved Destination Status (ADS) arrangement. The Department convened workshops for ADS inbound operators to review key issues and initiated a China ADS e-bulletin which provides information to ADS operators on developments in the Chinese market. The Department contributed to positions put forward by Minister Macfarlane in his positive discussions with Chinese authorities on the expansion of the ADS arrangement during his visit to China in April 2002.

Indian tourism

The memorandum of understanding on tourism cooperation negotiated by the Department with Indian tourism authorities was signed during a visit to India in April 2002 by the Minister for Foreign Affairs, Mr Downer.

Asia–Pacific Economic Cooperation tourism initiatives

The Department successfully completed projects establishing the Asia–Pacific Economic Cooperation (APEC) Tourism Information Network and an APEC tourism research network – the APEC International Centre for Sustainable Tourism – for launch at the second APEC Tourism Ministers’ meeting in Mexico in July 2002.

Promoting industry awareness

The Department convened several tourism industry workshops to draw attention to trade liberalisation negotiations under the General Agreement on Trade in Services and to identify issues for Australia to pursue in the negotiations.

Organisation for Economic Cooperation and Development Tourism Committee Roundtable

At the request of the Organisation for Economic Cooperation and Development (OECD), the Department presented a paper, on Australian experiences of the effects of international airline alliances on tourism and consumers, at the OECD Tourism Committee Roundtable on Air Transport and Tourism held in October 2001.

Developing e-commerce in tourism

The Department continued to oversight initiatives contained in the National Online Tourism Strategy launched in August 2000. Particular progress was made on the development of a national online tourism awareness program by the Cooperative Research Centre for Sustainable Tourism, incorporating tourism case studies, workshops and a dedicated website. In 2001-02 the Department also provided \$1.4 million in regional online tourism grants to 38 projects.

Advancing the economic benefits of regional tourism

In 2001-02, the Minister announced funding of more than \$2 million under the Regional Tourism Program (RTP) to assist 29 projects aimed at boosting the capacity of businesses and organisations to deliver higher quality tourism attractions, products and services in regional Australia. There were 480 applications for funding received in the 2001-02 round from across regional Australia. An evaluation of the RTP was undertaken in December 2001 by independent consultants; it indicated that the RTP had generated economic, employment and social benefits for regional Australia.

Improving business accreditation and code of conduct

In 2001-02, the Department worked closely with industry and other stakeholders to improve the quality, and therefore the competitiveness, of Australia's tourism product. Much of this work related to the implementation of a business accreditation system – overseen by the Australian Tourism Accreditation Association Limited – and help in the funding and design of a number of sector-specific accreditation schemes.

In particular, the Tourism Export Code of Conduct was designed and trialled satisfactorily using funds provided by the Commonwealth. The Commonwealth also successfully cooperated with the State and Territory Governments, and with industry, to fund and begin implementation of a suite of initiatives aimed at improving service standards in the inbound sector. These activities represent an important milestone in addressing longstanding industry concerns about the quality of some of Australia's tourism product.

Advancing sustainable tourism

The Department consulted widely with industry stakeholders to develop an issues paper on the sustainable growth of the tourism industry in Australia. A workshop on sustainable tourism was held in association with the National Conference on Tourism Futures to discuss possible blockages to sustainable growth, including low business profitability; partnerships with national parks; and support by local councils. Research projects were commenced on appropriate policy responses to the latter two issues. The Department also worked with world heritage area organisations to optimise tourism industry usage of such regions. Support was also provided for control of the crown-of-thorns starfish, promotion of the International Year of Ecotourism, and development of safety information for tourists.

Producing timely research and statistics to support the tourism sector

The Bureau of Tourism Research (BTR), the ABS and other suppliers continued to provide the Department with timely and high-quality data on the tourism industry.

In 2001–02, the BTR, which collects, analyses and disseminates information about Australian tourism, released six survey reports and four analytical reports. The analytical reports included *Tourism's Indirect Economic Effects, 1997–98*; *Tourism Research Report* (Spring 2001 and Autumn 2002); and *Show Me The Money! A Market Segment Approach to Spending by International Travellers*. Information about these reports is available to the public by phone, fax or email and through BTR's website.

The BTR improved the timeliness of the release of the National Visitor Survey quarterly reports by an average of 10 weeks per quarter compared with the previous year's release times. The release of International Visitor Survey results was delayed due to problems in the processing of passenger card data within the Department of Immigration and Multicultural and Indigenous Affairs.

The Australian Standing Committee on Tourism established a management committee in July 2001 to provide overall guidance and advice to BTR from its funding bodies. The committee held four meetings during the year.

The BTR continued to manage the forecasting unit of the Tourism Forecasting Council (TFC) and to chair and provide secretariat support to the TFC's technical committee.

Timely and high-quality research and statistics to aid industry and Government decision-making were produced throughout 2001–02 by both BTR and Tourism Division. These included:

- compilation by the BTR Forecasting Unit of three series of forecasts of inbound, outbound and domestic tourism for the TFC– in August 2001, October 2001 (four weeks after 11 September), and April 2002
- the wide dissemination of the monthly 'Impact' fact sheet on key tourism data

- the release of tourism research papers on investment, productivity and profitability, and tourism workforce issues
- oversight of the development of a tourism destination competitiveness model.

Enhancements to industry arrangements

Energy industry

In line with the Council of Australian Governments' June 2001 decision, the Department established the Independent Review of Energy Market Directions (the Parer Review). It also developed, and gained the agreement of all Australian jurisdictions to, operational arrangements and a work program for the Ministerial Council on Energy (which met twice during the year). A number of working groups were established to take forward the tasks of the Ministerial Council on Energy, and work programs were formulated for them, encompassing issues of longer-term energy supply and security, energy efficiency and greenhouse gases, energy market development, the downstream petroleum industry, and national oil supply security arrangements. The Department provided secretariat and analytical support for three of the five groups, as well as for the council overall.

For much of the year, the Department was also responsible for the coordination of national energy efficiency initiatives (prior to the transfer of responsibility for them to the Ministerial Council on Energy's Energy Efficiency and Greenhouse Working Group).

Textiles, clothing and footwear industry

Post-2000 Assistance Package

An internal review of the effectiveness of the Textile, Clothing and Footwear (TCF) Strategic Investment Program (SIP) scheme, a key element of the TCF Post-2000 Assistance Package, commenced under the guidance of a Departmental steering committee. A report on the findings of the review will be completed in July 2002.

An amendment to the TCF SIP scheme was made to provide claimants earlier and more flexible access to grant funding. The TCF industry welcomed those changes.

Twenty-two TCF projects received funding under the TCF Market Development Program, the National Framework for Excellence in TCF Education and Training, and the TCF Technology Development Fund, reaching a total value of \$3.2 million in 2001–02. The Government decided to discontinue these programs in light of wider budgetary pressures. These budget saving measures did not affect the \$678 million committed to the TCF SIP scheme.

Further information on TCF programs is in Output 1.3.

South Pacific Regional Trade and Economic Cooperation Agreement

The South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) (TCF Provisions) Scheme, which provides preferential Australian market access to garment and footwear manufacturers in Pacific Islands Forum member countries, particularly Fiji, was managed successfully in its first year of operation. The Department completed the scheduled review of the scheme to assess any unexpected impacts. The review showed no evidence that Australian industry had been disadvantaged by the scheme, and the recommendation to continue the scheme in its current form was accepted by the Minister.

Building industry

During the year the Australian Building Codes Board addressed three priorities: the framework for implementing the Australian Building Code; disability access; and energy efficiency.

An ABCB industry–government working group is studying ways to develop a best practice regulatory framework aimed at creating greater consistency in the administration of building regulations throughout Australia.

A directions report on access to buildings for people with disabilities was published and well received by industry and the community. New braille signage requirements were introduced into the Australian Building Code. Work also advanced on a wider package of amendments to allow the code to form the basis for a national standard for access to public buildings, both Government-owned and privately-owned. The code amendments are intended to be part of an Access to Premises Standard under the *Disability Discrimination Act 1992*.

Two regulatory proposals and two regulatory impact statements were published on minimum cost-effective energy efficiency provisions for residential housing. The changes proposed were the subject of widespread interest and comment among industry players and the community.

Modern economy and new technology

Wealth creation

In 2001–02, the Department published a number of papers on aspects of wealth creation in the modern economy. These included: *Australia as a Modern Economy – Some Statistical Indicators 2002*; *The Internet's Impact on Global Supply Chains: The Opportunities and Challenges for Australian Industry*; *Invisible Value: The Case for Measuring and Reporting Intellectual Capital*; and *Preconditions for a Knowledge-based Economy*.

These publications furthered the discussion and understanding of these matters as important to all Australian industries, including Australia's traditional manufacturing, service and resources industries.

Technology roadmapping

The Department published '*Strategic Technology Planning for Business Competitiveness – A Guide to Developing Technology Roadmaps*' in its Emerging Industries Occasional Paper series. The guidebook was disseminated widely to industry and other stakeholders. In October 2001, the Chief Scientist, Dr Robin Batterham, led a session initiated by the Department on technology roadmapping at the APEC Science and Technology Policy Forum in Penang, Malaysia, which brought together experts from the APEC region to discuss approaches to and benefits of strategic technology planning.

Emerging industries

The growth of emerging industries was fostered through the production of a number of studies commissioned by the Department on a series of enabling technologies with potential applications across industries. These included a study of high-performance computing technologies; a strategic technology planning study, leading to the release of a guidebook on developing technology roadmaps; a photonics industry benchmarking report; and reports identifying issues and opportunities for Australia in bioinformatics and nanotechnology.

Value chain management

'Value chain management' is the systematic improvement of the effectiveness of all aspects of the relationships that exist between companies, aimed at meeting market needs. The Department completed the delivery of the Value Chain Management Program in 2001–02. The Department transferred the products developed through the program to the Institute of Management Consultants, to ensure their continued use. The 23 demonstration projects completed involved some 75 of Australia's most innovative and enterprising firms in a broad range of industries including advanced manufacturing, agribusiness, information technology, printing and publishing, and TCF and leather. The program conference held in Melbourne in May 2002 presented the benefits of the program and the extensive resources developed.

Case Study 3 – Successful Value Chain Management In Automotive Manufacturing

In the Australian die-casting industry, costs and lead times in designing, manufacturing and ensuring the suitability of dies have a significant bearing on industry competitiveness.

BTR Automotive uses components manufactured by Nissan Casting Australia, and Nissan Casting uses dies made by Unique Tooling. These firms showed how attention to value chain relationships could save cost and time by reducing rework and the physical movement of tools between the tool-maker and die-caster. Using the Internet to exchange information, the firms developed better links between their respective design and manufacturing systems.

The project yielded a 40 per cent reduction in component design hours for BTR Automotive, a 60 per cent reduction in computer-aided design modelling time for Unique Tooling, and a 5 per cent reduction in tool costs for Nissan Casting Australia.

Pharmaceutical industry

The Department contributed to transparency and effectiveness of processes in the Pharmaceutical Benefits Scheme by releasing the *Procedures and Methods* manual for the Pharmaceutical Benefits Pricing Authority, reviewing the Weighted Average Monthly Treatment Cost Methodology for price referencing, and participating in the Pharmaceutical Benefits Pricing Authority.

Automotive industry

Automotive Council

The Department moved quickly to meet the Government's election commitment of an early review of plans for future automotive assistance arrangements. The initiation of a Productivity Commission inquiry into post-2005 assistance arrangements and the creation of the new Automotive Council were announced by the Government on 21 December 2001. The Department developed the terms of reference for the inquiry and advised on related arrangements. It also established the Automotive Council and provided a secretariat staffed from the Department and other relevant agencies. The Council's work is complementary to that of the Productivity Commission and draws on the contributions of a wide range of industry participants in considering the issues of global integration, competitiveness, investment and workplace capability.

Automotive Market Access and Development Strategy

The four-year Automotive Market Access and Development Strategy expired on 30 June 2002 following the completion of the program. A review of the strategy indicated that the strategy had facilitated what is expected to amount to in excess of \$1 billion of new business for Australian automotive product manufacturers over the next six to eight years.

Automotive Competitiveness and Investment Scheme

During the year it became apparent that expected payments under the Automotive Competitiveness and Investment Scheme (ACIS) were likely to exceed the \$2 billion cap set for the five-year scheme, established in 2001. In accordance with the arrangements for the scheme, in the December quarter 2001, the Secretary modulated payments to 75 per cent of the unmodulated entitlement. In the March and June quarters of 2002, ACIS payments were modulated to a rate of 71 per cent. The application of a modulation rate enables expenditure over the life of ACIS to be contained within the fiscal limit (see Output 1.3).

Mitsubishi Motors of Australia Ltd

On 26 April 2002, the Government announced it had approved a grant of \$35 million payable in 2004–05 to Mitsubishi Motors of Australia Ltd. The grant, which will support the location in Australia of a global research and development centre, recognises that Mitsubishi Australia needs to integrate with its parent company's global operations to secure its future. Mitsubishi will be investing nearly \$700 million in Australia, generating about 900 new production-line jobs and at least 200 engineering jobs. The Department provided advice to the Government on issues relating to the investment by Mitsubishi and on options for assistance.

Petroleum industry

Refining, fuels and retail petroleum

The Department is developing a downstream petroleum industry policy framework that will identify issues confronting the refining and fuels sector, and identify the actions that need to be taken by the Government to improve the efficiency and effectiveness of the sector.

During the development of the *Fuel Quality Standards Act 2000*, the need for fuel operability standards was identified. Operability standards enable the effective operation of engines. The proposal for fuel operability standards was widely canvassed and the final standards will be included as regulations to the Act that are proposed to take effect from 1 October 2002. Environmental standards for petrol and diesel were incorporated into the *Fuel Quality Standards Act 2000* and became enforceable from 1 January 2002. Operability standards for petrol and diesel will be incorporated into the legislation during 2002–03.

Offshore petroleum exploration and development

Exploration

Minister Macfarlane announced the 2002 release of offshore petroleum exploration acreage on 22 April 2002, to coincide with the annual conference of the Australian Petroleum Production and Exploration Association. The Department, in conjunction with State and Northern Territory authorities, administered the awarding of new permits and the operation of 133 offshore petroleum exploration titles, 49 production licences, 28 retention leases, and 40 pipeline licences currently active in Commonwealth waters.

The then Environment and Industry Ministers agreed in September 2001 for the Department to undertake a strategic assessment of environmental impacts of offshore petroleum exploration activities. Draft terms of reference were released for public comment in October 2001.

Development

The Department was involved in detailed negotiations with East Timor to develop a regime to allow exploration for and development of petroleum resources in an area of overlapping territorial claims in the Timor Sea. On 20 May 2002, the date of East Timorese independence, the Australian and East Timorese Prime Ministers signed the Timor Sea Treaty, together with an exchange of notes to cover interim arrangements until the treaty comes into force, and a memorandum of understanding to complete an International Unitisation Agreement by the end of 2002 for the Greater Sunrise field, part of which is located in the area subject to the treaty and part of which is located in an area of Australian jurisdiction. The agreement will set out the way in which the field's resources are attributed to the two regimes and establish administrative arrangements. Negotiations with East Timor and industry on fiscal arrangements to apply to the Bayu-Undan field neared completion.

The commitment made by the Government to continue consulting with industry on the Commissioner of Taxation's review of the effective lives of

assets led to the announcement in the May 2002 Budget of significantly lower effective life caps for the oil, gas and liquefied natural gas industry than were initially recommended by the Australian Taxation Office.

The Department's work on gas transfer pricing methodology resulted in amendments to the *Petroleum Resource Rent Tax Assessment Act 1987* implementing a gas transfer price formula to be used by the Commissioner of Taxation in valuing gas feedstock in integrated gas-to-liquids projects. Regulations relating to the methodology are expected to be tabled in Parliament in 2002–03. Increasing development and discovery of petroleum in offshore waters close to boundaries separating tax jurisdictions has made resolution of transboundary issues a priority. In response, a discussion paper for internal consideration was developed with further work in this area expected to occur in the coming year.

The Department provided substantial input to the work of the Prime Minister's Natural Gas Task Force, which reviewed recent developments and future commercial opportunities in the natural gas industry.

Regulatory reform

The Department completed its review of offshore safety for petroleum activities. The recommendation for a single national safety agency regulating safety in both Commonwealth and State offshore waters was fully supported by industry and employees. The Ministerial Council on Mineral and Petroleum Resources met on 4 March 2002 and endorsed a set of principles for regulation of the safety of petroleum activities in Commonwealth and State/Northern Territory offshore waters in Australia. This led to the development of a work program to improve offshore safety, primarily through the establishment of a National Offshore Petroleum Safety Agency.

The Department, in consultation with stakeholders, finalised the drafting instructions for the rewriting of the *Petroleum (Submerged Lands) Act 1967*. Considerable progress was made in drafting the new Act. The Petroleum (Submerged Lands) Amendment Bill 2002, which will bring the *Petroleum (Submerged Lands) Act 1967* into compliance with national competition policy principles, passed the House of Representatives in June. Also, after consultation and agreement with stakeholders, the Department completed preparation of the draft Petroleum (Submerged Lands) (Datum) Regulations.

The development of new objective based regulations and guidelines under the *Petroleum (Submerged Lands) Act 1967*, to reduce compliance costs for industry, ensure better performance and enable consistency with international best practice, progressed during the year. Parliament enacted objective based pipeline regulations in 2001. The Decommissioning of Offshore Facilities Guideline and the Production Licence Guideline incorporating infrastructure licences were finalised, in consultation with industry, and published.

Environment and sustainable development

World Summit on Sustainable Development

The World Summit on Sustainable Development (WSSD) was hosted by Johannesburg, South Africa from 26 August to 4 September 2002. It was a major international event with heads of Government and nations participating. There were about 65,000 participants in total representing national Governments, intergovernmental organisations, industry and non-governmental organisations.

The WSSD was held on the tenth anniversary of the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992. The WSSD had two objectives: reviewing progress on sustainable development since the Rio de Janeiro conference and identifying future work on sustainable development.

The bulk of the Department's preparatory work for the WSSD was done in 2001–02. The Department actively contributed to Australia's negotiating position for, and participated in, the international negotiations in the lead-up to the WSSD. The key issues covered in the context of the WSSD that were of direct interest to the Department included energy and, in particular, renewable energy targets; climate change; mining; sustainable tourism; and oceans.

Facilitating triple bottom line reporting

The 'triple bottom line' (TBL) refers to a firm's social, environmental and economic performance. The term was developed to capture the relationship between business, the community and the environment. The Department contributed to assisting industry to understand the issues surrounding TBL reporting by:

- joining with Environment Australia and the Prime Minister's Business–Community Partnership to engage consultants to provide a stocktake of TBL reporting practices in Australian industry
- enhancing the public debate on the merits of TBL reporting through the organisation of, and participation in, a TBL session at the OUTLOOK 2002 Conference
- posting a flier on the departmental website that summarised TBL issues facing Australian industry.

International and domestic greenhouse measures

During 2001–02, the Department again played an active role in international climate change negotiations, including in the development of Australia's negotiating strategy for the resumed Sixth Conference of the Parties and the Seventh Conference of the Parties, under the United Nations Framework Convention on Climate Change. Negotiations focused on the resolution of outstanding technical issues to allow the Kyoto Protocol to enter into force, and the Department again pursued outcomes that would increase industry certainty and enable Australia to meet its international obligations at the least cost.

The Department contributed significantly to the development and implementation of Australia's domestic and international response on climate change. In particular, the Department provided input to the Australian Greenhouse Office on a wide range of matters, such as:

- the development of the Climate Action Partnership with the United States
- the Greenhouse Gas Abatement Program
- the development of projections of Australia's greenhouse gas emissions
- the *Renewable Energy (Electricity) Act 2000*.

International Greenhouse Partnerships Office

In September 2001, the International Greenhouse Partnerships Office conducted a successful workshop in New Delhi to explore opportunities for establishing projects under the Clean Development Mechanism (the mechanism defined under the Kyoto Protocol to enable emissions-avoiding projects to be finalised in developing countries and generate credits) in India. In total, there were 115 delegates at the workshop, including strong representations from relevant Indian industries (such as brick, cement, renewable energy, automotive, forestry and paper) and key Indian Government ministries. The Australian delegation included 13 representatives from a wide variety of industry sectors, including renewable energy, energy efficiency, waste to energy, automotive, brick, fuel combustion and forestry.

Enhancements to market access and investment

Business taxation issues

During the year, the Department provided briefings to the Minister on a range of significant business taxation issues. As noted earlier, the Department worked closely with the Australian Taxation Office and with Treasury on the Government's policy approach to the Commissioner of Taxation's review of effective life depreciation schedules and, in particular, on their impact on the international competitiveness of the Australian resources sector.

International taxation review

On 2 May 2002, the Treasurer announced an International Tax Review which will focus on whether current international tax arrangements impede offshore expansion of Australian companies or the attraction of equity to Australia, and how they affect holding companies and conduit holdings being located in Australia. The Department provided input and released an officer on secondment to the Treasury to facilitate the review.

Strategic Investment Coordinator assistance

The Department undertook economic and financial analysis of projects applying for assistance through the Strategic Investment Coordinator (SIC) process. This analysis assessed projects against the criteria of net economic benefit to Australia; long-term investment viability without subsidy; and the likelihood of the investment occurring in Australia without an incentive. A more detailed discussion of this process is outlined in Output 1.4.

Encouraging non-resident investment in Australian venture capital

The Department participated in an interdepartmental committee that prepared a submission to Cabinet and consulted extensively with industry on implementation arrangements for initiatives to encourage non-resident investment in Australian venture capital. This measure was announced by the Government on 15 October 2001.

International agreements

World Trade Organisation

The Department maintained its commitment to the work of the World Trade Organisation (WTO) throughout the year, providing input to Australia's support for the launch of a new trade round at the WTO Ministerial Meeting in Doha, Qatar, in November 2001. The Department made significant contributions to the preliminary work on the new trade round agenda for industrial goods and services.

Australia–Singapore free trade agreement

The Department played a significant role in the ongoing negotiations aimed at completing a free trade agreement with Singapore. The Department was a participant in the negotiating teams for consultations held with Singapore during the year, and focused its attention on ensuring a positive outcome on market access for Australian goods and services into the Singapore market, as well as defending the interests of Australia's domestic industries.

APEC Standards and Conformance Subcommittee

The Department continued to represent Australian interests in the APEC Standards and Conformance Subcommittee (SCSC) during 2001–02. Key achievements of SCSC included endorsing Australia's full participation in the APEC Mutual Recognition Arrangement on Conformity Assessment of Electrical and Electronic Equipment (APEC Electrical MRA). This arrangement, negotiated by the Department, represents a significant step towards facilitating intra-APEC trade in electrical products. When fully implemented, the APEC Electrical MRA will offer significant benefits to Australian exporters of electrical and electronic products who will be able to have products tested in Australia, to meet the requirements of participating APEC economies, before export.

APEC Market Integration Program – Standards and Conformance Subprogram

Seven contracts totalling just over \$600,000 were issued under the Standards and Conformance Subprogram during 2001–02. These contracts were for the supply of technical expertise necessary to develop the technical infrastructures of APEC developing economies. This carefully targeted assistance is an investment in future trade benefits for Australia. It enables Australia to influence the development of other countries' standards and testing and certification systems, to ensure there is a high degree of compatibility between

national systems, making it easier for Australian firms to export to these countries. The year 2001–02 was the final year of the four-year program.

Mutual recognition agreements and arrangements (MRAs) with Europe and Singapore

During the year the Department continued implementing and managing existing MRAs with Europe and Singapore. MRAs reduce the costs of regulatory compliance for Australian exporters, importers and consumers. They increase the certainty that products tested in the country of export will be accepted in the importing country without having to be retested. The Department funded a visit by Australian electrical regulators to Singapore to help facilitate the implementation of the Singapore MRA and promote confidence between the electrical regulators of the two parties.

International energy policy and engagement

The Department played an active role in 2001–02 in shaping the agendas and work programs for international energy bodies such as the International Energy Agency and the APEC Energy Working Group, to ensure those reflected Australian priorities in areas such as market reform, energy security and energy for sustainable development. The Department continued to encourage and provide support for Australian business participation in APEC through the APEC Energy Working Group Business Network and the Australian Energy Alliance.

Australia played a key leadership role in the development of a major APEC initiative to enhance regional energy security in the wake of the 11 September 2001 terrorist attacks. The initiative was incorporated into the APEC Economic Leaders' Statement on Counter-terrorism, released in October 2001. The Department also obtained the Government's agreement to a plan to mitigate the impacts of possible disruptions to oil supplies and provided regular advice on critical developments in energy markets in the aftermath of the terrorist attacks.

The Department conducted successful bilateral consultations with Japan, China and Taiwan to exchange policy and market information, promote Australian export capabilities and identify trade and investment opportunities in the energy and minerals sectors. In view of the importance of Korea to Australian exporters, the Department worked closely with State and Territory Governments, exporters and the Korean Government to develop a treaty-level agreement for bilateral cooperation in the energy and mineral resources sector. Further initiatives were developed and implemented under the Marketing and Awareness Strategy for the Electric Energy Industry (EEI), including the undertaking of an in-depth analysis of market opportunities in Malaysia, Thailand and Vietnam for EEI products, technologies and services. Exports in this industry sector continued to grow strongly and exceeded \$1.35 billion in calendar year 2001 (the latest period for which data were available).

Performance

Summary of overall performance

The Department continued to provide high-quality analysis and advice on policy issues affecting businesses generally as well as those affecting specific industries. The Government has implemented measures to ensure that industry is more actively involved in the development of new initiatives (for example, through Action Agendas) and that industry views are taken into account in broader policy debates (including, for example, Productivity Commission reviews).

As a result of changes to ministerial responsibilities following the November 2001 election, the Department adjusted its briefing styles to meet the individual preferences of new Ministers.

Through an ongoing process informed by consultation with industry, monitoring of programs and stakeholder feedback, the Department put in place measures to ensure that its advice continued to be relevant and effective in meeting Ministers' needs.

Quality

Industry policy effectiveness

A range of activities under this Output demonstrates the effectiveness of the Department's advice on policy development and implementation.

In the automotive industry area, the Department contributed to policy development by proposing review arrangements for post-2005 assistance policies, including developing the terms of reference for the Productivity Commission review. At the same time, the Department implemented initiatives under the Automotive Market Access and Development Strategy. The Strategy included Australia's participation in the APEC Automotive Dialogue meeting in Singapore, and support for a major Australian industry mission to China in May 2002. An evaluation, completed in December 2001, concluded that the Strategy was a good investment in terms of the new business facilitated for Australian firms and in raising the profile of Australian automotive industry capabilities overseas.

The Manufacturing, Engineering and Construction Division provided considerable input to the preparation of material for the Minister, and in turn the Government, on issues relating to prospective investment in Australia by Mitsubishi Motors Corporation, including options for assistance.

In relation to tourism, the Department produced a new set of forecasts within three weeks of the 11 September 2001 events to help inform decision-making in the sector. The Department also facilitated funding by the Commonwealth of \$5 million and counterpart funding by the States of a further \$5 million to recapitalise the Travel Compensation Fund, as mentioned above, as one of a number of policy measures agreed to by the Government to assist the industry.

A substantial amount of policy analysis was undertaken during the year in support of implementation of the Government's election commitment to develop a 10-year plan for the Australian tourism industry (for more details, see Output 1.1). This analysis contributed to the development of a discussion paper, *The 10 Year Plan for Tourism*, released by Minister Hockey on 2 May 2002. A Green Paper is scheduled for release during the second half of 2002, with a White Paper to be released after a further period of public consultation.

In the petroleum industry area, the Department's input assisted in the development of the Timor Sea Treaty between Australia and East Timor, agreement on the transitional arrangements until the new Timor Sea Treaty comes into force, and a memorandum of understanding on unitisation issues. The Department's advice to the Minister also led to the development of a downstream petroleum industries policy framework to identify issues confronting the retail petroleum sector.

In terms of exports and export access, a significant success for the Department this year was the culmination of years of work to improve access to Japanese markets for Australian-made steel-framed housing. In addition, the Department's work on facilitating a memorandum of understanding between the Department and the Fujian Province led to the first exports of Australian coal to China.

Deadlines achieved

The Department worked hard to ensure that it met the deadlines set for briefings requested by Ministers and their offices, and that it was able to anticipate and provide briefing on emerging issues. This allowed Ministers to respond effectively to issues as they arose.

In relation to correspondence from Ministers to constituents and others, all areas covered by Output 1.2 delivered responses within the deadlines set.

Ministerial satisfaction

On a scale of 1 to 5, the briefs provided by all areas of Output 1.2 received an average rating from Ministers of just more than 3 across the whole 12-month period. This rating indicated that the quality of the briefing was effective in meeting Ministers' needs, and that it was timely.

Stakeholder satisfaction

The Department seeks comments from stakeholders to better assess its performance and identify areas for improvement. Stakeholders in Output 1.2 include individuals, small businesses, industry associations, large corporations, and all levels of Government.

A stakeholder satisfaction survey undertaken in November 2001 found that around half of the respondents were satisfied that the Department had been achieving its objectives against this Output. The respondents usually indicated they had good professional relationships with the Department and felt they had contributed to policy. The same survey found that 33 per cent were neither satisfied nor dissatisfied, and less than 20 per cent were dissatisfied.

Open-ended comments from respondents indicated that, while their satisfaction was in some part influenced by final policy decisions (including on proposals from industry or firms for Government assistance), it was also strongly influenced by the Department's management of its relationship with stakeholders during the consultation process.

Survey respondents were also asked to rate the Department's performance against Output 1.2 in terms of four specific service attributes. Most respondents were satisfied with the service aspects of their relationship with the Department: 86 per cent indicated that the Department was professional in its dealings with stakeholders; 75 per cent reported that the Department responded in a timely manner to inquiries and requests for assistance; 70 per cent commented that the Department provided good-quality information in response to inquiries; and 67 per cent indicated that staff had a good knowledge and understanding of relevant legislation.

Respondents were also asked to rate the Department's performance on five aspects of the consultation process. In these areas: 63 per cent of respondents were satisfied with their opportunity to provide feedback to the Department in the development of activities and proposals; 69 per cent were satisfied with the Department's willingness to take stakeholder feedback into consideration; 50 per cent were satisfied with the explanations provided for final policy decisions; 66 per cent were satisfied with the degree of consultation by the Department on matters of interest to them; and 65 per cent were satisfied with the Department's sensitivity to issues surrounding activities.

In response to the survey results, the Department has been reassessing its approach to and dealings with stakeholders in order to increase their engagement with the policy development and implementation process. The OSB, for example, has adopted a consultation strategy which gives stakeholders an opportunity to provide any feedback about the service and professionalism of the OSB.

In the tourism area, the Department consulted extensively with industry in the development and preparation of *Building Momentum: Japanese Tourism to Australia – An Action Plan*, a report on impediments to growing inbound tourism from Japan. As a result, the Department was complimented widely for taking into account industry feedback and reflecting that feedback in the final report.

Policy development in relation to the TCF industries also drew on significant stakeholder consultations. Industry welcomed the opportunity to contribute to the Department's activities, notably the review of the TCF SIP Scheme, proposed TCF SIP Scheme amendments and the implementation of the TCFL Action Agenda, through active participation in TCFL Forum projects such as the TCFL industry strategic plan.

In February 2002, the ABCB undertook its own stakeholder survey. Action being taken in response to the issues raised includes setting up a national forum to look at priorities for future research into regulatory reform, and implementing strategies to provide better stakeholder access to information.

For example, ABCB held extensive public forums on disability access issues (attracting 1,300 attendees), industry consultation sessions in every State and Territory on energy efficiency proposals, and seminars in conjunction with the Institution of Engineers, Australia on the structural provisions of the Building Code of Australia and the Australian Institute of Building Surveyors on a range of contemporary issues. Participants from industry and the wider community were very positive about these efforts and gave very favourable feedback on all initiatives.

Quantity and price

Table 6: Output 1.2 quantity results, 2001–02

Output 1.2	Quantity
Ministerial briefs and correspondence	3,041
Reports and publications	607
Submissions	230
Other advice	16,752

Only the key products and services listed in Table 6 above were measured in 2001-02. These cost in total \$16.751m.

Output 1.3 Industry Program Implementation and Management

Contribution to Outcome 1

In 2001–02, Output 1.3 contributed to a stronger, more sustainable and internationally competitive Australian industry by:

- designing programs that enabled the implementation of industry policies; and
- managing, delivering and monitoring industry programs.

Priorities

Pharmaceutical Industry Investment Program

The Pharmaceutical Industry Investment Program (PIIP) aims to increase the level of pharmaceutical industry activity in Australia by offering partial compensation to the industry for the suppressed returns it receives for drugs sold under the Pharmaceutical Benefits Scheme.

The program makes payments to companies at a rate of 20 per cent of the eligible production value added, and research and development expenditure above predetermined base levels of activity. For the first three quarters of 2001–02, total payments of \$30 million for production value added and \$7.5 million for research and development were made in recognition of additional activity by the nine participating companies.

Several companies commenced entirely new activities, such as establishing statistical centres and forming partnerships with Australian research units, during the year. Those companies reported that their decisions to locate activities here had been strongly influenced by the PIIP.

Sectoral assistance programs

Sectoral assistance programs contributed to industry program implementation and management by fostering cost reduction and enhanced investment and innovation for those industry sectors facing particular challenges, such as adjustment to phased tariff reductions.

Automotive Competitiveness and Investment Scheme

The Automotive Competitiveness and Investment Scheme (ACIS) is the Government's key initiative to guide the development of the Australian automotive industry until the end of 2005. The scheme commenced on 1 January 2001 and is directed towards encouraging investment and innovation in the industry in the context of trade liberalisation. ACIS will provide \$2 billion in capped benefits and an expected \$840 million in uncapped benefits during the five years to 31 December 2005.

ACIS provides benefits to participants through transferable duty credits, which may be used to offset customs duties on eligible automotive imports, or traded. A total of 202 companies registered for the program in 2001–02 and \$582 million in benefits (refer to Output 1.2) was made available.

Ansett Holiday Package Relief Scheme

The Ansett Holiday Package Relief Scheme was successfully implemented and wound up during the year. The scheme was an income relief fund that operated between mid-October 2001 and 23 December 2001. It provided financial relief totalling \$3.2 million to 306 small- to medium-sized tourism businesses, with gross turnover of \$5 million or less, that had been directly impacted by the collapse of Ansett.

Holiday Incentive Program

The Holiday Incentive Program was introduced to encourage Australians to take domestic holidays. The objective of the program was to stimulate consumer demand for domestic travel and help alleviate the downturn being experienced by the tourism industry following the suspension of Ansett's operations and terrorist attacks in the United States. A rebate of \$150 was made available – on a 'first to come, first served' basis – to people taking holidays in Australia who satisfied the program conditions. Some 29,000 rebates (to the value of \$4.3 million) were made to eligible travellers through about 1,800 licensed travel agents during the life of the program.

Book Production (Enhanced Printing Industry Competitiveness Scheme) Grants

The Book Production (Enhanced Printing Industry Competitiveness Scheme) (EPICS) Grants commenced on 1 July 2000 as one element of the Government's \$240 million Book Industry Assistance Plan. The program was implemented using an outsourced client manager service to assist firms to access the program. Under one component of EPICS, the Infrastructure and Industry Growth Fund, \$4.5 million in grants was paid during the year. Projects helped firms to revitalise profitability and sustain industry-wide long-term growth. Specific projects included the promotion of market development opportunities, development of new production pathways, and development of a quality benchmarking system for the book printing industry.

The Enterprise Development Fund component of the Book Production (EPICS) Grants began operating in July 2000. The program provides grants

through a competitive selection process. In 2001–02, \$8.7 million was provided to industry for projects that encouraged innovation, business development and skills formation, consistent with the implementation of PRINT21 – the Printing Industries Action Agenda.

Printing Industry Competitiveness Scheme

The Printing Industry Competitiveness Scheme began in January 1999, replacing the Book Bounty. Under the scheme book printers are able to claim a payment of 4 per cent of the purchase price for paper used in the production of eligible books. A total of \$2.2 million was claimed in 2001–02.

Petroleum Products Freight Subsidy Scheme

The Petroleum Products Freight Subsidy Scheme is a national subsidy scheme providing assistance to offset the costs of freighting eligible petroleum products to remote locations. The scheme benefits consumers in 116 eligible remote localities by reducing the retail price of fuel. A total of \$3.6 million in assistance was provided through 25 fuel distributors during the year.

Shipbuilding Bounty

The Shipbuilding Bounty assists shipbuilders registered under the *Bounty (Ships) Act 1989*, at the rate of 3 per cent of eligible costs incurred in the construction or modification of bountiable vessels – a total of \$5.5 million was provided in benefits in 2001–02. The shipbuilding bounty is being phased out during the period 31 December 2000 to 31 December 2003. Assistance to the shipbuilding industry is also provided through the Shipbuilding Innovation Scheme (refer to Output 2.3).

Textiles, Clothing and Footwear Strategic Investment Program Scheme

The Government has committed \$678 million to the Textiles, Clothing and Footwear (TCF) Strategic Investment Program (SIP) Scheme over five years, commencing on 1 July 2000. The scheme is designed to foster the development of sustainable, competitive TCF industries in Australia during the expected transition to a more competitive trading environment after 2005. The TCF SIP Scheme provides incentives in the form of reimbursement grants to promote investment, innovation and value-adding in the Australian textiles, clothing, and footwear industries. A total of \$121 million in benefits was provided to 213 businesses in 2001–02.

Textiles, Clothing and Footwear Corporate Wear Program

The TCF Corporate Wear Program is designed to encourage Australian employers to source their non-compulsory work clothing from local designers and manufacturers specialising in corporate apparel. Employees can subsequently claim tax deductions for expenses incurred in the rental, purchase or maintenance of registered clothing, and employers are exempted from any fringe benefits tax liability related to supplying registered uniforms to their employees. During 2001–02 about 1,600 businesses registered designs or modified their registered designs.

Textiles, Clothing and Footwear Expanded Overseas Assembly Provision

The TCF Expanded Overseas Assembly Provision is a strategic element of the Government's post-2000 TCF policy arrangements. The program is designed to facilitate the ongoing development of Australian TCF firms by encouraging the retention of highly value-added and skilled activities in Australia, while at the same time supporting an expansion in overseas assembly provisions. The scheme provides assistance – through duty concessions – to firms that assemble garments and footwear overseas, from predominantly Australian fabric and/or leather, and re-import them for local consumption. An estimated total of \$4.7 million in duty forgone was provided in benefits in 2001–02.

General competitiveness programs

General competitiveness programs contributed to industry program implementation and management in 2001–02 by encouraging cost reduction and investment.

Policy by-laws programs

Project by-law schemes

The Project By-law Scheme provides for duty free entry of capital equipment for major resource processing, food processing and manufacturing industries while, where possible, providing opportunities for Australian manufacturing industries to supply capital equipment. The program currently supports 81 projects (with a total value of about \$16 billion).

During 2001–02 the design of new arrangements, called the Enhanced Project By-law Scheme (EPBS), to replace the Project By-law Scheme was finalised. These arrangements came into effect on 1 July 2001 but operate concurrently with the Project By-law Scheme until 31 December 2002 when those arrangements will cease.

As a result of the work, ministerial guidelines to set the framework for access to the program and a range of materials to assist customers were issued in June 2002.

The EPBS has a \$10 million capital expenditure threshold like the Project By-law Scheme, but expands the range of eligible industry sectors to include projects in the manufacturing and gas supply sectors and expands the range of eligible goods to include conveyor lines and pipelines.

Most importantly, the new arrangements require project proponents to provide opportunities for Australian participation in all aspects of their projects. This is expected to boost opportunities for Australian industry by encouraging more investment, more growth and more jobs around Australia, including in rural and regional areas.

Certain Inputs to Manufacture Scheme

The Certain Inputs to Manufacture Scheme provides customs duty relief for certain imported goods which are used in the production of specific end products. It provides ongoing assistance to manufacturers who are required to

import materials that have a substantial advantage in the production process, or in the packaging of food, over substitutable goods produced in Australia. The value of duty foregone was about \$8 million in 2001–02.

Tradex Scheme

The Tradex Scheme is an initiative arising from the Government's 1997 *Investing for Growth* industry statement. It allows for the importation of goods without the payment of customs duties and other taxes, including goods and services tax (GST), provided the goods are subsequently exported, or incorporated in other goods that are exported, within 12 months of their importation. The value of duty foregone and GST exempted was about \$352 million in 2001–02.

APEC Market Integration and Industrial Collaboration Program

The APEC Market Integration and Industrial Collaboration Program (APEC MI/IC) has three main components: the promotion of international industrial collaboration; the removal of standards and conformance impediments to trade; and customs harmonisation (which is managed by the Australian Customs Service). This part of the Program relates to the Industrial Collaboration component only. The report on the other ITR element (standards and conformance impediments to trade) is in Output 1.2.

During 2001-02, 12 grants valued at \$0.54 million were funded by the Department under the Industrial Collaboration component of the APEC MI/IC Program. This included grants to: peak industry organisations such as the Centre for Economic Development of Australia (CEDA) to undertake research into APEC firms operating and investing in China and Australia; industry bodies such as the Australian Institute for non-Destructive Testing to have the Australian Certification Program accredited to international standards; and private companies, such as Environment Link, to provide environmental training in Indonesia. The largest single grant of \$215,000 was provided to the Australian Government Analytical Laboratories (AGAL), for a project to promote chemical metrology activities in the Asia-Pacific region.

Eleven (90%) of the projects satisfactorily achieved their agreed objectives on time. In all cases the administrative efficiency of the Program was maintained to a high standard during 2001-02. Grants were provided on time through initial up-front payments, with the bulk of the grants provided as satisfactory evidence of the completion of critical stages of the projects were sighted. Overall, grantees were very satisfied with the provision of grants and outcomes achieved.

Developing AusIndustry's organisational capability

Most of the major programs for which the Department is responsible are delivered by AusIndustry, the Department's industry program delivery Division. During the year AusIndustry built on earlier work to strengthen its organisational capabilities; a range of initiatives were undertaken, and are discussed under Output 2.3.

Improving service to customers and stakeholders

In relation to Output 1.3, AusIndustry took a number of steps to enhance its customer and stakeholder service objectives, including the following.

- Customer satisfaction surveys were undertaken in relation to the ACIS program and several TCF programs. By the end of 2001–02 benchmark surveys had been completed for all continuing AusIndustry programs delivered under Output 1.3. The results and analysis were provided to program managers to inform improvements to service delivery.
- AusIndustry commenced operating 14 regional offices from December 2001 making it easier for businesses in regional areas to make better use of appropriate Government industry programs.
- The development of online service delivery for ACIS continued – ACIS was the first AusIndustry program to be fully accessible online, and this initiative was well received by customers; continued education and promotion of the ACIS online system remains a program priority
- AusIndustry enhanced communication with customers through a range of communications strategies, including the publication of electronic and paper newsletters and articles, and a regime of customer visits to assist customers – for example, to help them prepare the first round of claims for the TCF SIP Scheme
- AusIndustry continued developing relationships with industry and key stakeholders through significant consultative activities, for the TCF SIP Scheme, EPBS policy and administrative guidelines, and ACIS.

Performance information

Summary of overall performance

The performance of Output 1.3, in making its contribution to Outcome 1, was monitored monthly throughout the year against quantity, quality and cost performance indicators.

The quality of services delivered under this Output was maintained at a high level, achieving 86.5 per cent customer satisfaction with the quality of staff service, and satisfaction with overall service delivery at about 82 per cent.

The quantity of services delivered, as measured by number of customers assisted, increased by 55 per cent in comparison to the previous year's total, mainly as a result of the introduction of two tourism programs.

AusIndustry's service delivery cost per customer assisted decreased by 8 per cent based on last year's estimate. This can be attributed to an increase in number of customers assisted in the general competitiveness programs without a corresponding increase in costs.

Some case study examples of the benefits arising from assistance under this Output are provided below.

Case Study 4 – Tradex A Winner For Innovative Adelaide Customer

Innovative Adelaide-based company Climate Technologies is reaping the benefits of Tradex. The company, which was created from the merger of Celair and Bonaire/Vulcan, is a major supplier of heating and cooling appliances in the domestic and export markets.

Climate Technologies imports a range of electrical parts for manufacture into Bonaire cooling and Vulcan heating products, which are then exported to the United States and Canada.

Given the rapid growth of export volumes in recent years, the amount of working capital tied up in import duty paid up front for materials was becoming a major cost to Climate Technologies. However, since registering for Tradex, the company has benefited from substantial savings in up-front customs duty and GST.

Case Study 5 – New Technology A Boost For Auto Industry From ACIS

ACIS helps Australian automotive companies to become more innovative and competitive and achieve sustainable growth in Australian and international markets.

Victorian-based company Woodbridge Henderson's has benefited under ACIS. The company is a joint venture between the Woodbridge Group and Austrim Nylex, supplying the automotive market with polyurethane seating components delivered from world-class urethane technologies, utilising state-of-the-art manufacturing and delivery systems.

The company has full in-house capability in tooling, manufacturing and chemical formulation development, and the technical support of the Woodbridge Group's global resources – the group is Australia's largest independent producer of moulded foam components for automotive applications.

Support from ACIS allowed the company to introduce new manufacturing technology into Australia to produce a product called 'Enerflex', a family of energy absorbing foam solutions which cover the full range of interior design safety legislation now being introduced in every major world market. The introduction of this technology and product range to the Australian market replaced imports with Australian-made components.

Case Study 6 – TCF SIP Supports A Formula For Success

Launched in April 2002, Textor might be the new nameplate on the door but in the technical textile industry this company comes with a proven track record in product development and process improvement, a strong commitment to the Australian industry and a very sharp eye on the future.

Textor's origins lie in Lantor Australia, founded in 1960 as the Australian arm of Lantor International, a British–American technical textiles and non-woven fabric manufacturer. During the 1990s the parent company changed hands in a management buy-out and its various subsidiaries were consolidated, many to be later re-sold as individual operations.

Included in the sell-off were the three Australian operations – the interlinings business in 1998, the auto fabrics in mid-2000, and finally, again in a management buy-out, the technical textiles business in December 2000. Phillip Butler, a Lantor executive since 1985, became the owner and chief executive officer of what became Textor – now a 100 per cent privately-owned Australian company, after 40 years in overseas hands.

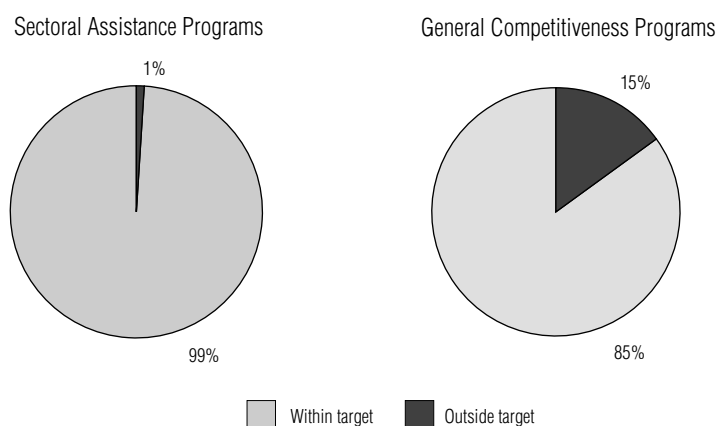
Textor is a customer of the Commonwealth Government through AusIndustry, having accessed the TCF SIP Scheme. The company has used its TCF SIP funds to purchase leading-edge manufacturing equipment from Europe and embark on a major contract with a global healthcare company.

Quality

Key processes completed within time target

Approximately 16,000 of the key processes for Output 1.3 were completed within time targets; see Figure 1 for a proportional measure.

Figure 1: Proportion of key processes completed within time targets, 2001–02



Almost all key processes fell in the sectoral assistance category and, therefore, for the year 2001–02 the overall timeliness standard for the Output was 99 per

cent, representing a 3 per cent increase above the average, 96 per cent, achieved in 2000-01.

Timeliness was lower for the general competitiveness programs; this was attributed to a reduction in the timeliness target for making determinations for the Project By-law Scheme (from 90 days to 60 days). This change was made after a review of AusIndustry's Customer Service Charter.

Customer satisfaction

As Table 7 shows, customer satisfaction surveys revealed a very high level of customer satisfaction with staff service. The level of satisfaction with overall service delivery was also high, although slightly lower than for staff service. Detailed examination of the surveys explains the differences, which arose from areas for improvement in processes and information products. These results compare favourably with available benchmarks for public sector service delivery.

Table 7: Results of customer satisfaction surveys, 2001-02

	Program delivery			Staff service		
	Satisfied (per cent)	Neither satisfied nor dissatisfied (per cent)	Dissatisfied (per cent)	Satisfied (per cent)	Neither satisfied nor dissatisfied (per cent)	Dissatisfied (per cent)
Sectoral assistance programs	80	12	8	85	11	4
General competitiveness programs	87	8	5	90	8	2

Note: Data from AusIndustry customer satisfaction surveys conducted to date.

Customer satisfaction with the AusIndustry Hotline telephone information service (telephone number 13 28 46) was very high, exceeding 98 per cent.

Quantity

The estimated number of customers assisted during 2001-02 was about 5,600, representing an increase of almost 56 per cent when compared with 3,600 customers assisted in 2000-01.

The main reason for the increase was the high rate of participation in tourism programs run during 2001-02, which represented about 2,140 customers for the year.

The remainder of the programs also had increases during the 2000-01 year, with the exception of PIIP, the Printing Industry Competitiveness Scheme and the TCF SIP Scheme.

Table 8: Customers assisted by each program, 2001–02

Program	Estimated number of customers assisted
Ansett Holiday Package Relief Scheme	306
Automotive Competitiveness and Investment Scheme	202
Book Production (EPICS) Enterprise Development Fund	78
Book Production (EPICS) Infrastructure and Industry Growth Fund	18
Holiday Incentive Program	1,832
Petroleum Products Freight Subsidy Scheme	25
Pharmaceutical Industry Investment Program	9
Policy By-law Programs	88
Printing Industry Competitiveness Scheme	78
Shipbuilding Bounty	9
TCF Corporate Wear Register	1,633
TCF Expanded Overseas Assembly Provisions	41
TCF Strategic Investment Program Scheme	292
Tradex	988
Total	5,599

Notes: The composition of the Output has changed since 2000–01.

The figure shown for the TCF SIP Scheme is the number of businesses that submitted claims.

During the financial year there were more than 68,000 contact equivalents made to or as a result of the AusIndustry Hotline; they included incoming enquiries, outbound calls, email responses and packages. This increase in the volume of activity was due to the Holiday Incentive Program, which generated approximately 30,000 calls.

For the year 2001–02, the value of the benefits delivered by Output 1.3 was estimated at approximately \$1,160 million. Most of the benefits in this Output were delivered as customs duty forgone and GST exempted, which in 2001–02 represented almost \$960 million, with about \$200 million being delivered as grants. The majority of those grant funds were for the TCF SIP Scheme, which accounted for \$121.2 million.

Table 9: Dollar values of program funds administered and estimated dollar values of concessions delivered, 2001–02

Program	Program value (\$m)
Ansett Holiday Package Relief Scheme	3.2
Automotive Competitiveness and Investment Scheme ^a	581.8
Book Production (EPICS) Enterprise Development Fund	8.7
Book Production (EPICS) Infrastructure and Industry Growth Fund	4.5
Holiday Incentive Program	4.3
Petroleum Products Freight Subsidy Scheme	3.6
Pharmaceutical Industry Investment Program ^b	50.3
Policy By-law Programs ^a	18.2
Printing Industry Competitiveness Scheme	2.2
Shipbuilding Bounty	5.5
TCF Corporate Wear Register	Not available
TCF Expanded Overseas Assembly Provisions ^a	4.7
TCF Strategic Investment Program Scheme	121.2
Tradex ^a	351.8
Total	1160

a the value relates to customs duty forgone; for Tradex, the value includes GST exemptions.

b PIIIP includes \$13.5 million earned in the fourth quarter of 2000–01 and paid in 2001–02.

Price

The cost per firm assisted – detailed in Table 9 – decreased by 8 per cent during 2001–02, based on last year’s estimate.

The decrease can mainly be attributed to an increase in the numbers of customers assisted by the general competitiveness programs, without a commensurate increase in cost.

The costs shown in Table 9 do not reflect \$1.6 million expended due to delivery of the AusIndustry Hotline or of the National Business Information Service (which finished on 30 September 2001), or the costs related to the transfer to the Department of some program delivery responsibility for small business programs from DEWR.

The monthly average cost for AusIndustry Hotline interactions in 2001–02 was slightly higher than in the previous year. The average cost per customer assisted was about \$21. The average cost per customer for handling enquiries about the Holiday Incentive Program was about \$7.

Table 10: Price of service delivery, 2001–02

Activity	Cost per firm assisted
Sectoral assistance programs	\$2,390
General competitiveness programs	\$3,330
Weighted average	\$2,570

Note: Sectoral assistance programs include PIIIP and EPICS Infrastructure and Industry Growth Fund, which are not delivered by AusIndustry.

Business Entry Point

In November 2001 the Business Entry Point (BEP) Initiative's function moved to the Department from the Online Services Group of the Department of Employment and Workplace Relations (DEWR). While the employment channel continues to be part of the DEWR portfolio, the business channel moved to the Department with the BEP Initiative.

Below is a list of projects undertaken through the BEP Initiative. Some of these projects were delivered through the business channel, which is now referred to as the Business Portal – BEP, under the *Government Online Strategy* released in 2000. The majority of these projects also involved strategic partnerships with agencies across the three levels of Government, to maximise the value of the business portal to the public.

The then Department of Employment, Workplace Relations and Small Business' Portfolio Budget Statement 2001–02 identified the following key priorities under Outcome 4:

- develop employment, business and departmental channels consistent with national standards to promote improved access to and use of Government services online
- continue to develop strategic partnerships with other Government agencies and organisations to maximise the value of employment, business and departmental channels to the public.

In future, these priorities will be reflected in the Department's Portfolio Budget Statements and reported on under Output 1.3, having been modified to reflect the November 2001 machinery-of-government changes and the recent restructure of the Department.

The Business Entry Point website

The BEP website was redeveloped in August 2001 in response to user testing and client feedback. The redeveloped site incorporated new personalisation options and performed better in terms of web accessibility guidelines.

In addition to improved functionality, a new logo and an improved 'look and feel' were also developed and incorporated into the BEP website. In December 2001, the Transaction Manager (described in more detail below) was made available through the BEP website.

Work commenced in May 2002 to further improve the website and to fully incorporate other projects, such as Content Syndication and the Business Resource Facility.

Business Resource Facility

The Business Resource Facility (BRF) is a Cabinet initiative, established in September 2001, to enhance small business's access to Government. As an extension of the BEP Initiative, the BRF will focus on expanding the discovery of online information and services relevant to business from all levels of

Government. During 2001–02, the BRF undertook to supply Commonwealth codes of practice and business licence information to all States and Territories. The BRF team also tested and customised software which automatically gathers content from Australian Government websites.

Australian Business Register website

The Australian Business Register (ABR) website, *ABRpublic*, allows businesses to apply for Australian Business Numbers (ABNs) online and to search publicly available information about the registration of other businesses, including ABN status, GST status and deductible gift recipient information. The *ABRpublic* site provides a clear separation of the ABR public data from the private data which is held by the Australian Tax Office (ATO).

Online ABN registrations submitted through the *ABRpublic* website increased during 2001–02, to account for more than 50 per cent of all new ABN registrations, and just under 1 million look-ups of public information took place per month. After the implementation of the online ABN Change of Details system, the number of applications increased from around 40 to around 150 per day.

Business Entry Point Demonstration Program

The BEP Demonstration Program assists agencies at all levels of Government to develop innovative online services or technologies to make it easier for business to interact and transact with Government. By supporting and fostering the development and uptake of online services delivery by Government agencies, the BEP aims to help businesses comply with Government requirements more simply and conveniently. Projects supported during the 2001–02 financial year included:

- Cootamundra Shire Council – Online Building and Development Application system
- University of Western Sydney – Data Sockets Project
- Whittlesea City Council – FoodSmart online food safety system
- Salisbury City Council – Property and rates search client interface
- Office of the Employment Advocate – AWAonline Project.

Content Syndication

To further improve business access to Government compliance information, the Content Syndication project has been developed and implemented under the BEP Initiative. ‘Content syndication’ is the process by which relevant and essential Government information is made available for use on third-party websites.

Through this project the Business Portal – BEP continues in its role as an aggregator of content from all levels of Government. However, it is also extending the services it provides to business by enabling other organisations to ‘pull’ such content from the BEP’s database onto their own websites.

The service is provided free of charge and is proving to be extremely valuable to partnering organisations that are thus able to provide a value-added service to their business clients. Organisations currently drawing on BEP content in this way include financial institutions, industry and professional associations, local councils, web discovery portals, and business advisory services.

Work commenced on the syndication project in March 2002. A phased approach was adopted to enable smaller organisations with minimal development resources to access syndication content. The technology enabling the live database-to-database transfer of content was completed in June. At 30 June 2002, BEP's content syndication partners included:

- four local councils
- four business advisory services
- three commercial organisations
- four industry/professional associations
- one state chamber of commerce.

Through these public and private sector partnerships, the BEP is able to improve vastly business access to essential information through online channels. Work will continue during 2002–03 to establish syndication partnerships with a large range of Government and non-government organisations.

Business Exchange

The aim of the Business Exchange is to provide a high-quality directory system, based on the ABN, that will enable a business entity's e-commerce services to be easily and unambiguously electronically identified and located. The *Delivering For Small Business* package of September 2001 included the Business Exchange.

Progress in 2001–02 focused on developing a business case, in conjunction with the Department of Finance and Administration, to seek private funding for the project. This activity was accompanied by ongoing stakeholder engagement with industry bodies and other Government agencies, such as the National Office for the Information Economy (NOIE). An intellectual property audit of the project and a macroeconomic analysis to assess the project's impact on the Australian economy were also undertaken. Work is now well progressed on the project's technical architecture and business requirements.

Business Authentication Framework

During 2001–02 work commenced on the Business Authentication Framework (BAF) that was established as a key component of the Government's *Delivering For Small Business* package.

Authentication issues – such as confirming personal identity or the origin of data – have become increasingly important as transactions have increasingly been undertaken online. The BAF will provide key infrastructure and services to enable Government agencies to validate ABN–DSCs (Australian Business

Number – Digital Signing Certificates) presented to them by their business clients.

The BAF project is jointly managed by DEWR and ATO, in consultation with NOIE and the Department, which contribute strategic policy advice and marketing assistance. The Department has provided project office and technical support to DEWR.

Business Entry Point Transaction Manager

The BEP Transaction Manager aims to ease the compliance burden on small business by providing an integrated, sophisticated approach to the delivery of Government transactions. The site assists businesses to find, manage and complete their online transactions with a range of Commonwealth, State, Territory and local Government agencies. Users can search for Government transactions, organise commonly used transactions into groups, and keep records of their interactions with Government through the system's online history.

Key activities for the 2001–02 financial year included:

- system design, development, testing and ongoing enhancement
- the public release of BEP Transaction Manager on 7 December 2001
- the establishment of relationships with more than 50 Commonwealth, State, Territory and local Government agencies
- the addition of approximately 1,600 transactions to the system
- usability testing involving small business users.

Performance information

Summary of overall performance

During 2001–02, the BEP Initiative shifted its focus from an online information dissemination business model to a more interactive online service delivery model. This resulted in the implementation of the BEP Transaction Manager and the Content Syndication project and further enhancements to the *ABRpublic* website. Statistical data indicate there was positive uptake of both the BEP Transaction Manager and the Content Syndication project by agencies across the three levels of Government. During 2001–02 more than 50 per cent of all new ABN registrations occurred on the *ABRpublic* website.

The BEP Initiative attracted international attention during the year, from the United States, Canada, the United Kingdom and Thailand. Two of the projects supported under the Demonstration Program also received Government Technology Productivity Awards in March 2002. The BEP Initiative was commended in the *Accenture 2002 eGovernment Leadership – Realising the Vision* report and the *Gartner 2001 E-Government: Revolution in Progress* report.

Quality

Level of Ministerial satisfaction with the provision of online services policy advice

Officers involved in the development and administration of the BEP Initiative participated in various committees and working groups coordinated by NOIE, including the Information Technology Architecture and Governance (ITAG) sub-committee, the Integrated Services Working Group, and committees on the interoperability framework, Government authentication and integrated transactions. BEP officers also continued to be involved in the ABR Advisory Committee at ATO and recently received formal recognition for their contribution to that project from the ATO.

The BEP Initiative continued to make a leading contribution to the development of legal policy and statements on the provision of Government information and services via the Internet. The BEP Initiative was audited by the Office of the Federal Privacy Commissioner and also commissioned external legal consultants to undertake an intellectual property audit of its information technology activities.

Continuity of online services

BEP websites were available more than 99 per cent of the time during 2001–02.

Promotion and administration of innovative online programs

Three BEP Advisory Committee Meetings and two BEP Consultative Forums were held during 2001–02. The level of attendance at the meetings and forums exceeded the previous year's, with stakeholders expressing satisfaction with the level of promotion and administration of innovative online program activities under the BEP Initiative.

Two projects supported by the BEP Demonstration Program in 2000–01, Penrith City Council's online building and development application project and the City of Whittlesea's Internet based food safety project, received Government Technology Productivity Awards in March of 2002. The awards, presented by the Technology in Government Committee, recognised areas of Government that had improved productivity and were providing better service with the aid of technology.

During 2001–02, the BEP Initiative attracted considerable international attention. This included attention received at the Microsoft Government Leaders' Conference held in Seattle in April 2002, and inquiries made about the initiative by representatives of the Governments of the United Kingdom, United States, Canada and Thailand.

The *Accenture 2002 eGovernment Leadership – Realising the Vision* report commended the BEP Initiative for the development of the BEP Transaction Manager. Similarly, the *Gartner 2001 E-Government: Revolution in Progress* report commended the BEP Initiative on its coordination role across the three levels of Government and on building strategic partnerships with other federal agencies.

Timeliness of availability of new models of online business systems

Milestones for projects under the BEP Initiative were met to the satisfaction of both internal and external stakeholders and resulted in the delivery of the BEP Transaction Manager system, part of *ABRpublic*, the first phase of the Business Resource Facility; and the Content Syndication project. Satisfaction was gauged by uptake of the BEP Transaction Manager and the Content Syndication project by agencies across the three levels of Government. Feedback from agencies at the BEP Consultative Forums, BEP Advisory Committee Meetings and other conferences, as well as statistical data collected, demonstrated an upward trend in the use of online services offered by the BEP website during 2001–02.

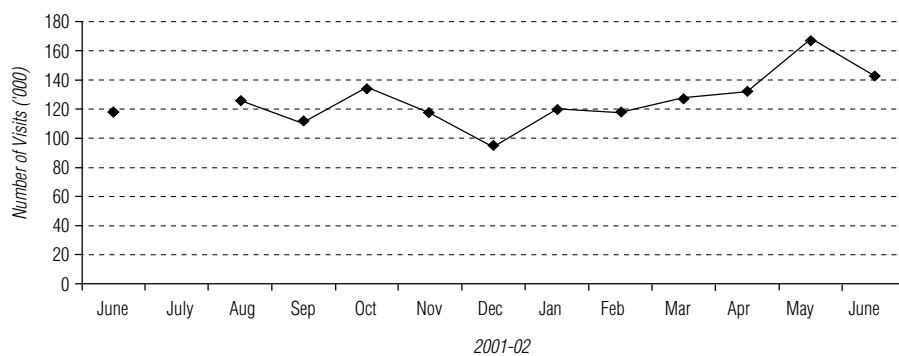
During 2001–02, the BEP Initiative also moved from an information dissemination business model to a more active service delivery business model focusing on transactions and business lifecycle events. This model evolved as a result of more active engagement with industry, industry associations and business.

Quantity

Trends in the use of online services

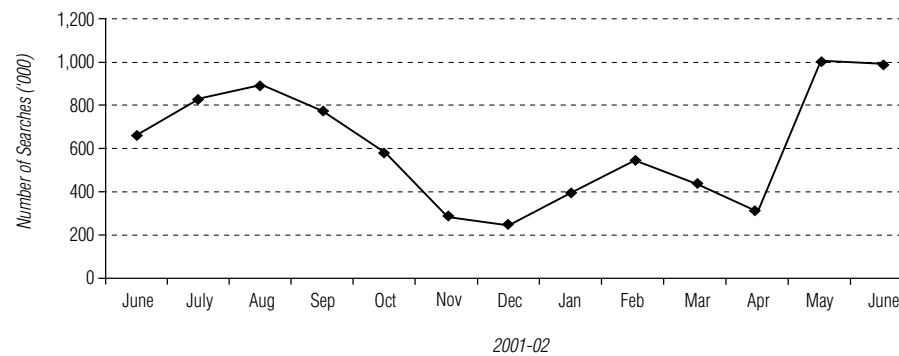
The following graphs demonstrate the upwards trends in both visits to the BEP website and searches on the *ABRpublic* website.

Figure 2: Visits to BEP website



Source: Deepmetrix LiveStats 6.2 from DEWR.

Figure 3: Look-ups of *ABRpublic* information



Source: Deepmetrix LiveStats 6.2 from DEWR.

Extent to which online services meet relevant Government and departmental standards and benchmarks

Departmental websites have been designed to conform to the:

- Human Rights and Equal Opportunity Commission's *Accessibility Guidelines*
- Commonwealth Online Information Service Obligations
- Australian Government Locator Service Metadata Standard
- *Guidelines for Commonwealth Information Published in Electronic Formats*
- *Guidelines for Federal and Australian Capital Territory Government World Wide Websites*
- *Australian Communications Electronic Security Instructions No. 33.*

Where external standards and guidelines did not exist or greater depth was needed, standards were developed internally. These included guidelines and standards on:

- content policy, including currency and accuracy
- protocols associated with online transactions (such as the Profile Passing protocol and Link With Return protocol)
- user interfaces
- publishing models, including roles and responsibilities.

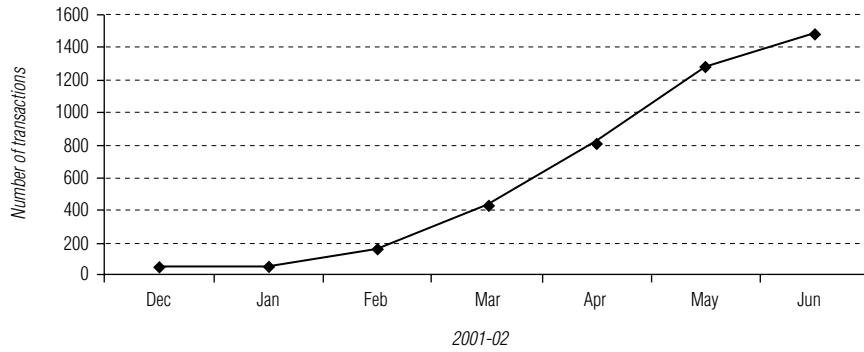
Uptake of new BEP services

At 30 June 2002, BEP's Content Syndication partners included:

- four local councils
- four business advisory services
- three commercial organisations
- four industry/professional associations
- one State chamber of commerce.

The number of transactions – from three levels of Government – available through the BEP Transaction Manager grew during 2001–02, as shown by Figure 4.

Figure 4: Transactions registered in the BEP Transaction Manager



Source: BEP Transaction Manager system.

Price

The total prices of delivering BEP services during 2001–02 are set out in Table 11.

Table 11: BEP price results, 2001–02

Measured item	Total cost
Policy advice for online services	\$1,640,000
Online service delivery	\$2,460,000
Online service development	\$4,100,000

Output 1.4 Investment Promotion, Attraction and Facilitation

Contribution to Outcome 1

In 2001–02, Invest Australia contributed to a stronger, more sustainable and internationally competitive Australian industry by:

- providing investment advice, services and programs to assist foreign and domestic companies to invest in Australia
- increasing awareness of Australia's advantages as an investment destination
- developing investment strategies and partnerships to attract investment to Australia, including specific industry sectors and in regional Australia.

Priorities

Assistance to the Strategic Investment Coordinator

During 2001–02, the Prime Minister's Strategic Investment Coordinator (SIC) recommended that three submissions for investment incentives be considered by the Government through the strategic investment coordination process. The following incentives were granted.

Comalco

In October 2001, the Government agreed to provide assistance of \$137 million as an interest-free repayable loan to Comalco, for its \$1.4 billion greenfield alumina refinery at Gladstone in Queensland. The incentive will be used to develop a multi-user energy facility and to form a research and technical development partnership.

Methanex

In December 2001, the Government announced that Methanex had been offered an investment incentive of \$85 million to locate its methanol plant on the Burrup Peninsula in Western Australia. The incentive will be used by Methanex to develop multi-user infrastructure on the Burrup Peninsula and to undertake R&D in partnership with industry and Australian research bodies.

Hismelt

In April 2002, the Government announced the granting of an incentive of \$125 million to Rio Tinto, to secure the commercialisation and development of its Hismelt technology in the Kwinana region of Western Australia. Rio Tinto and its partners will use the incentive to develop multi-user infrastructure such as a

co-generation power plant, an industrial gas plant, waste water recycling infrastructure and raw material handling infrastructure.

In addition, following a recommendation from the SIC, in September 2001 the Government announced that the *Excise Tariff Act 1921* had been overhauled to encourage oil and gas exploration and production in the offshore region of the North West Shelf, onshore and in coastal waters.

Feasibility Study Fund

The Feasibility Study Fund Program finished on 30 June 2002. A new scheme to support feasibility studies for innovative projects in Australia requiring foreign direct investment is being developed for 2002–03.

The Feasibility Study Fund Program provided grants to assist eligible prospective investors to undertake pre-feasibility or feasibility studies of new investment projects to assess their commercial viability.

In 2001–02, Invest Australia approved a total of \$172,000 in grant funding for five feasibility studies, in niche tourism, advanced manufacturing, hydrodynamic R&D capabilities, and innovative transport and minerals processing proposals. The five projects, if fully developed, have the potential to lead to total investment of more than \$180 million and create 190 new jobs. Three of the projects are located in regional Australia, with the potential to generate more than \$96 million in investment and 144 new jobs.

Major Project Facilitation

Seven projects were granted Major Project Facilitation (MPF) status during 2001–02. They were:

- BassGas
- Batchelor Magnesium Project
- Browns Polymetallic Mine
- Chicory Processing Plant
- Darwin to East Australia Pipeline
- New Millenium Technology
- Tassie Shoal Methanol

If all projects proceed as planned, they will generate capital expenditure of \$6.4 billion and nearly 1,000 full-time jobs.

A further two projects, or stages of projects, previously granted MPF status successfully completed the approvals processes necessary to proceed to construction. If both are successfully developed, they will generate more than \$1 billion in investment and 780 full-time jobs.

In August 2001, the Commonwealth Government agreed to provide additional support to the Australian Magnesium Corporation's (AMC) Stanwell

Magnesium project by acting as guarantor for a \$100 million loan. The provision of the guarantee by the Government ensured that the AMC technology, which is 50 per cent owned by the Commonwealth, would be developed to full commercialisation.

Regional Headquarters Program

In 2001–02 Invest Australia facilitated six Regional Headquarters (RHQ) Agreements, for a total investment of \$78 million and the creation of more than 160 new jobs. Numbers were lower than previous years, mainly due to the almost total absence of RHQs in the information and communications technology (ICT) sector. In addition, a number of non-qualifying applicants were advised about other business immigration programs.

Invest Australia, with the assistance of the States and Territories, undertook a survey to ascertain the number and the nature of RHQs based in Australia. The survey helped develop a central and comprehensive data source of about 850 RHQs operating in Australia, providing Invest Australia with a valuable resource for marketing Australia as an RHQ investment destination.

Promotion of investment in regional Australia

During 2001–02, the regional investment guide, *Inside Intelligence: Building an Investor's Guide* proved to be a popular resource for regional communities taking the first steps in developing profiles of their regions' economic strengths and potential capabilities. Nearly 1,200 copies of the guide were distributed, to about 650 recipients, including representatives of State and Territory Government investment agencies and Regional Development Boards/Commissions and other private and public sector individuals. At 30 June 2002, 35 communities or regions were contributing to *Inside Intelligence*.

It is intended that the data collected through the *Inside Intelligence* process will assist community or regional representatives in developing investment attraction strategies and identifying specific project opportunities. Clients were encouraged to draw on the assistance of the relevant State or Territory Government agencies to achieve this.

In response to demand, Invest Australia provided additional assistance by drafting regional profile reports using the data collected by communities. Invest Australia began drafting an *Inside Intelligence* supplement, to provide a step-by-step guide that leads the client from using *Inside Intelligence* data in an 'Economic Development Plan' through to identifying a specific project and drafting an 'Investment Opportunity Document' for promotion in the domestic or international market.

Invest Australia was also involved in the implementation of a \$2.2 million Regional Investment and Trade Package administered by the Department of Transport and Regional Services (DOTRS). The package is being overseen by a Steering Group – which includes representatives of DOTRS, Invest Australia, Austrade, Australian Local Government Association (ALGA) and State and Territory Governments – through the Regional Development Task Force.

Sectoral investment strategies

In 2001–02, Invest Australia continued to develop investment attraction strategies in ICT, biotechnology and R&D intensive areas (including renewable energy and nanotechnology).

Investment attraction strategy achievements by Invest Australia during 2001–02 included:

- developing profiles of companies being targeted for investment in strategic sectors
- being represented on two national Government–industry committees to coordinate Australia’s involvement in key international investment attraction events – namely, the Biotechnology Events National Committee (convened by Invest Australia) and the ICT Events National Committee (convened and co-chaired by Invest Australia)
- participating at key international ICT, biotechnology and nanotechnology investment attraction events, including the World Congress on IT 2002 (Adelaide, February 2002) and BIO 2002 (Toronto, June 2002)
- undertaking competitor analyses on investment destinations competing with Australia for investment in biotechnology, nanotechnology, renewable energy and R&D
- undertaking market analyses in the areas of renewable energy, photonics, wireless technology, microelectronics and software
- contributing to the production and dissemination of publications and articles, including *Photonics in Australia: An Illuminating Future – Australian Industry Profile*, nanotechnology and renewable energy articles in *British–AustralAsian Business Magazine*, and Australian biotechnology and ICT capability brochures.

Global and domestic investment partnerships

Invest Australia held two Chinese investment seminars, one each in Sydney and Melbourne, with support from the Chinese Embassy and the Consulates-General of the People’s Republic of China, the Department of Foreign Affairs and Trade, the New South Wales and Victorian Governments, the Australia China Business Council, the Chinese Chamber of Commerce and law firm Blake Dawson Waldron.

The seminars were strategically timed to celebrate China’s accession to the World Trade Organisation and the thirtieth anniversary of diplomatic relations between Australia and China. Key speakers included representatives from the Bank of China and the China International Trust and Investment Corporation who shared information about their business experiences in Australia.

The objectives of the seminars were to promote further investment in Australia by Chinese companies and encourage companies with existing investment in Australia to expand their investment. The seminars were well attended and resulted in several leads from local and overseas Chinese potential investors.

Marketing Australia as an investment destination

A number of major activities were undertaken in 2001–02 to promote Australia as an attractive and competitive investment destination.

During 2001–02 Invest Australia, in cooperation with Austrade, coordinated a national approach to several key international events. Government agencies and industry representatives attended BIO 2002 in Toronto, under the banner *Destination Australia*. BIO 2002 was considered the year's premier international biotechnology event and a number of promising leads were generated as a result of the high profile achieved by the coordinated approach.

A national approach was also adopted at the World Congress on Information Technology held in Adelaide in 2002. One of the world's largest ICT conferences, it attracted high-level representatives including the former President of the United States, Bill Clinton. Under the *Destination Australia* banner Invest Australia worked with other Commonwealth agencies and the States and Territories to promote the strengths and diversity of Australia's ICT sector. As part of the promotion, Invest Australia assisted in organising a pre-congress event to showcase Australia's new and emerging technologies.

Invest Australia was also actively involved in promoting Australia's key investment messages at: the World Congress on Intelligent Transport Systems 2001, in Sydney; Biotechnica 2001, in Hannover; CeBIT 2002, in Hannover; CeBIT Australia in Sydney; and BioPartnering Europe 2001, in London.

A review of Invest Australia's website was conducted during 2001–02. As a result of the review's key recommendations, a new website will be launched in early 2002–03. Invest Australia will move progressively to ensure that its website becomes the key promotional tool in its marketing and communications efforts.

Competitor and market analysis

During 2001–02, Invest Australia produced a range of research and analytical reports reflecting corporate and stakeholder priorities. In collaboration with State and Territory agencies, quarterly research reports were produced containing information of interest to all Government jurisdictions operating in the investment attraction field. This included an examination of issues such as the impact of the terrorist attacks which occurred in the United States on 11 September 2001 on investment decisions, and the relationship between trade and investment.

Reports were also produced analysing the activities of Australia's key foreign competitors in investment attraction for biotechnology, R&D, nanotechnology and renewable energy. Other reports involved analysis of the business strategies of companies which might be interested in investing in Australia.

Invest Australia also produced an extensive benchmarking report which compared Australia's key economic indicators – such as tax, business costs, operating climate, skills, immigration, access to markets, infrastructure, and science credibility – with those of nine other investment destinations.

Other projects and issues

Dr Ian Blackburne presented his report, *Winning Investment – Strategy, People and Partnerships*, to the Prime Minister in August 2001. This report recommended a revamped and empowered Invest Australia, equipped to provide a strategic, whole-of-government approach to promoting, attracting and facilitating investment into Australia.

The Government subsequently announced that it had broadly accepted the recommendations made by Dr Blackburne. The investment promotion and attraction activities of other Commonwealth agencies will be incorporated into a revamped Invest Australia, which will work in partnership with the States and Territories.

The role of Invest Australia will include specific responsibilities to develop an appropriate national strategy for promoting and attracting direct investment into Australia, and ensuring it is implemented effectively and efficiently. The revamped agency is to commence operations on 1 July 2002.

Performance information

Summary of overall performance

The performance of Output 1.4, in making its contribution to Outcome 1, was monitored monthly throughout the year against quality, quantity and cost performance indicators. At year's end:

- there was strong evidence of client satisfaction, including favourable feedback from the Minister and departmental executive
- there had been a decrease in the number and value of projects facilitated compared to the previous year's results
- substantial progress had been made on projects granted incentives through the strategic incentives process, and
- there had been completion of, or clear progress towards, all key Invest Australia initiatives included in the Portfolio Budget Statements 2001–02.

Quality

Ministerial satisfaction

Feedback received from the Minister's office was that performance had been highly satisfactory. An average overall rating of between 3 and 4, out of a possible 5, was received during the year.

The standard and timeliness of the provision of ministerial correspondence was also considered to be of a generally high quality overall.

Stakeholder satisfaction

A key objective for Invest Australia is to forge cooperative and long-term relationships with our stakeholders.

In general, feedback from stakeholders was very positive. In April 2002, for example, Invest Australia organised the *Winning Investment for Australia Program* to develop stakeholder/partnership relationships with State, Territory and regional investment agencies. The evaluation report concluded that the program had provided an excellent opportunity for participants to interact and forge collaborative working relationships with counterparts from all over Australia. The program encouraged new ideas and an understanding of the benchmarking of national, State/Territory and regional activities in investment attraction.

Stakeholder feedback from Invest Australia's participation in events and conferences was also very encouraging. The general perception was that such venues provided unique opportunities to internationally showcase the achievements of individual Australian companies, highlight Australia's research and specialist expertise, and focus on the breadth and sustainability of domestic industries.

Stakeholders perceived that the forums also offered opportunities to focus on the ongoing collaborative role that Commonwealth, State and Territory Governments play in supporting the growth and global development of Australian industries.

Comments received from investors were very supportive. In general, investors commented that Invest Australia had been responsive to their needs and provided invaluable and timely advice on a range of investment issues.

Invest Australia facilitated the timely completion of processes, enabling investors to meet imperative commercial deadlines.

MetaBit from Japan stated that, 'The support of Invest Australia was a critical success factor to help MetaBit make a decision to build an entity in Australia.'

Quest Research stated, 'From the outset they (Invest Australia) provided a very efficient and professional service and a compelling case to locate in Australia.'

Key processes completed within time targets

Deadlines for meetings, parliamentary and ministerial business, and client responses were met during the year with very few exceptions.

Quantity

Number and value of investment projects facilitated or attracted

Invest Australia had a role in attracting 55 new investments to Australia, leading to total investment expenditure of more than \$1 billion that will create more than 1,300 new jobs and \$657 million in exports.

Compared to the results for the previous year, the number and value of projects facilitated in 2001–02 decreased. There was also a subsequent decline in the value of exports generated and number of new jobs created.

The decline in investment activity was partly a reflection of deteriorating economic conditions in some of Australia's key target markets for investment attraction, such as the United States, Australia's largest source of foreign direct

investment. To some extent, the lower value of investments attracted also reflected a shift in the nature of investments being made, with an increasing proportion of projects being in areas such as information technology and biotechnology, which are less capital intensive than projects in resource processing industries.

Invest Australia's other quantity measures are addressed in Table 12 below.

Table 12: Output 1.4 quantity results, 2001–02

Measured item	Number produced
Ministerial briefs	128
Replies to Ministerial correspondence	96
Reports	161

Price

During 2001–02, Invest Australia spent 1.2 cents in administration costs per dollar of investment attracted. Other price results are set out in Table 13 below.

Table 13: Output 1.4 price results, 2001–02

Measured item	Total cost
Ministerial briefs	\$361,486
Ministerial correspondence	\$122,613
Reports	\$1,503,762

Only the key products and services listed in Table 13 above were measured in 2001–02. These cost in total \$1.988m.