

**AUSTRALIAN INDUSTRY PARTICIPATION
NATIONAL FRAMEWORK**

APRIL 2001

FOREWORD

Australia's economic prospects are strong. Commonwealth, State and Territory Industry Ministers are committed to position Australian industry to take advantage of these prospects and be able to participate in investment projects, both domestically and abroad.

Governments work in partnership with Australian industry to improve industry capability and the effectiveness of government processes. Governments continue to promote the quality of Australian industry to project proponents, and maintain efforts to attract and facilitate investment into Australia for the broader national economic benefit, as well as specific industry development and productivity objectives.

Australian industry shares a responsibility for ensuring that it acquires the capability to fully participate. Governments encourage industry to develop and acquire the expertise and skills necessary to be competitive and to attract overseas investment.

Governments recognise and support industry calls for a unified policy approach to maximise Australian industry participation. To this end, Governments have adopted a common policy, the Australian Industry Participation Framework, the central aim of which is to provide for the full, fair and reasonable opportunity for Australian industries to participate in significant public and private sector activity.

The Framework represents an investment in Australia's future - supporting Australian industry to innovate, develop a competitive capability and take advantage of investment opportunities - thus creating jobs and opportunities for all Australians, including in regional Australia. The Framework is focussed on industry development, in particular developing the alliances necessary to ensure that capable Australian industry is able to access global opportunities and integrate into global supply chains.

In endorsing the Framework, Australian Governments are committed to a nationally consistent way forward. Governments have agreed to review progress towards the Framework objectives within two years to maintain its currency and to ensure the continuing commitment of all Australian Governments.

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CONTENTS

	Page
FOREWORD	i
1 BACKGROUND	1
2 OBJECTIVES	2
3 PRINCIPLES	3
4 STRATEGIC APPROACHES	5

1 BACKGROUND

At the meeting of Industry Ministers on 2 February 2000, all Australian Governments supported the need for a nationally consistent approach to maximising Australian industry participation in investment projects, whether involving the public or the private sector.

Ministers are committed to effect a nationally consistent approach, the Australian Industry Participation Framework (the Framework), to strongly encourage Australian industry participation. This commitment recognises the benefits to the Australian economy of local industry participation, and acknowledges industry calls for a common policy approach. The Framework consists of a nationally agreed set of objectives, principles and strategies that will strengthen industry participation and build on existing arrangements.

The Framework complements the Australia New Zealand Government Procurement Agreement (ANZGPA). It encompasses participation by local industry in investment projects, and covers all goods and services including, for example, infrastructure, services, resources and major events. Any government procurement that arises as a result of these projects will not be covered by the Framework. Instead, Ministers will recognise their respective governments' commitments to the ANZGPA and their relevant government procurement guidelines.

All spheres of government accept responsibility to ensure that matters of national interest are properly taken into account in their activities, and to ensure pursuit of shared objectives.

2 OBJECTIVES

Significant benefits are derived for the economy and for Australian people from Australian industry participation in investment projects, both domestically and abroad. Such participation can take a number of forms, including value adding to raw materials, manufacturing or construction activities and use of Australian service providers. The economic significance of Australian industry participation extends beyond the direct participants in investment projects to the industries and workers involved in a wide range of activities across Australia through industry linkages.

The benefits include:

- wealth and employment creation,
- increased standards of living,
- the stimulation and introduction of new and improved technologies (which in turn stimulate economic growth),
- skills enhancement,
- new opportunities for partnerships in global supply chains and
- the formation of other strategic alliances which aid technology transfer, innovation and market access.

Australian Governments strongly encourage industry to develop its competitiveness and more fully participate in investment projects. Governments have developed the Framework to:

- promote, develop and maintain a sustainable competitive Australian industry capability by encouraging competitive Australian industry participation in investment projects; and
- work cooperatively, to secure for Australia, a greater share of the economic activity and benefits associated with investment projects by continuing to promote Australia as a world class investment location, and its industry as a capable and competitive participant in domestic and international investment projects.

3 PRINCIPLES

The Framework seeks to promote industry capability and maximise participation in investment projects. The following principles underpin the Framework.

Full, Fair and Reasonable Opportunity

Project proponents are encouraged to maximise Australian industry participation in investment projects by providing industry full, fair and reasonable opportunity to participate.

- **Full:** *Australian industry has the same opportunity afforded to other global supply chain partners to participate in all aspects of an investment project (eg. design, engineering, project management, professional services, IT architecture);*
- **Fair:** *Australian industry is provided the same opportunity as global suppliers to compete on investment projects on an equal and transparent basis, including being given reasonable time in which to tender; and*
- **Reasonable:** *tenders are free from non-market burdens that might rule out Australian industry and are structured in such a way as to provide Australian industries the opportunity to participate in investment projects.*

Project proponents are encouraged to utilise information flows that provide fair and reasonable opportunities for participation by Australian industry and to engage in deliberations on how Australian industry might be utilised throughout the duration of a project's development and implementation.

Free of interstate preferences

States and Territories reconfirm that they will not use State/Territory purchasing preference arrangements, providing maximum benefit to industry across Australia and fostering Australian industry competitiveness.

Regional Development Policies

Recognising the needs and aspirations of regional communities, Governments have the flexibility to respond to regional issues within the Framework. Governments work to develop partnerships with communities and industry to meet the challenges facing regional Australia.

Competitive Neutrality

Governments are committed to the principle of competitive neutrality and agree not to use their legislative or fiscal powers to advantage their own businesses over the private sector.

Value for Money

When considering sources of supply for an investment project, project proponents are encouraged to consider Australian industry in terms of the value for money it offers over the life cycle of the project, including supply chain partnerships, access to a technologically literate, skilled and talented workforce supporting superior business infrastructure.

Transparency of Process

Transparency is a key tenet of good governance and should inform all policy and commercial dealings. Governments seek to develop policies, processes and criteria regarding investment projects that are clear and unambiguous. The private sector is also encouraged to incorporate the principles of transparency in its processes.

Policy Consistency

A consistent policy environment has a significant bearing on reaffirming investor confidence and therefore maximising opportunities for Australian industry to participate in investment projects. Governments dedicate considerable resources to the policy making process to ensure policy decisions are relevant and timely, to allow for effective consultation and adequate lead in times, and to minimise the disruptions that may result from policy changes.

Consistent with International Obligations

Activities under the Framework will be consistent with Australia's international obligations, including those under the World Trade Organisation.

The Framework complements Australian Governments' industry development policies. Key strategic approaches that build on and enhance the objectives and principles of the Framework are outlined below.

4 STRATEGIC APPROACHES

Governments have identified four strategic approaches to give effect to the Framework. Governments support these approaches through complementary policies and programs that work to maximise opportunities for competitive Australian industry and encourage the development of strategic alliances, while at the same time addressing the specific requirements of local and regional communities.

1. Encouraging industry to meet world's best practice through capability building

Governments continue to work with and encourage industry to increase its capabilities and strive for world's best practice.

Significant competitiveness gains can be achieved by building strategic alliances, improving access to competitive infrastructure (hard and soft), encouraging innovation and the uptake of technology and skills, and through the creation and application of knowledge to create wealth.

Enterprising Australian industry can exploit opportunities to move towards best practice through establishing strategic alliances and other key relationships to gain knowledge and improve products and services. Enhanced capabilities and augmented market presence will facilitate the development of a competitive edge.

2. Early identification of opportunities for Australian industry participation, both domestically and overseas

Valuable benefits can be gained from acquiring timely information about emerging opportunities, both domestically and overseas. Early identification of potential projects improves the prospects for showcasing Australian industry capability and participating in global supply chains.

Government investment attraction agencies, ISOs¹, Austrade, AusAID, Commonwealth, State and Territory departments and local governments all identify opportunities for Australian industry participation, as do private sector investment agencies and industry associations. These efforts provide useful information for Australian industry in already identified projects. Governments will work together to seek better ways to gather and share market intelligence on emerging opportunities.

Industry is well placed to develop strategies to source information about emerging opportunities. Industry can take advantage of these opportunities by building strategic networks that can acquire timely information, and proactively disseminate quality information about Australian industry capabilities.

¹ ISO - Industrial Supplies Office (NSW, SA, Tas, Vic, WA) or Industry Search and Opportunities (ACT, NT, Qld)

3. Promoting Australian Capability and Integrating Industry into Global Supply Chains

Government and industry play pivotal roles in sharing information, promoting industry capability and forming strategic relationships to lever Australian industry into global supply chains and investment project opportunities.

Governments will collaborate to market and promote Australian industry capability domestically and overseas. Industry capability databases and other relevant sources will be used to enhance the prospects of capable Australian industry penetrating global supply chains.

Australian industry can also play an important role by proactively marketing and promoting its capability and by forming strategic relationships (including alliances between product and service providers) to compete in the global marketplace.

Project proponents are encouraged to build strategic alliances involving Australian industry and to integrate Australian suppliers into their global supply chains.

4. Enhancing Project Facilitation and Australian Industry Participation

Governments will continue to work with industry to improve facilitation mechanisms, and identify and respond to barriers to Australian industry participation, both domestically and internationally.

Proponents involved in Australian projects are encouraged to adopt Australian Industry Participation Plans (AIPPs). These offer the proponent an opportunity to familiarise itself with Australian capability, identify qualified suppliers and to secure valuable support for the project from industry, local communities and governments. AIPPs also enable proponents to demonstrate a commitment to the principle of full, fair and reasonable opportunity. Without limiting or prescribing their content, a project proponent's AIPP could include:

- a recognition of the importance of Australian participation in local and overseas projects and an acknowledgment of the value of exploring ongoing opportunities for Australian industry participation in investment projects;
- a commitment to work constructively with Australian industry and the Industrial Supplies Office network to identify and develop options for increasing Australian industry participation in investment projects;
- a communication strategy that provides for:
 - early identification of opportunities for Australian participation; and
 - effective transfer of information on opportunities for Australian industry participation through all tiers of supply (eg. along sub-contracting chains);
- a commitment to develop and structure tenders to provide full, fair and reasonable opportunity for Australian industry participation;
- support for the integration of Australian industry into global supply chains; and
- a recognition of the economic impacts of an investment project on Australian industry (eg. employment, skills transfer, strategic alliances and regional development) and the need for communication of these impacts.

These strategic approaches are underpinned by a variety of government policies and programs that support the intent of the Framework. Governments will continue to develop new ways of encouraging Australian industry participation in investment projects. Information about various policies and programs is available on the Government's Australian Industry Participation website at www.aip.gov.au and through relevant Commonwealth, State and Territory agencies.