

## Appendix D

# Government involvement in inter-firm cooperation

The preceding chapters have outlined the current state of inter-firm cooperation in Australia. We know which firms cooperate and how. We also understand the benefits and problems of cooperation. But what of government? What roles do the various government programs and policies play in cooperation between Australian firms?

The federal and state governments have an array of policies and programs to encourage innovation, the take up of technology, better management skills, easier access to finance, and exports.

Chapter 6 has demonstrated that cooperation plays an important role in improving the performance and competitiveness for the majority of firms who have established arrangements and can directly have positive impacts in areas such as those noted above.

This chapter examines the convergence of these themes by outlining how government is assisting the formation of cooperation in Australia. Programs have been divided into two broad groups; those that actively seek to form networks (Section D1); and those broader programs that result in the formation of linkages between firms (Section D2)

## D1 Networking programs

Many governments around the world have established networking programs to encourage firms, and particularly SMEs, to exploit opportunities that would otherwise be out of reach of a single firm with limited resources.

Australia is no exception, and at the federal level, there are three programs that revolve around networking including: the Business Networks Program (BNP); the Food Industries Networking for Asia Program (FINA); and the Rural Enterprise Networking Program.

The BNP is the leading networking program and is discussed fully in Appendix E (see also Chapter 13).

### *D1.1 Food Industries Networking for Asia Export Program*

The federal government's Food Industries Networking for Asia Export Program (FINA) is currently in its third year and is run from the Department of Industry, Science and Technology. It was launched as part of the Agri-Food Industries Statement in July 1992 and is scheduled to finish at the end of 1995-1996. The program aims to increase exports of Australian high value added processed food and beverage products into Asian markets.

FINA is targeted at agri-food enterprises wanting to establish export markets in Asia, but are hampered by their comparatively small size and limited resources. By forming networks with complementary producers, processors and associated enterprises, smaller companies can pool resources and access specialist skills and services needed to win export contracts. Both horizontal and vertical networks are eligible for assistance.

The FINA Program focuses on supporting new networks by providing funding for a network facilitator (or broker). The facilitator's role is to co-ordinate the network, help establish group dynamics, mutual trust and communication between participants, as well as assisting enterprise improvement by participants.

Other eligible activities for funding include the development and implementation of product and marketing strategies in specific Asian markets.

FINA only meets part of the cost of network development. Participants are expected to contribute around 25 percent of on-going network costs. Assistance focuses on activities which develop the export knowledge and expertise of the network members allowing them to realise network objectives independent of government assistance. Continued assistance beyond the original 6-12 months is considered on a case-by-case basis.

The eligibility criteria for FINA assistance include:

- cohesion of and commitment to the network by all members;
- export focus of the network;
- extent of value adding proposed;
- financial viability of individual network members; and
- financial soundness of the proposal including the level of contributions by members.

The demonstration effect of the proposal and the extent of previous government support are also taken into account.

To date the program has assisted eight networks involving over 90 firms throughout Australia.

## ***D1.2 Rural Enterprise Networking Program***

The Rural Enterprise Networking Program is administered by the Department of Primary Industries and Energy. The program is an Agri-business program and its aim is to enhance the international competitiveness of Australia's agricultural and related industries. Priority for assistance will be given to projects that have a clear commercial focus, an ability to improve Australia's international competitiveness and which benefit a significant number of rural producers.

The Rural Enterprise Networking Program assists the creation and development of linkages between agribusiness operators. Up to \$100,000 is available for the costs of network formation, and funds are generally available on a 50 percent cost sharing basis. These funds can be used to contribute toward the cost of a search conference, obtaining advice on an appropriate network structure, and expenses related with engaging a network facilitator.

## **D2 Other Government Programs**

There is a raft of programs at both the state and federal levels that either directly or indirectly forge linkages between firms. Some programs have linkage formation as an explicit objective (such as the Partnerships for Development program and Asia Infrastructure Consortia program), while others indirectly lead to links

between participants (such as the R&D tax concession). In compiling this Appendix, the Bureau has particularly focused on the major programs in the former group.

Programs have been grouped according to their main theme: industry development (D2.1); exporting and investment promotion (D2.2); innovation, research and technology (D2.3); development links with Asia (D2.4); and finally state programs (D2.5).

## ***D2.1 Industry Development***

This section describes government programs designed to develop industries or to increase industry sales.

### ***i) Partnerships for Development and Fixed Term Arrangement***

The Partnerships for Development (PfD) and the Fixed Term Arrangement (FTA) programs were introduced in 1987 and 1991 respectively as part of the federal government's Information Industries Strategy.

Their objectives are to get multinational IT&T firms to do more in Australia, thereby linking local IT&T firms into world markets and enhancing their ability to develop new products and services. Under the programs the multinational IT&T firms (or partners) agree to undertake agreed levels of export, R&D and other activities, and provide their Australian subsidiaries and other local firms with access to their worldwide marketing networks and technological base. In exchange for these commitments, they get access to government markets for IT&T products and services. Governments also provide infrastructure support and promote the activities of partner firms.

There are currently 24 partner firms with PfD agreements (including companies such as Apple, IBM and Microsoft), and 25 companies have established FTAs (including companies such as Compaq, Sony and Kambrook).

The Bureau recently completed an evaluation of the PfD and FTA programs (BIE 1995). As an integral part of the evaluation, the Bureau surveyed local firms in the IT&T industry to assess the impact of the program. Of the 86 respondents, three-quarters had commercial relationships with partner firms. More generally, the Bureau identified over 300 linkages between partner firms and local firms and research institutions.

The program was found to have generally 'kick-started' relationships between local firms and partner companies that would not otherwise have formed. This is most often needed because multinational IT&T firms are generally hesitant to use local firms which have not demonstrated their capabilities – capabilities that often can not be developed without an initial association with a multinational company.

### ***ii) Marine Industry Development Program***

The Marine Industry Development Program targets the growth and sustainable development of Australia's marine-based industries. Priorities for the program include:

- development of strengthened links and cohesion between firms to improve innovation and competitiveness;
- facilitating industry development by encouraging pursuit of international markets;
- encouraging improved strategic planning and business development; and
- encouraging stronger links between marine research institutions.

Grant support is provided for eligible networking and export promotion activities.

All marine-related enterprises and marine-focused scientific, research and education institutions are eligible to apply for program assistance.

### *iii) Business Advice for Rural Areas*

The Business Advice for Rural Areas (BARA) scheme is administered by the Department of Primary Industries and Energy. Under the BARA scheme the Commonwealth provides grants to rural community groups to meet part of the costs of employing a business facilitator. The facilitator assists rural communities to diversify, stabilise and expand income opportunities by assisting local entrepreneurial capacity, fostering business talent and ideas and improving individual and rural economic diversification.

BARA is a collaborative program relying on three levels of cooperation and resources: federal government, states/NT government, and the local rural community.

## **D2.2 Australian Trade Commission**

The role of the Australian Trade Commission (Austrade) is to assist Australian exporters win business overseas and encourage inward investment. Austrade has 27 Business Units focusing on specific industries that form the link between opportunities and Australian firms.

These units currently foster 18 export networks. The networks disseminate information about trade opportunities and assist the formation of consortia to win export contracts. Austenergy, Austmine, and Agritech are three examples of the export networks established with the assistance of Austrade and are examined below.

### *i) Austenergy*

The Australian Energy Systems Exporters' Group Limited (Austenergy) was founded in July 1989 with the assistance of the Heavy Engineering Projects Corporation of Australia and Austrade. Austenergy brings together organisations with a declared intention to promote Australian industry and committed to profitable expansion for Australian exports to international energy and infrastructure developments. Austenergy aims to increase exports of equipment and services by 30 per cent per annum over a three year period.

Austenergy operates principally as an information network hub, facilitating cooperation, coordination and collaboration between its members within the energy systems industry by fostering the development of strong relationships. In addition it provides an industry input to government and its agencies.

Austenergy is not directly funded by the government. However, Austrade does fund member organisations for special missions such as trade shows, and Austenergy pays a fee to Austrade to maintain its secretariat.

### *ii) Austmine*

Australian Mining Equipment, Services and Supplies Limited (Austmine) was founded in 1988 with the support of Austrade. Austmine aims to enhance the international business performance of the Australian mining equipment, services and supplies industry. Austmine functions principally as an international marketing network of Australian companies involving:

- collaboration of industry and government to market mining goods and services into global mining and mineral processing operations.
- networking of companies via:

group marketing of complementary products  
shared commercial intelligence  
co-operative promotional intelligence  
consortia and team formation (for example Joint Action Groups)  
identification and capture of market opportunities.

Austrade's involvement in Austmine is similar to that for Austenergy.

### *iii) Agritec*

Agritec Australia Ltd is a network of companies owned by Australia's leading suppliers of agricultural goods and services. Agritec's overall goal is to bring together Australian companies and organisations in the rural sector in order to provide overseas clients with the appropriate package of technology, equipment and associated infrastructure to meet their specific needs. Like the other export networks, Agritec assists in forming Joint Action Groups as required. Alternatively opportunities identified by Agritec can be pursued by individual member companies if appropriate.

### *Joint Action Groups*

Once specific opportunities are identified, Joint Action Groups (JAGs) are formed to pursue them. Participants share both resources and costs in order to win contracts. Examples of JAGs include:

- *Film Services Australia*, attracted \$40 million in new film and television production and post-production processing work to Australia in 1993/1994 with an intensive program to Hollywood and Japanese producers to present Australian facilities and expertise;
- *Austemex* environmental management industry group – led by Clough Engineering and involving several Australian water authorities, engineering contractors and consultants – is bidding for two major sewage treatment projects in Bangkok, each worth US\$ 200 million;
- an Australian consortium coordinated by Austrade's Marine Business Unit won a \$200 million contract to build naval patrol boats for Turkey and has also launched its own defence export strategy for South East Asia;
- a JAG consisting of the Australian Coal Industry Research Laboratories, the University of NSW and three State TAFE networks is pursuing a contract in Vietnam for mining industry education and training;
- another JAG organised by the Aviation Unit focused on building up aviation training as a potential \$200 million annual money earner for Australia within five years.

### *The International Trade Enhancement Scheme*

The International Trade Enhancement Scheme (ITES) is also administered by Austrade and encourages the collaboration of small companies that is needed to successfully undertake export ventures. The scheme offers low cost loans to support export marketing activities and is directed towards applicants with a demonstrated track record in exporting. It also supports the efforts of industry associations and groups to promote international business.

ITES supports expenditure such as offshore set-up costs, travel, promotion, advertising and salaries. The recipient must show that a minimum cumulative net foreign exchange (NFE) earnings of \$10 million could be generated over the first five year period. ITES can contribute up to \$1 for every \$20 of prospective NFE

earnings. Financing is available up to \$5 million over three years. Funding is repayable as a loan or in the form of royalties.

### *The Asia Infrastructure Consortia Program*

The Asian Infrastructure Consortia Program is a federal government initiative administered jointly by Austrade and DIST with \$12.4 million funding over the period 1994-98.

AICP is designed to assist Australian consortia bidding for large infrastructure projects in Asia. Preference is given to consortia bidding for contracts worth over \$A100 million.

AICP aims to:

- assist Australian companies to bid for infrastructure projects in Asia, in particular projects large enough to require a consortium approach by Australian companies;
- encourage new consortia of leading Australian contractors, consultants and suppliers and small and medium sized enterprises to pursue projects in the Asian infrastructure market;
- improve the collaboration of Australian government assistance to such consortia; and
- increase Ministerial and diplomatic support for such consortia.

The primary targets of the AICP are economic development projects undertaken for the host government or its agencies, including schools, hospitals, urban development, water supply/treatment, and energy, transport and communications infrastructure. Major resource or industrial projects of special economic significance undertaken for the private sector may also be considered.

### *The Investment Promotion and Facilitation Program*

The Investment Promotion and Facilitation Program (IPFP) promotes Australia as an attractive investment location and provides facilitation and 'match-making' services for potential overseas investors, including funding for pre-feasibility studies.

The program was originally introduced in 1987 and initially concentrated on generic promotion of Australia as an investment location. It now targets specific firms with potential for direct overseas investment, joint venture arrangements, technology transfer, or improved market access arrangements.

The program is jointly administered by Austrade and DIST. The Bureau is currently conducting an evaluation of the program due to be completed in August 1995.

## **D2.3 Innovation, Research and Technology**

R&D and innovation are supported in many ways. While inter-firm cooperation is not their key objective, linkages are a frequent by-product of several programs in this area.

### *i) Intelligent Manufacturing Systems*

In January 1995, Australia joined Canada, Japan, Europe and USA in the Intelligent Manufacturing Systems Program (IMS). The program, administered by AusIndustry, provides a framework for cooperation across national boundaries to develop greater efficiency and sophistication in manufacturing operations. It offers opportunities for Australian firms and research organisations to gain access to a wider range of technology partners and clients than most could expect to achieve through their own efforts.

Funding will be available on a competitive basis to Australian firms and research organisations in the IMS program. To be eligible for consideration, collaborative projects must: meet the criteria under the IMS Terms of Reference; demonstrate potential for the application of outcomes in Australian industry; show that an Australian organisation will benefit in some other identifiable way.

## *ii) International Science and Technology Program*

The International Science and Technology Program (ISTP) promotes collaboration between research teams in Australia and overseas on projects of significance to Australian industry and national research priorities.

Under the Bilateral S&R Collaboration Program, grants are available to support the costs of overseas travel and accommodation for Australian scientists who wish to work with their overseas counterparts for periods from a few weeks to a few months. Any science or technology other than social science may be supported. Proposals are judged by a peer review process on the basis of excellence of the research and benefit to Australia. Small-scale targeted bilateral workshops can also be supported.

## *iii) French Australian Industrial Research Program*

The FAIR program commenced in 1991 and currently has nine projects receiving funding. It is coordinated by DIST and aims to promote cooperation between Australian and French entities which are interested in developing strategic alliances based on joint development and application of new technology.

To be eligible for assistance under the FAIR program joint ventures must: consist of at least one private participant; involve industrial research; and have a commercial outcome within 3 years.

The French Australian Industrial Research Program provides assistance to collaborators in three main ways:

*Project funding sponsorship* – Specific industrial research projects which meet the FAIR criteria are recommended to the relevant funding agencies in each country as deserving of support.

*Brokerage* – Support is given to researchers or companies in one country to locate a prospective partner or partners in the other country, for the purpose of collaboration in industrial research, technology transfer and commercial developments.

*Workshops* – FAIR sponsors one workshop each year, in a selected field of technology to assist researchers, industrialists, financiers and end-users from each country to identify and advance mutually beneficial commercial objectives.

## *iv) 150% Research and Development Tax Concession*

The aim of the 150% Tax Concession is to encourage research and development in Australian industry. The Concession allows claimants to deduct 150% of eligible expenditure incurred on Research and Development (R&D) activities when lodging their corporate tax return.

R&D activities need not be undertaken directly by the firm receiving the concession, and this aspect of the program encourages the formation of important linkages between firms. The Bureau recently conducted an evaluation of the scheme (BIE 1993a) and found numerous cases where important R&D linkages had been established via the program.



## **D2.4 AusAID**

AusAID (formerly the Australian International Development Assistance Bureau or AIDAB) has two programs that develop linkages between Australian firms and their counterparts in Asia. These programs are the AAECF Linkages Stream and the Private Sector Linkages Program.

### ***i) AAECF Linkages Stream***

The AAECF<sup>1</sup> commenced in July 1994 and is to run for 4 years. It is funded by the federal government's overseas aid program to strengthen cooperation between Australia and member countries of the Association of South East Asian Nations (ASEAN). The Linkages Stream provides part-funding for projects in a range of 'priority' sectors<sup>2</sup> that are likely to enhance trade and investment links between Australia and ASEAN countries.

Projects must involve an Australian entity (private businesses, research or academic institutions, industry and professional associations and government business enterprises and agencies) and partners from at least two ASEAN countries. Eligible activities include:

- cooperative and industry supported collaborative or adaptive research that has trade potential;
- technical and investment feasibility studies which aim to encourage investment flows and the facilitation of joint ventures;
- demonstration, adaptation and supply of appropriate ASEAN and Australian technology;
- familiarisation visits and short term training, conferences, workshops and seminars with a clear plan to foster commercial links; and
- mutually beneficial trade and investment promotion activities.

The program will contribute up to 60 percent of eligible project costs, with a minimum contribution of \$25,000 up to \$250,000 depending on the nature and duration of the project.

### ***ii) Private Sector Linkages Program***

This AusAID program supports the establishment or expansion of long-term links between Australian market-oriented enterprises (private businesses and government business enterprises) and counterpart enterprises in selected developing countries (China, India, Indonesia, Laos, Malaysia, Pakistan, Philippines, Thailand and Vietnam).

Development activities that may be considered for funding support include:

- short-term training and secondments for representatives from market-orientated enterprises in developing countries;
- pre-feasibility, feasibility studies and expert advice where there is a high probability of subsequent supply of Australian goods or services;
- pre-investment studies for joint ventures;
- demonstration, adaptation and supply of Australian technology or equipment; and
- short-term training and feasibility studies.

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<sup>1</sup> ASEAN-Australia Economic Cooperation Program.

<sup>2</sup> Including environmental management, transport, biotechnology, IT&T, and agriculture/agro-based industries.



Eligible applicants include Australian businesses, industry associations and government business enterprises.

Contributions under the PSLP range from \$25,000 to \$250,000, and successful proposals will be provided up to a maximum of 50 per cent of total eligible activity costs incurred by the Australian applicant.

### ***D2.5 State Programs***

State governments play an important role in assisting the formation of linkages between firms. State governments, particularly those in the smaller states, tend to have fewer formal industry programs, (there is little point in a state government duplicating a Federal program).

Where formal programs do exist, they generally target SMEs and often focus on enterprise improvement or regional issues (such as employment). Nevertheless, there are several programs at the state level that aim to develop linkages between firms. Box D1 provides some examples.

### **Box D1 Examples of State government programs relating to inter-firm linkages**

#### ***Victoria's Strategic Partnering Service***

The Strategic Partnering Service is administered by the Victorian Department of Business and Employment. The aim of the program is to assist Victorian companies to become more internationally competitive by finding them an overseas partner to expand their business. Companies are required to develop an individual company profile in conjunction with the Office of Trade and Investment containing relevant business information and the desired partnering opportunity they seek.

#### ***Queensland's Export Advice and Inquiry Service***

The Export Advice and Inquiry Service is administered by the Queensland Department of the Premier, Economic and Trade Development. The Trade and Investment development Division (TIDD), in collaboration with other government agencies, provides assistance and advice to businesses on export opportunities and overseas markets.

The TIDD acts as a facilitator and networker for businesses with proven export capability by providing referrals to specialist agencies, market advice, market information and introductions, complementing Austrade activities.

#### ***NSW's Co-operative Development Fund***

The Co-operative Development Fund is administered by the NSW Registry of Cooperatives, part of the Department of Local Government and Cooperatives. The Fund provides assistance with the development and growth of networks and has been created to help co-operatives to assess new market opportunities and develop improved business practises.

Funds are available to both existing Co-operatives and new enterprises wishing to ascertain the feasibility of incorporating a co-operative business.

Assistance is available by way of a subsidy of up to 50 per cent of the cost of engaging a mutually-agreed specialist or consultancy service for advice in fields such as: financial planning, feasibility studies, business planning, market research, production techniques reviews, product development studies, quality assurance programmes and training of key personnel.

#### ***Queensland's Manufacturing Investment Register***

The Department of Business, Industry and Regional Development maintains a register of Queensland manufacturers seeking specific and general project investment (such as capital, joint venture or equity partners, technology, or market development). The Register is updated and republished every six months. Copies are distributed throughout Australia and internationally to interested organisations such as major investment companies, financial institutions and Australian embassies.

The role of state government in providing *information* is a crucial one in the formation of linkages between firms. State industry departments (and their equivalents) work closely with industry, and are very much 'hands-on' in their approach. Frequent contact with business people and their operations provides the opportunity to collect a great deal of information about a company's strengths, constraints and opportunities.

With a detailed knowledge of an industry and the local firms within it, state governments act as conduits for information flows between firms and are in a unique position to informally assist in the formation of linkages between firms, without using formally structured programs. For example, an industry department may alert firms to an upcoming opportunity that requires them to work together, or it might suggest possible partners to a firm that requires skills and expertise not contained in-house.