

# The CLUSTERING ALLIANCE

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Clusters Asia Pacific Inc. is a network of development practitioners – a member of the LEED Group (OECD, Paris) with links to The Competitiveness Institute, the IEDC and UN agencies. Primary circulation of our newsletter is 690, and then onto thousands.

**Mission:** To improve the competitiveness of industries and localities in the Asia Pacific region - by enhancing cluster-based development initiatives. We connect the dots!

## Highlights of this edition

- And don't forget the Telematics cluster
- Report from hamburger chef, David Dodd in Louisiana
- Tech transfer at the Indian coal face
- OECD says 'get the right people together'

## New Orleans aftermath

*Paquita Lamacraft (now based in the UK) has a story and a request of you.*

In 2001 I went to Louisiana to study the whole art of regeneration of a cultural precinct and contribute to planning a vibrant music precinct in northern Louisiana – the start of the careers of Elvis, Hank Williams etc. I was asked to contribute to the Music Industry Strategy development in New Orleans and in the process, I fell in love with the city and its passion. It sated the senses in every aspect - music, food, art, and the true understanding of life/work balance. I met with industry leaders dealing with cluster development, writing strategies etc. Many of the centres were headed by people who elected to work in New Orleans for considerably less than they could earn elsewhere. I had the privilege of working with some of the most delightful people and talented performers who are world draw cards when they tour, and some precociously talented young musicians, not yet 18 years old.

Once Katrina's fury had passed, the world watched the events in New Orleans with genuine sadness. The city is one that has brought such great pleasure to so many and has been the genesis of the two truly American born gifts to the palette and the senses: Cajun food and jazz. The Big Easy was an attractor to musicians from all over the world.

The Aid Agencies will address the physical and infrastructure needs of the city. But it is the musicians who understand the unbelievable loss for their fraternity. They have lost all their equipment, their instruments, their writing – everything but what they could take with them. Here is one story from the Boston Globe:

[http://www.boston.com/news/local/massachusetts/articles/2005/09/05/finding\\_rhythm\\_relief\\_after\\_katrina\\_ordeal/?rss\\_id=Boston+Globe+--+City%2FRegion+News](http://www.boston.com/news/local/massachusetts/articles/2005/09/05/finding_rhythm_relief_after_katrina_ordeal/?rss_id=Boston+Globe+--+City%2FRegion+News)

Juan LaBostrie is one of the top sound technicians in New Orleans. With his colleagues, he has set up the Piano Fund. Its goal is to quickly restore the means to continue to the musical fraternity of New Orleans and do so free of charge. Can you help? No matter what country you are in, the donations of equipment can be directly shipped to the temporary relocated musicians. <http://www.katrinaspianofund.org/#Donate>

## Armidale + Narrabri + Gold Coast

*Last month I listed what I felt were Australia's top 10 physical clusters. I was inundated with queries about my parentage and sexuality. Below are some of the respectable replies.*

**From Roy Powell** at CARE Armidale NSW 2350 Ph: (02) 6771 3833 [www.care.net.au](http://www.care.net.au)

"Armidale NSW has established excellence livestock research and its worldwide application, particularly in genetics research and beef quality (CRC), beef cattle performance and breeding technologies. Most of the main cattle breed societies have located in Armidale. To a lesser extent, these technologies are applied to dairy cattle, sheep and other livestock.

Also, Narrabri has become a national centre for research and development of cotton (CRC) and the various technical services that underpin world class production of cotton. Many of the post-farm handling and marketing operations are also locally based.”

**From Jim Fountain** at Gold Coast City Council - [jfountain@goldcoast.qld.gov.au](mailto:jfountain@goldcoast.qld.gov.au)

“I just received your recent publication re clusters and in particular, physical clusters. I think you have missed a beauty i.e. the Gold Coast Marine Precinct at Coomera. Been established about 5-6 years from absolutely nothing and now about 70 marine firms there, close on 3000 employees, private investment of \$175 million plus and probably up to \$175 million in export turnover.’

**From Tony Sorensen** at UNE’s School of Human & Environmental Studies - [Tony.Sorensen@une.edu.au](mailto:Tony.Sorensen@une.edu.au)

“Sometimes clusters emerge ‘by accident’ and one of the most important I’m aware of – certainly in terms of cluster size relative to the size of the host economy – is Armidale’s beef cluster. This brings together the CRC for Cattle and Beef Quality hosted at the University of New England, the Animal Breeding and Genetics Unit (AGBU), Agricultural Business Research Institute (ABRI), the Beef Industry Centre of the NSW DPI, and numerous headquarters of cattle breed societies (e.g. Hereford, Angus, Charolais, and Limousin). I suspect that these also dovetail in with wider research on expert farming systems and other livestock CRCs for sheep and poultry. Armidale hosts the intelligent end of the beef business. None of this was planned synoptically. It just happened.”

### **And don’t forget the Telematics cluster!**

‘Regarding your top 10 clusters, the next time you revise the list the telematics cluster could be in there. It involves inter-related components i.e. attraction of investment (already confidential discussions have been held with large OEMs and others); export facilitation (the cluster has spawned a number of new exporters in the ITS/telematics field); conduct of the clusters themselves (supported by the Victorian Government and NICTA) - attracting numbers of about 80-100 per event; industry demonstrator projects; a technology roadmap and a national capabilities handbook (400 listings in the telematics value chain in Australia).

I have argued that the creation of a new ‘niche market’ industry in Australia (featuring extraordinary growth rates globally - 72% growth in the Asia Pacific and 47% in Europe last year) can only be achieved if the above aspects are taken as an integrated whole (innovation systems approach). Anecdotal evidence has indicated that this initiative has served to accelerate the forward plans of the automotive OEMs in Australia by at least two years - telematics is now a ‘gold star’ project under the recently signed ICT Framework Agreement between Taiwan and Australia. I have had expressions of interest, since the beginning of this initiative, from at least 7 countries. funding from the Australian Government has been tripled by an industry contribution now well in excess of \$1m, which is good for an embryonic industry.”

Best wishes, John Humphreys, MD Global Innovation Centre Pty Ltd & Leader, National Telematics Industry Initiative GPO Box 2395 Brisbane Qld 4001 Email: [johnh@globalinnovation.com.au](mailto:johnh@globalinnovation.com.au)

### **Tech transfer at the Indian coal face**

Dr. Victor Pantano, TT Leader, at the International Automotive Research Centre in Warwick (UK) has written an interesting paper entitled: “India’s Manufacturing ‘Coalface’ – A Deep Seam of Potential?”

There are numerous stories of suppliers sourcing from low wage economies such as India and China. One commonly cited antidote for traditional manufacturers in developed nations is to innovate and increase the rate of technology transfer, through the creation of a ‘knowledge economy’. The ‘knowledge economy’ relies on two vital components – the generation of knowledge/technologies followed by application or implementation. In a manufacturing context, the implementation usually takes place on the shop floor or at the ‘coalface’. It is here that innovation and technology transfer often breaks down, particularly within economies suffering cultural, behavioural and attitudinal inertia. Unfortunately this is not often recognised.

Dr. Pantano gained first-hand experience of the difference in implementation within the Australian and Indian manufacturing subsidiaries of a global automotive OEM.

The organisation wanted to capture downstream manufacturing knowledge (in tooling, stamping, assembly areas) and feed this back to engineering, product development/design to establish a Knowledge Management System (KMS). A web based system ensured knowledge capture at source - shop floor operators, supervisors and manufacturing middle management. After management approval, the entry is

sent back to the originator with associated feedback. At all times the user is kept informed of progress (via electronic 'Noticeboard') indicating that their input and knowledge is a valued organisational asset.

The KMS was launched in Australia, but modified when introduced on the Indian shop floor. The differences were significant and in terms of transfer ease and adoption, clearly in favour of the Indians. Australian manufacturing can be likened to the UK - traditional and suffering from troubled industrial relations – thus making new technology introduction highly political, bureaucratic and overly complex.

The Indians are not burdened with the same baggage. Indian shop floor operators thrive in this type of organisation - understandable given the previous primitive conditions where workers were not allowed to talk with superiors and hierarchy was entrenched. In the KMS implementation, the Indian workers appreciated the communication and openness between management and the shop floor and the ability to be able to discuss and participate regardless of title and rank.

The average age of the manufacturing workforce in the Indian subsidiary is 30 years – all highly educated, at least a degree and most with masters. A high proportion spend 12 hours a day at work/travel, and a further 3 - 4 hours at night studying. This underscores the desire for personal achievement and improvement. Many of the male shop floor operators are motivated by the need to provide for not only their own family but that of their siblings and parents. But there is an overwhelming sense of hunger – a hunger to do better, to learn, to develop, to succeed. They are extremely enthusiastic to learn new things and apply them in their work.

What's this mean for the 'knowledge economy'? Current attention is focused on the generation side – but without associated swift appreciation of implementation cultures, these policies will most likely fail. The results for manufacturing in developed nations will be dire. (This work was part of Victor Pantano's Ph D studies, supported by his supervisor, Professor Cardew-Hall, Head of Engineering at the ANU).

Source: MuNet.

### **Pundits corner**

My dad is Irish and my mum is Iranian, which meant that we spent most of our family holidays in Customs.  
- Patrick Monahan (Edinburgh Fringe Festival)

### **Sutherland's cluster program – success factors**

*Last month, we listed our top 10 cluster programs in Australia, and promised to provide further details. Well, time has slipped away – but we have managed to extract some information from Richard Walker (CAP Board member) on the cluster program run by Sutherland Council (in Sydney's southern suburbs)*

Supported by all political parties, Sutherland Shire Council, and its Economic Development Committee, produced an integrated economic development plan. The main aim was to ensure that increased employment opportunities are available locally for the highly skilled workforce. The plan included:

- establishment of a business incubator, and a one-stop business advisory and export center for SMEs.
- attracting a University presence locally.
- strengthening links with TAFE, community colleges and high schools.
- facilitating and promoting tourism.
- developing a newsletter for the business community.
- building a business database for research and communication purposes.
- identifying and nurturing industry clusters.
- ensuring that land is protected and redeveloped to meet the needs of modern businesses.

I always have sold clusters [business networks in some cases] as an important part of an economic development process in a particular region. To succeed you also need to have the complementary incubator, higher ed [Uni/TAFE] institutions, an effective Vocational Guidance system at School and Uni/TAFE, a one-stop shop providing industry with info [involving Local Council, DSRD, Austrade, DITR, BEC] plus an effective Local Environment Plan for industrial/commercial land use.

### Report from hamburger chef, David Dodd in Louisiana

Shreveport, Louisiana, 5 September: Shreveport is in the opposite (Northwest) corner of the state of Louisiana from New Orleans (320 miles away) was literally physically untouched by the storm, but we have certainly been impacted, as has the entire U.S. The city is entertaining 25,000 "guests" in shelters, homes, hotels, etc. I spent the afternoon cooking 1,300 hamburgers for refugees (so strange to say that word about U.S. citizens) and we're going to do it again on the morrow, a Yank holiday, Labor Day, which is ironic as the region devastated by the hurricane produces 1/3 of the entire state's economic output.

The devastation is taking center stage, and no one can deny the plight of those still needing help. But what is NOT being shown are the thousands of acts of kindness occurring on a daily basis in cities like Shreveport all over Louisiana, Texas, and many other states in the region. New Orleans will rebuild, to be sure, but the consensus here is that it simply will never be the same.

Tens of thousands, will never return, and most business that can will locate on higher ground. Baton Rouge, the state capital 75 miles north, is projected to double in size over the next year. We here in the hinterland are expected to increase in population by 5,000-10,000, which is not insignificant as we are only about 350,000 in total regional population.

Many thanks to all my mates who have called and e-mailed. Although it's been six years (waayyy too long) since my last trip down under, I still sing the praises of Australia to anyone who will listen and continue to encourage stronger ties between our nations. An editorial that ran the front page of our local paper – its themes of collaboration, different regions working together, and the potential of the clusters in New Orleans to play a major role in helping rebuild their economy.

Cheers, and my usual sign-off with a twist: "Praise the Lord and pass the collection plate"-- this time to the International Red Cross, if you please. Preacher.

### OECD says 'get the right people together'

In the above context, the OECD has weighed in with a key report 'Micro-policies for Growth and Productivity' that identifies the policy priorities for western governments to achieve industrial growth.

It emphasises skills, incentives for continuous training, tripartite agreements for enterprise training, fostering knowledge-based management and entrepreneurship, access to venture capital, and the benefits of information and communications technology.

The OECD report also recommends enhancement of public research (e.g. centres of excellence), promotion of industry-science links, stimulation of competition among educational institutions, and the linking of higher education to government-financed R&D. Brendan Nelson will be itching to jump into these agendas!

However the most insightful recommendation is that governments should foster collaborative networks, and focus on getting the right people together. The OECD's is absolutely spot on. Developed economies will not be price competitive with China, India or Taiwan in a whole new range of manufactured and processed goods. The pressing need is to establish joint ventures with companies in these economies – it is fanciful to expect to be compete with them.

### Avoiding the Tsunami for Australian industry

As Australia moves to negotiate a free trade agreement with China, Australia's imports from China are running at \$17.9 billion (2004), vastly outweighing our exports to China (\$11 billion). China is our biggest source of imports - doubled in five years. Clothing and footwear are still big items, but now substantial imports of sophisticated products - computers, telecoms equipment, office machinery, monitors, projectors.

The economic rationalists argue that this is competitive advantage at work, and that consumers and resource companies are the big winners. But the risk is that our agriculture and manufacturing base will cop a king hit. There is talk in Canberra about our automotive components sector facing very serious job losses – in the tens of thousands in Melbourne and Adelaide when the FTA takes effect. Our whitegoods and machine tool industries are also in the gun, and we haven't had a recession for 12 years!

The AiG has released a very good issues paper about addressing the future of Australian manufacturing. One model ('micro-reform' model) focuses on microeconomic foundations - incentives for innovation & export market development, regulatory relief, skills development, workplace reform, environmental sustainability, transport infrastructure, further tax reform etc. This is essentially the current federal policy.

The second model is more specific to manufacturing – let's call it the 'strategic support' model – involving an industry assistance package for manufacturers. It would support global best practice in Australian manufacturing, with incentives that facilitate process and productivity improvements, stimulate export growth and import replacement, accelerate the pace of innovation and new technology, lift the returns on skill development investments and improve efficiency in energy management.

This article appears in the October edition of Local Government Focus.

### **Richard Florida + spatial entrepreneurship**

In an increasingly global market, American industries must better use the country's innovative spirit to maintain its competitive advantage. In a July 19 forum hosted by the Woodrow Wilson Center for Scholars, author and professor Richard Florida drew lessons from his newest book, *The Flight of the Creative Class*, to offer a three-part recipe to keep that spirit alive: technology; talent; and tolerance. Unlike traditional factors of production like natural resources and prices, Florida argued that entrepreneurial talent is highly mobile, forcing the U.S. to compete to attract the best creative minds to the country. His recommendations included policies that loosened stringent student visa requirements enacted after 9/11, efforts to control housing prices near entrepreneurial hubs and policies that promote economic equality and social tolerance.

Summary of his talk at [www.publicforuminstitute.org/nde/reports/061905-flight.htm](http://www.publicforuminstitute.org/nde/reports/061905-flight.htm)

Source: National Dialogue on Entrepreneurship

### **Regional investment**

The Standing Committee on Primary Industries & Regional Services (2000) concluded "Without action to stop the reduction of services...and a new focus for investment in regional Australia, we face the danger of Australia being divided into two nations". This view was supported by the report of the Regional Business Development Analysis Panel (Keniry et al, 2003).

A key reason for the "two nation" divide is capital market failure - lack of available investment vehicles and instruments appropriate to the infrastructure needs of regional communities. To explain, the public private partnership (PPP) approach may be OK for encouraging private investment in metropolitan infrastructure such as roads, bridges, tunnels, railway and airport terminals where the cost is \$200 million or more.

However, at the regional level, the capital required for a natural gas spur line, a bridge repair or a water treatment plant is commonly less than \$20 million. These projects are too small to attract fund managers. Moreover the big end of town says that the governance structures in many regional areas (councils included) are not professional enough to generate proposals for serious consideration.

A consortium of companies has been formed to address these issues. It proposes to improve the quality of both infrastructure and business investment proposals, and to then bring them forward to identified investor groups. In other words, it aims to get the right people together. Contact us for more information.

### **CAP pushes forward thinkers – let's hear from you!!**

CAP members share experiences - across disciplines, industries and regions. We seed ideas and push forward innovative thinkers. Are you one? We assist students grappling with cluster-related issues and access best practice experience - from the OECD, World Bank, TCI, the UN, industry associations, universities etc. We get to know each other, and the spin-offs happen more or less naturally.

### **Reading**

A new book on clusters has just been published - authors are E. Giuliani, R. Rabellotti, M.P. van Dijk - 'CLUSTERS FACING COMPETITION: THE IMPORTANCE OF EXTERNAL LINKAGES'.

<https://www.ashgate.com/shopping/title.asp?key1=&key2=&orig=results&isbn=0%207546%204461%208>

### Strange range of clusters in USA!!

The September 2005 issue of Fortune Small Business contains an interesting piece on business clusters. "Secret Capitals of Small Business" profiles a number of communities that host a strong and unique niche business cluster - small groups of firms have been able to both collaborate and compete. In the process, they have developed a local environment where specialized firms can grow and prosper. The article profiles the following regions and clusters: Birmingham, AL—Orthopedic Surgery, Central Florida--Virtual Reality Software, Central Massachusetts—Medical Imaging, Durham, NC--Weight Loss Centers, Minneapolis/St. Paul, MN, Cardiac Devices, Phoenix, AZ—Helicopters, Sturgis, SD—Firearms, Wichita, KS—Light Aircraft.

Go to <http://www.fortune.com/fortune/smallbusiness/articles/0,15114,1095013-1,00.html>

Source: National Dialogue on Entrepreneurship (USA)

### Important Notice: About this newsletter

- Distribution is to CAP members, plus special contacts, particularly overseas. We are continually streamlining the distribution. New readers replace those not in recent contact. If clusters and collaboration are not your scene, please tell us – you will not offend.
- Contact us for advice, to make connections, to let off steam, push a point of view etc. Readers' views are not incorporated in this newsletter unless authorised by the author.

### Select conferences

**2-5 October, Gold Coast** – Tourism Futures conference [www.tq.com.au/tfconf](http://www.tq.com.au/tfconf)

**25 October, Adelaide** - Manufacturing Prosperity Conference. Annual event. PM Howard spoke in 2004.

**7-11 November, Hong Kong** - TCI's Annual Conference.

### Membership matters

- Visit our website at [www.capinc.com.au](http://www.capinc.com.au) It provides an overview of industry clusters, recent publications, CAP newsletters since January 2002, key events etc.
- CAP members share substantial information and ideas. We give each other leads, assist with tour itineraries, make submissions to Government, speak at conferences, help people find jobs - and generally try to make the world a better place. We look for collaborative partners. We are apolitical, and have a 'no dud' rule to help us.
- There is no copyright on this newsletter – feel free to send it on, or copy it into your Board papers! Ideas or suggestions for our newsletter are welcomed.

Go with verve and style.

Rod Brown, Executive Director

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