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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,
DEFENCE AND TRADE

Reference: Australia's relationship with India as an emerging world power

FRIDAY, 13 OCTOBER 2006

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**JOINT STANDING COMMITTEE ON
FOREIGN AFFAIRS, DEFENCE AND TRADE**

Friday, 13 October 2006

Members: Senator Ferguson (*Chair*), Mr Edwards (*Deputy Chair*), Senators Bartlett, Crossin, Eggleston, Hutchins, Johnston, Kirk, Moore, Payne, Scullion, Stott Despoja and Webber and Mr Baird, Mr Barresi, Mr Danby, Mrs Draper, Mrs Gash, Mr Gibbons, Mr Haase, Mr Hatton, Mr Jull, Mrs Moylan, Mr Prosser, Mr Scott, Mr Sercombe, Mr Snowdon, Dr Southcott, Mr Cameron Thompson, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

Members in attendance: Senators Ferguson and Payne and Mr Barresi, Mr Scott, Mr Snowdon and Mr Wakelin

Terms of reference for the inquiry:

To inquire into and report on:

Australia's relationship with India as an emerging world power with particular reference to:

Trade and tourism including investment opportunities

The defence relationship

The strategic possibilities for both nations resulting from increasing globalisation and regional imperatives

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Committee met at 9.36 am

CHAIR (Senator Ferguson)—I declare open this public hearing into Australia's relationship with India as an emerging world power. This is the second public hearing of this inquiry, which is being conducted by the Joint Standing Committee on Foreign Affairs, Defence and Trade. Our focus in this inquiry is on building upon a bilateral relationship that is positive and mutually beneficial. As part of this review we will be considering trade and tourism opportunities, our defence relationship and any strategic possibilities for both nations resulting from increasing globalisation and regional imperatives.

In addition to traditional areas of trade, such as resources, education and tourism, the committee has noted that opportunities also exist in a range of research and services sectors. The committee hopes that insights into Australia-India business links provided by companies such as Qantas, BHP Billiton and the National Australia Bank will build on the useful information provided by earlier participants at the Sydney hearing, including ACCI, Telstra and Woolworths. This morning we will be hearing from the National Australia Bank, the Australia-India Council and CSIRO.

[9.37 am]

CLYNE, Mr Cameron, Executive General Manager, Group Development, National Australia Bank

CHAIR—Welcome. I must advise you that the proceedings here today are legal proceedings of the parliament and warrant the same respect which proceedings in the respective houses of parliament demand. Although the committee does not require you to give evidence under oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the committee may be regarded as a contempt of parliament. The committee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the committee will give consideration to your request. I now invite you to make a brief opening statement, if you so desire, after which we will proceed to questions and discussion.

Mr Clyne—In the interests of getting to questions, to allow you to ask the questions that you feel are most important, I will simply say that we are very pleased to have been given the opportunity to present before the committee. We consider India to be a very important economy. It is the fourth largest economy in the world and our seventh largest trade partner. As Australia's largest bank, we are increasingly developing relationships with India and are happy to explore those with you.

CHAIR—We will start with your already confirmed plans to extend your accounting and finance outsourcing arrangements. Could you expand on those arrangements and give us some idea of particularly what the advantages are but also what you are intending to do?

Mr Clyne—Certainly. Approximately 12 months ago, we established an outsourcing relationship with a global third-party vendor to provide us with accounts payable services. They have located that in Bangalore. We saw that as an opportunity to in a pilot sense start to explore what benefits there could be offshore. On a global basis, our banking competitors are establishing very substantial offshore operations in India, which is providing them with a range of advantages, and we were keen to explore that. We felt that it was appropriate to start on a small basis because we wanted to determine a range of issues and ensure that everything worked, from technology to risk management to infrastructure. We set a series of six performance standards that we expected to be reported on in terms of how effectively the process worked for us, and all six have been exceeded, which led us to announce six or seven weeks ago an expansion of that. The pilot only involved 24 positions. We are going to expand another 81 positions. Also in that time we have opened a representative office in Mumbai. I should say that our accounts payable and financial processing is in Bangalore, but we have opened a banking representative office in Mumbai to start to explore opportunities for further banking and trade activity in India.

CHAIR—Why Bangalore?

Mr Clyne—Bangalore was where the vendor that we partner with suggested. But we are currently looking at a number of other potential offshore opportunities, and they would most

likely not be in Bangalore—we would start to spread into other areas, such as Jaipur and Chennai as well as Bangalore and Mumbai. Bangalore emerged as a bit of an information technology and business process services hub, and a lot of the major global vendors are located there. I have travelled very frequently to India. It is not full—that would be a simplistic statement—but we would also take a risk view that says that we would not have all of our operations in Melbourne, either. We spread them around the country. So we would be starting to look at other locations. But there is a critical mass of skill in Bangalore.

CHAIR—Did you deliberately choose India because in the view of the bank it is an emerging world power or it is going to be a centre of business activity for the region or were there other reasons why India was chosen?

Mr Clyne—We chose India because we saw it as being a very important economy. As I said in my brief address, it is the fourth largest economy and it is our seventh largest trading partner. We look at it from both sides of the equation. We are a significant bank—with \$400 billion in assets, we are the 25th largest bank in the world—and we are lending a lot of money to companies that are doing business in India.

In fact, in preparation for appearing today I spoke to a lot of our business customers right across the country, and those from regional Australia right through to major corporates are seeking money from us to invest to create export goods and services to send to India and also China. So we look at India very closely. We are very interested in the stability of India as an economy, because we do not want to find the Indian economy starting to perform poorly with us having significant exposure there through our lending relationships. We have always had a view to India, and that is why we felt that it would be useful for us to also participate in India and get a much closer sense of it. Because of that, we now have a lot more of our executives travelling to India and understanding India, which helps us make commercial assessment about the money that we are lending to Australian companies investing in India.

Mr BRUCE SCOTT—How do you see your move to India benefiting Australia? A couple of the things that we are looking at, obviously, are bilateral relations and trade opportunities for Australia. But how do you see this providing a benefit to Australia's economy?

Mr Clyne—I see the benefits in a number of ways. When I have been in India and talked to Indian organisations, the fact that we are doing business in India means that they look upon us favourably in terms of our export relationship. They see it as a two-way flow. If we had a conversation with the Indian business community and said, 'We're very keen for you to buy a lot of our widgets, but we aren't interested in any of your services,' that would be a more difficult argument to have with them. So it certainly opens up a dialogue. We see that as benefiting Australia.

The second element is that, if the services that we procure from India are cheaper than they would be in Australia—and there is clearly a labour arbitrage in existence at the moment—that is money that we are investing back into the Australian economy as well. We are reinvesting that. We are in fact in the process not of closing branches but of opening branches at the moment. I know that sounds like it is back to the future. With respect to perceptions that us taking jobs into India may be denying Australians opportunities, we currently have a range of positions that we are seeking to fill and cannot fill, particularly in our front-line staff. So I think there are a

number of benefits. There is a trade benefit and a reinvestment benefit. There is a difference in the skills that they are providing and the skills we are looking for that makes it a pretty strong economic argument.

Mr BRUCE SCOTT—Can you describe or explain the difference in the regulatory regime between our system and their system in India? Are they comparable? Do they have full reporting, financial records, financial markets and things like that?

Mr Clyne—Yes. I will break that down into a number of elements. Certainly at a broad level, one of the attractions of India is that they have a rule of law that is in common with Australia. So we feel that at least there is a basis for common law and intellectual property protection. That exists at the broadest level. If you then step down a level, us having a relationship with an Indian organisation or a global organisation that is supplying services in India does not in any way change our obligations with regard to financial reporting standards, data privacy services standards, customer confidentiality or occupational health and safety standards. In fact, we insist that anyone supplying a service to us in any country, even an outsourced supplier in Australia, China or New Zealand, adheres to workplace standards that we would find acceptable in this country. In many respects, our service providers adhere to that environment.

At the next level we, as a major global bank, are subjected to a range of regulatory regimes—things ranging from anti money-laundering provisions to Sarbanes-Oxley reporting standards. Irrespective again, we have to consolidate all our activity back into that environment. We have no regulatory concerns in that respect with the suppliers in the Indian organisations that we deal with.

There is a separate discussion on the Indian banking regulation because that is still relatively closed compared to this market. The vast majority, approximately 74 per cent, of the Indian banking system is public sector. There is about 18 per cent which is private sector Indian banks and the remainder are foreign banks. There are limits on ownership by foreign banks wanting to buy into the Indian banks except if they are in distress. We are not particularly keen on buying distressed banks. As an Australian bank, we are regulated by APRA, so if we owned an Indian bank we would come under their jurisdiction and control. Obviously, what APRA is concerned with is protecting the Australian deposit holders, which is quite appropriate.

In that sense, there is a pathway to reform that they announced in March 2005 aimed at opening up the system. That suggested that the banking system would open up by 2009, but that is a bit of a work in progress. That will be a critical issue. Opening up the banking system is generally a fairly critical issue for economic growth domestically, particularly if they have issues in their rural economy with getting finance for agriculture.

CHAIR—I do not think we had better start on rural economies.

Mr BARRESI—I note in the information we have that you have decided not to involve customer contact roles and that all customer data is to be stored in Australia. I particularly want talk about the storing of data in Australia. Is that due to domestic sensitivities or are there still concerns in India about their capacity for tight security arrangements with IT and information? Is there something about the Indian system which causes you to have some concern, apart from domestic issues here in Australia?

Mr Clyne—No. I will break that into two parts. Firstly, I will deal with the customer contact. What most people think of in that context are call centres. We do not have call centres located in India and we do not have any foreseeable plans to put call centres in India. That is for a combination of reasons. It is not just necessarily due to customer sensitivity. I have spent a lot of time with banks in the US and the UK who have call centres in India and who indicate that they have better customer satisfaction ratings out of those call centres. We like to maintain a relationship with our customers in Australia. We feel that that interaction is very important, so we do not have call centres in India.

On the second part, with respect to data privacy and the maintenance of customer records, we do not have any concerns with the suppliers that we are dealing with. We do not have customer data stored overseas but we do not have any concerns with them there. It is an economy that is growing very fast and there are various tiers of supply with respect to people who are providing business process and technology services. We are only dealing with top-tier suppliers—generally, global suppliers who have the strictest regimes. Having been to these centres, if you omit the taxi ride from the airport to the centre and were just inside the centre, you would think you were in New York, London, Sydney or Hong Kong. There is state-of-the-art security in the centres we deal with. There are no mobile phones allowed on the premises, no phone calls, no physical paper. There are exactly the same data security standards you would see in any of the leading financial services centres. As I said, there are tiers of supply because the economy is growing. You would certainly have suppliers further down the food chain that are not anywhere near that standard, but as Australia's largest bank, in no way would we engage any supplier that did not have the highest standards.

Mr BARRESI—With respect to the pilot program involving 24 accounts payable, your submission states that you saw an increase in productivity, a reduction in error rates and some great process improvements. Why would that be the case? That is a comparison with how those functions are being performed in Australia?

Mr Clyne—Yes.

Mr BARRESI—What are they doing over there that we are not doing?

Mr Clyne—Accounts payable does not represent the most stimulating job. We found it very difficult to fill those roles in Australia. Most of those 24 positions, if not all of them, were temporary or contract people. We found it very difficult to fill them. The people who did fill them did not have a great desire to attempt to improve the process. The relationship we have with the outsource supplier of the 24 people who now do it is such that they are all fully-qualified university-educated accountants, so they are bringing a much higher skill level to the job and they are also bringing a degree of additional training in things like process improvement, productivity and re-engineering, and have brought huge benefits in terms of changing the process. Ultimately it is to our benefit because they are obviously now starting to process those things more efficiently.

Mr SNOWDON—Are there any impediments in terms of the federal structure in India to doing business?

Mr Clyne—Yes, there are. It is difficult to look at India as India. It is made up of 26 states—I can't remember the exact number—and they are extremely different. There are differences in dialects and regulations. Certainly, you do need to have a strong understanding of that structure to make it work and, yes, there certainly are impediments involved in cross-state trade.

Mr SNOWDON—Can you give us some examples of what those impediments might be?

Mr Clyne—Differences in regulations, differences in taxes, different policies and procedures. It does not hit us so much as a bank, but our customers who are doing business in India say that, particularly with the physical movement of goods, there are significant problems with infrastructure in terms of the ability of the road and rail networks to keep up. Also, there is a very significant problem as you move from state to state in terms of levies being charged and different regulations on what goods can be carried. It can become an enormous effort to move goods a relatively short distance due to both those physical and regulatory constraints.

Mr SNOWDON—Are there any sovereign risk issues?

Mr Clyne—Not that I am aware of, no.

Senator PAYNE—In the previous hearing and from some of the other submissions, major Australian companies involved in India have commented on some of the restrictions on having foreign employees in senior roles in their organisations. Does that also impact NAB?

Mr Clyne—We have staffed our representative office with Indian nationals. They are people who worked for us in Australia but who have relocated back there. Obviously all the staff in our outsourced venture are Indian. We actually thought that was important, because I think one of the ways for us to develop a greater understanding of the market is to have local Indians there who have the connections and the ability to integrate—as opposed to sending someone like me over there to wander around and think that I can understand it. I have heard that people do have issues, but we have taken that deliberate approach to using staff. As we expand, we may run into that issue.

Senator PAYNE—That is interesting. The other thing which I would be interested in your view on as a major Australian corporate engaged in business in India is the bilateral relationship between the two countries.

Mr Clyne—I think it is emerging. At a macro level I would suggest that there is some way to go. We would say that it probably needs to elevate back towards that trade and globalisation view about what both parties can bring to the equation. At the moment I think a lot of the focus is a little narrow around things like offshoring, which is an important part of the equation but there is a much bigger picture. If you look at the growth statistics, you see that it will continue to grow at seven to eight per cent GDP growth. It is a relationship that is strengthening, but it probably needs an enormous amount of focus given their size.

Senator PAYNE—So focus at the government to government level, you would suggest, for starters?

Mr Clyne—Yes.

Senator PAYNE—In an effort to develop it as beneficially as possible in strategic terms for both countries, are there particular areas that you would suggest targeting?

Mr Clyne—I think infrastructure is a clear point to raise. I did not want to open up the debate about the rural economy earlier. I will give you an example that I found pertinent on my last trip to India. The National Australia Bank are the largest lender to the agricultural community in Australia and New Zealand. We have a significant agricultural presence through our banks in Scotland and the north of England. So we take a very significant interest in the agricultural community and have specific expertise in lending, from soft commodity interest rate hedging at one end right down to the farm gate.

The food spoilage rate in India is 30 per cent. It is sub two per cent in Australia. They need massive supply chain investment and they need consolidation of agriculture. They need help in that area. There is an enormous opportunity for us as a bank to participate in financing that infrastructure, providing asset finance around the consolidation of agriculture and bringing about mechanisation. It is a huge social issue for India. It would require, I think, a government-to-government view about the banking system to allow greater participation in that sector and perhaps open it up to greater foreign investment.

There are some political issues in that economy. Some sectors of politics in India hold a view that the consolidation of agriculture will degrade the traditional way of life. That is obviously a barrier to an important part of it. That is why enormous opportunities will subsequently flow to Australian organisations if they get into that area. I have picked that because it is an area to which we as a country would bring, at every level, from banking through to supply, enormous expertise to a pressing social problem. But it is something which requires government-to-government engagement on those issues.

Mr WAKELIN—I would like to ask a question to do with this narrower focus—one might even refer to it as ‘protectionist tendencies’—and agriculture. I think agriculture highlights that to a degree. I do not know whether we can explore that much more—you have already covered it very well—but you might like to add something. I would like to hear your perception of India—which has a population of 1.2 billion while we in Australia sit here with a population of 20 million—and the scale of this thing. When we were in Sydney taking evidence at the last hearing, we gained the impression that we are not that big compared to the giant we are dealing with. Could you comment on that?

Mr Clyne—We are not, and to me India remains one of the last great travel experiences. When you first go there, it is clearly overwhelming. There is a size issue and, if you look at some of the trade flow data, they have trade flows that exceed vast sectors of our entire economy. There is an overwhelming thing. Probably why I led off on that agricultural angle was to say that it is like in business: when you are a small company, the way you differentiate against a big company is by finding a niche where you have genuine capabilities that other people cannot replicate. We have the same argument. We are the 25th largest bank in the world. That seems big, but the top 10 banks in the world are astronomical, so, if we are competing against them, we have to find small niches where we have genuine expertise, because you do get completely overwhelmed.

Having said that, I find that, more than with many of the countries we engage with across Middle East-Asia in a broad sense, there is an enormous affinity with India. I was at the Prime Minister's speech to the Australia India Business Council some weeks ago, and he made reference to cricket. You can trivialise it but you can actually form a relationship quite quickly, which is important in business. When you are standing around outside a meeting waiting to go in, you immediately have something to talk about and you are not working through a translator. That might seem trite but in business that is a very important thing because, at the end of the day, you are dealing with people.

I would round that out by saying that we have to take advantage of that affinity because we have it and a lot of other countries do not. Also, our relationship has to be focused on those niches where we can generally make a contribution against what will be the second largest economy after China in not too long.

CHAIR—I am trying to understand this, where you kept talking about the relationship. When the National Australia Bank decided that they would proceed with this venture into India, did all the initiative come from you, from the Australian side? Is there any reaction from India? Is India encouraging people to come in there? Or is it just something that they will accommodate if somebody, like the National Australia Bank, shows an interest, rather than looking to broaden the relationship? I do not know whether you can see what I am trying to get at. I do not know whether it is just happening because you want to go there or because India is saying: 'Listen, we're emerging, and we need to look at all these other ways and means of expanding our trading and business relationship with the rest of the world, so we will give encouragement and seek out companies like the National Australia Bank.'

Mr Clyne—We are being sought out via proxies, if I can use that term. In our case the major global technology suppliers—IBM, Accenture and so on—with very substantial Indian operations obviously come to us heavily promoting India. Banking is a very global thing and we are looking at what others are doing. So it is not necessarily a government agency in an Australian sense that is promoting Australia or New South Wales or Victoria with 'Come and do business'; in our case it is coming via those suppliers as agents or proxies. But it is definitely being marketed both ways. We are interested and they are coming to us, but it is not the government coming to us, where you might have Tourism Australia or something marketing it. It is coming via them. They are massive organisations, rapidly growing. Some of those organisations are adding staggering numbers—500 to 1,000 staff per week—so they are getting to the point where they are very, very big organisations.

CHAIR—One of the reasons I ask—and I am going to put it to our next witness—is that, whenever we conduct inquiries similar to this with other countries, usually embassies or high commissions fall over themselves to try to get submissions in to us. They want to do everything they can to encourage it and promote it, but I must say that we have had a less than an enthusiastic response from the Indian Consul General. That is why I wondered how outward-looking the Indian nation itself is in attracting business, tourism and every other form of trading commodity from outside. We have just found it quite unusual.

Mr Clyne—My answer would support that in the sense that we are seeing it via the companies but we have not had, even though we have been dealing with India for some time,

that engagement. I would say as a side point that the Australian High Commissioner in Delhi has been extraordinarily helpful in helping us set up our representative office in Mumbai.

CHAIR—He is one of our best.

Mr Clyne—That has been of enormous help, and he continues to maintain regular contact with our representative office in case he can do anything to help our relationship with India, so that is perhaps a contrast.

Mr BARRESI—I have been thinking about the particular group of potential customers. Are there any pressures—both from their perspective and yours—on the NAB to engage in microcredit or microfinance in India, particularly in its smaller communities, as a way of perhaps reaching out beyond the corporates?

Mr Clyne—Only in a very limited sense. The Reserve Bank of India, in our discussions with them, have said to us that it is a pressing need for them. They feel that one way of actually starting to promote development is if they can get in some sort of banking structure, probably on a microfinance basis. They have not specifically asked, ‘Would you do it?’ They have said, ‘We would look favourably on banks that were prepared to move into microfinance.’

Mr BARRESI—Are you thinking about it?

Mr Clyne—We are thinking about India as a whole. It is a question as to what is the right way to participate in this.

Mr SNOWDON—So there is no requirement for India or for you to provide loans at a less than market rate to any groups of people?

Mr Clyne—No.

Mr SNOWDON—So they do not have any social investment from banks in that respect?

Mr Clyne—Certainly not that I am aware of that would apply to foreign banks. As I said, 74 per cent of the Indian banking system is public sector so they may very well be. In fact, there has been, as has been the case in China, some use of those public sector banks to facilitate social investment, but there is no provision that I am aware of that private banks engage in that.

Mr BARRESI—Have there been any spin-offs here in Australia from having a presence in India of Indian businesspeople that are coming to Australia, saying: ‘We know the NAB. They have credibility back home. As we’re now in Australia, we’ll go to them as well’?

Mr Clyne—Not that I am aware of.

Mr BRUCE SCOTT—Do you have plans—maybe this is in-confidence information—to expand? Is this a toe in the water?

Mr Clyne—We will most likely expand our offshore presence. As I said, we started with the pilot. We have announced the second phase of that pilot. We have been quite open all along that

we would like to do it in a measured fashion, because you have to look at the risks along the way, but our plans would be to continue to expand.

Mr BRUCE SCOTT—You have chosen Bangalore as the place to go into. Were there areas that you would find it more difficult to go into? Were they encouraging you by a strategy—and we have it in Australia—of certain states giving incentives to bring a major event or a major company into their region?

Mr Clyne—It is linked to the chair's question in the sense that the outsource supplier suggested Bangalore and it is where they in turn have secured incentives from the government. The supplier we are using runs four huge, university size campuses across Bangalore in which we represent 24 of 5,000 people. Whether or not that organisation secured incentives from the Bangalore government I do not know as we are one step removed.

Mr BRUCE SCOTT—Is the service that you have there to serve customers in Australia or globally?

Mr Clyne—Australia.

Mr SNOWDON—If you were to make an observation about the most significant risk factors involved in investing in India, what would they be?

Mr Clyne—We would not see a significant risk factor with what we would be doing at this point in time. We would look at different risk factors as to the customers that we lent money to. Then we would be looking at things like—

Mr SNOWDON—the infrastructure and things.

Mr Clyne—Yes, the infrastructure and things. But in terms of what we are doing, because these are generally very mature global organisations supplying, we do not see the risk factors.

Mr SNOWDON—Perhaps I will turn it around just slightly. If you were providing advice to potential investors—your customers—what sort of things would you highlight as the issues that they had to be most concerned about?

Mr Clyne—It would be infrastructure; it would be the ability to attract and retain people in a high-growth economy; and it would be monitoring the ongoing opening-up of the financial services system which then would facilitate greater engagement. They would be the three things I would advise.

CHAIR—Is the rupee a tradeable commodity?

Mr Clyne—Can I come back to you on that one? It may be, in a limited sense.

Mr BRUCE SCOTT—It could be fixed to a US teller or it could be currency that is traded.

Mr Clyne—If I may take that on notice we will provide an answer to you.

CHAIR—Mr Clyne, thank you very much for coming before the committee this morning. Your information has been most useful. Let us hope that at the end of it we can come up with a reasonable report which advantages all of us. Thank you very much.

Mr Clyne—My pleasure.

[10.12 am]

GRIBBLE, Mr Darren, Chairman, Australia-India Council, Department of Foreign Affairs and Trade

ROBERTSON, Ms Carol, Director, Australia-India Council Secretariat, Department of Foreign Affairs and Trade

CHAIR—It is my pleasure to welcome you to the hearing. I must advise you that the proceedings here today are legal proceedings of the parliament and warrant the same respect which proceedings in the respective houses of parliament demand. Although the committee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the committee may be regarded as a contempt of parliament. We prefer that all evidence is given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the committee will give consideration to your request. I invite you now to make a brief opening statement and then we will proceed to questions.

Mr Gribble—My prior life was as the Australian High Commissioner in India from 1994 to 1997. That was almost four years in India. After that, I have continued a portfolio career. At present, I am the Chairman of the Australia-India Council. I am the special trade representative for the state of Victoria for India. I am the adviser in Australia to the Confederation of Indian Industry and I also do some consulting work for Australian business in India. So I have been involved with this relationship for the past 12-and-a-bit years and I would like to mention that, over that time, there have been some changes which I thought I would note in my opening statement.

You will see that the membership of the council at present is about half that of what was when it was first established. The Order-in-Council said that there could be a maximum of 14 people. I think the knowledge and capabilities of the membership at present match with the priorities of the council, so that the members that we have at present are not just people who attend four quarterly meetings of the council but are people who have given very generously of their time and who take leadership roles in particular programs.

The way in which the council has worked has changed from those earlier days. At the beginning it was probably driven by the grant application process and now that is balanced off by the council undertaking a more proactive role in program development. By way of example, in having a smaller council, each year half the council visits India. The purpose of that visit is crucial. Firstly, it is to review some of the past programs that we have had in place in India. Secondly, it is to prospect for new things that we might do in India. The third element of it is that we would manage to raise our profile while there and to maintain our network of contacts in India. Through these visits we have been able to establish what I would call a brand in India which is quite well known, both in society and also in government and business circles. We have established some very good stakeholders in India.

I would like to mention that the Indian side, I think back in 1995, established a counterpart body to us called the India Australia Council. The Confederation of Indian Industry provides the secretariat for that council. It is run on different lines to us. It does not get money from the government for its programs. But that relationship with the Confederation of Indian Industry, through the IAC and the confederation itself, has proved very valuable to us in putting in place some major programs.

Over recent times, with the development of the internet, our communication with the public has changed. We now do our public advocacy, as it were, through our website. We have a newsletter called *Australia-India Focus*, which we produce jointly with the Australia India Business Council, and that is also available through the internet. I think a smaller council has enabled us to be more cost effective and to focus more on programs than on administrative expenses, and the people that we have been able to invite to join the board have been outstanding people, eminent people in their own particular fields.

Moving on from that, I would like to say that the council itself has five core programs in the categories of the arts; education; the social area, particularly health and sport; science, technology and the environment; and public awareness. I was listening to your questions to previous witnesses and I would say that we see our role as one of very strongly supporting and increasing the awareness of Australia in India, particularly the awareness of our capabilities and excellence. We put more of the balance on promoting Australian excellence and capabilities in India than we do on promoting India to Australia.

My personal view is that there is somewhat of an imbalance in the relationship—in other words, the Indians have a positive but narrower view of Australia than we would like, and we see part of the role of the council as enhancing that role of Australia. The council has been quite effective over the past few years. It is more strategically focused than it was at the outset. I think it makes a major contribution in particular to what our ambitions might be in the areas of education, trade, science and technology as well as in some of the strategic areas where we facilitate second-track work on the strategic relationship, strategic issues. I will leave it at that; thank you for the opportunity to say a few words.

CHAIR—Mr Gribble, you probably heard my question to the previous witness. As I said to him, when we are conducting inquiries along this vein with many countries, which we have in the past, usually their embassies or their high commissions are enthusiastic in their willingness to contribute by way of submission, by way of public evidence to anything that we are doing which furthers the relationship between Australia and whatever country it may be. But there has been a significant reluctance on this occasion on the part of the Indian High Commissioner and the Consul-General in Sydney to become even remotely involved with this inquiry. Knowing the current high commissioner's predecessor, who was always very keen to speak to this committee, I wonder whether you would have any idea why there would be a reluctance on their part? Do you know the high commissioner?

Mr Gribble—I do know the current high commissioner and we as a council have considerable dealings with him and the high commission. It is not a high commission which has great resources. It would not have the sorts of resources that we have in India. Perhaps he takes the attitude that this is an Australian matter where we are gathering information for ourselves here in this particular inquiry. I do not think I can add any more than that.

It is not as though it is a lack of enthusiasm on their part about the relationship, except that I would say I was in Sydney at an Australia India Business Council luncheon some weeks ago and the Prime Minister was speaking on that particular occasion. There were 540 people at the lunch. It was a large audience. I remember the impact of one of the statements that the Prime Minister made at that time, which drew on his discussions with Manmohan Singh, the Prime Minister of India. He said words to the effect that Dr Singh said to him that it surprised him—Manmohan Singh—that there was so much in common between Australia and India and yet at that time we had ‘so little to do with each other’.

CHAIR—How much input does your council have from Australian Indians—Indians who are resident in Australia—and how much do they influence the sorts of things that you might consider doing as a council both in India and Australia?

Mr Gribble—We have quite a strong interaction with the non-resident Indians who are here in Australia. They are quite strong in terms of applying for grants and part of our membership is non-resident Indian Australians. They take an interest in the council but they would not take as much interest in the council as they would, say, in the activities of the Australia India Business Council. I think over the past few years the membership of that organisation has grown considerably. Of course, from an Indian’s perspective they probably have two reasons to participate in it: their attitude to industry organisations—their culture of that is stronger than our attitude might be in Australia—and I think they would also see that, besides the benefit that they get from the business side, it is a matter of them also being able to have some collaboration with people of their own—

Senator PAYNE—Thank you for talking to us this morning. I was at the same lunch to which you referred and was struck by the enthusiasm of those attending. In fact, I had the chance to speak to our previous witnesses at that event. But when I read the submissions, both of government agencies and corporate players of the two nations, it seems to me that there is a lot of feeling of standing on the edge of enormous opportunity but not quite taking the next step. I do not know why I get that perception. I thought the NAB were very positive this morning, and they are obviously extremely keen about the potential for their continuing engagement in India. But I do not get that perception from all the submissions that we have received. I wonder whether you think my perception is inaccurately placed and, if so, perhaps you can disabuse me of it.

Mr Gribble—From the Australian point of view, there is a far greater awareness of and interest in India at this particular time.

Senator PAYNE—Than the reverse?

Mr Gribble—Than the reverse. If you look at the Australian interest, part of it is generated by the fact that there is an enormous amount of trade that takes place, though a large amount of that has been in the area of commodities. The challenge is to generate more activity in what I would call the non-commodity sector. There is a willingness to get involved, but while the opportunity is large it should not be assumed that it is necessarily an easy place to do business. Sometimes when you hear a lot of presentations about India, you might say that they are heavily promotional without giving the balance of some of the difficulties of doing business there.

I am digressing a bit from the council's activities, but let me go back to when I went there in 1994. I came from the former Department of Trade before the merger to form DFAT. If you go back to that time, the interest in India came from what was happening in terms of deregulation. In other words, the economy was starting to open up from what had been a very closed, introverted economy—one where there were a lot of quantitative restrictions and very high tariffs. That part of the economy opened up, but the thing that has really taken it to a new level is the recognition and the drive of the Indian entrepreneurs. There are companies in India—for example, Tata, Reliance, Birla and the IT companies such as Wipro and Infosys—that have unleashed their capabilities and done extremely well and provided a lot of opportunity for the private sector to deal with the private sector.

Senator PAYNE—I am also very interested in it from the council's perspective, in your engagement at the second-track dialogue level, particularly on security issues. I understand that that happens with ASPI. Can you tell us some more about that?

Mr Gribble—Four or five years ago, when there was a less intense relationship at the official level between the two governments, there was an approach to the council to facilitate, if I can use that word, this second-track dialogue between ASPI on the Australian side and those on the other side. I guess at that time most of the people on the other side came from JNU, one of the major universities in India. It was an opportunity where we could discuss on that track some security issues that were not necessarily easily approached on the more formal government track.

Senator PAYNE—What would be the focus of the security issues you were discussing? What sorts of issues and areas did you focus on? For example, I read recently—I think in the *Fin Review*—that there are ongoing internal security issues, particularly in relation to Assam and petroleum resources in Assam. There are big problems in India in terms of trying to balance their purchasing strength and having their own petroleum resources. There are those sorts of things. Where is the focus?

Mr Gribble—When it started, it was not in that sort of area. From my point of view when I went there—

Senator PAYNE—It was more broad geopolitical?

Mr Gribble—Broad geopolitical issues were the ones that were discussed.

Ms Robertson—It covers issues like maritime security, our defence relationship and counterterrorism—more the general strategic relationship. That complements the first-track discussions.

Senator PAYNE—So it was not so much talk about their own internal challenges, of which Assam is just one small example.

Ms Robertson—Not at the second-track level, no.

Mr SNOWDON—In your introduction, you said that Indians have a narrower view of Australia than we would like. What did you mean by that? Could you elaborate.

Mr Gribble—Indians tend to look outside. They tend to think of the larger countries. The United States would be the first place they think of. Then there would be the European countries. We fit in as part of the ‘look east’ policy of the current government. At the end of the Cold War period, the Indians rearranged their international priorities and relationships. Australia is significant, but we would not be seen as being as significant as some of those other countries that I have mentioned.

If you get down into the other areas—say, students and education, and technology—they would not necessarily think of us as being the first place to go for education. They would think that they would go to a university or one of the recognised schools in the United States or in Europe, particularly the UK. If you look at the area of technology, they may recognise us as having significant contributions to make in the field of agriculture because we practice in similar sorts of situations, but they would not necessarily think of us as having a contribution to make in the area of biotechnology, for instance.

So we as a council took on biotech as an issue because we had an opportunity to support Sir Gustav Nossal in a visit to India to give an eminent persons lecture and we got him to do some other things such as making contact with industry and with the research people in India and perhaps giving the council some idea of where it might make a contribution. He came back and recommended that there be a workshop et cetera, which there was. As a council we also engaged a consultant to go and identify where we might be able to make a contribution. Professor Suzanne Crowe, who is on the council, and I on our visit called on some of the biotech organisations and we called on the government departments in order to get a feel for it ourselves. The thing we came away with at that time was that, when people thought about biotech, people were thinking about the United States and they were thinking about Europe; they were not thinking Australia had a significant contribution to make there.

We do have one outstanding connection with India in the field of biotech, and that is that there is a lady in Bangalore. She would appear on the front cover of Indian business magazines. She would probably be the richest and most successful business lady in India. Her name is Dr Kiran Mazumdar-Shaw. She did part of her education here in Australia, in Ballarat, at what was the predecessor of the University of Ballarat. Somebody like that has some potential to be a champion for us in that particular field. Otherwise, they do not necessarily think of Australia.

Mr SNOWDON—Do you mind if I ask one other question? It is more at the macro policy level. The Doha round was notable for the group of nations, India included, which took a very strong view about non-agricultural market access protection. Obviously we have a view about that in terms of freeing up world trade. Do you see the council having a role in trying to influence or impress upon the Indians the need for opening up their trading system?

Mr Gribble—The council has not addressed that particular policy issue. We see that as something that is for the department itself to address in its arrangements with the Indian government and as something to be addressed in other multilateral forums. That is really outside of what we would do.

Mr SNOWDON—I am just picking up on this. You have had the discussion about defence at a macro level. You have not seen the need to explore this area?

Mr Gribble—We have not got into what I would call those policy issues. We have been a facilitator of the second-track process as distinct from being the initiator of or a participant in the second-track process.

Mr BRUCE SCOTT—You were saying therefore that India will look at other countries than us and yet we are strategically much closer than them and we want to expand our trade and investment opportunities with India. We see a potential there, and I acknowledge the work that you are doing as a council. But do we have to do more at a government level to create the awareness within business in Australia? How do we get that awareness so that they look to us before they look to America? Or is that it we have to find niches where we are better than other countries and so they would naturally think of us? I know that they have the policy of looking east now. Is there something that we are missing, that we are not doing? Is it that government has to do more? How do we get them looking more at us? We want to look at them; obviously business wants to look at them. But, unless there is that two-way dialogue, maybe we will miss some of the opportunities. It probably goes to something that you said—that there is the lion and the mouse, and we are probably the mouse. Is the size a problem for us?

Mr Gribble—If you look just at the business side of the relationship, you can draw an analogy with what it was like with Korea going back a decade or so. We had a very heavily biased trade towards our interest in Korea. The Koreans did not take much interest in us until such time as they were able to sell cars and whitegoods and got interested in our technology because they were very good at commercialising that sort of thing. So, in some ways, on the business side of it the Indians have picked up what has happened in the last few years. What is very important to grasp is that, in the IT area, they have come to Australia and most of the large IT companies are represented and have some business interests in Australia.

The other area they are particularly interested in is the area of resources trade, so that you have investment in Australia in copper mines—and, of course, if you had a coalmine they would be very interested to become involved in that. So, on the business side, we are engaging them more in terms of attracting their investment to Australia. That is in the private sector. It relates in part to the entrepreneurial spirit that has come to the fore in India that was probably cramped; it was not given room to expand during previous days.

Do we have to do more? We see ourselves as the council as making a contribution in the area of raising the awareness of what Australia has to offer. I go back and underline this by reference to our excellence and our capabilities. We have to bring that to the notice of people in India, to build networks in India where we are more appreciated. But the facts of life are that they would perceive at this time in certain areas that other countries may have more to offer. So we have to run twice as hard.

Mr BRUCE SCOTT—What about tourism and flights in and out of India to Australia? Are they another one of those linkages which have fallen behind and which do not allow that interaction of tourism, trade and awareness?

Mr Gribble—Once again I will go back to my Korean analogy. The thing that happened in Korea was that students started to come and tourists started to come when we started to have some direct flights, and that started to build up a much greater awareness. That is happening now with India. The education sector has been very, very successful. In terms of students that come to

Australia, the tertiary level system in India is excellent, so a lot of people who come to Australia come to do postgraduate work. The other thing that comes into it with the student business here in Australia is that a number of the people that come here are people who will seek permanent residency here afterwards. So, if you look at the performance of the Indian community in Australia, they have been quite outstanding in terms of the contributions that they have made.

Mr BRUCE SCOTT—Is there a geographical focus in terms of the students coming in for tertiary or other studies? For example, is it Western Australia because it is geographically closer, or Northern Australia or Queensland? Which education institutions is it? Is one university that is putting in a big effort, say, the University of Queensland or the University of New South Wales? Are any of them particularly putting in bigger efforts than others?

Mr Gribble—No. Going back to my time, they used to go there and have roadshows where they marketed their particular degrees. It is a fairly even distribution in terms of their interest. It will depend upon what they want to do and what they perceive as the best institution to go to. It will also depend on how well that particular institution has marketed itself. More of the market may have gone to Victoria than, say, would have gone to South Australia—because I think people do get an incentive to go to South Australia and to regional universities in terms of the points that they get for their permanent residency. They get an additional five points or something like that, so there is some initiative there to try and balance that up.

Mr BRUCE SCOTT—One of the things that has opened up the dialogue with the United Arab Emirates through Dubai is these direct air links to every city in Australia daily. I think that has created the awareness and the trade and then obviously the investment in education and a whole lot of things. That is why I asked that question about air traffic.

Mr Gribble—Yes, I am sorry; I will come back to that.

Mr BRUCE SCOTT—I think without that you would not have the opportunity. There is not the transport link, for a start; it is seen as even more remote. I think we have Qantas appearing later today, haven't we?

CHAIR—We have Qantas appearing this afternoon.

Mr BRUCE SCOTT—I am just wondering, roughly—there is no roadway there; you have to fly there—whether we have enough air traffic between our two countries. That is another of those things that will help the business and the education and flow through to tourism and obviously an awareness in our countries.

Mr Gribble—I endorse exactly what you have said. The tyranny of distance is one of those factors which probably contributes to them having a narrower view of us than, say, some nearer countries. The air links are improving. There have been some direct air links by Qantas to India, and also I am aware that Qantas is doing some code sharing with Jet Airways, one of the domestic private airlines, from Singapore to various destinations in India. But I think it is very important that the air links be improved.

What follows from the education side of it and the person who takes permanent residency is that, as the Indian families are great ones for following, there will be a multiplier between the

student who comes here and then the visits, the family reunion and all that, which follow. Air links and tourism are very important, as is education in terms of building that awareness of Australia in India. And of course then there is the setting up of alumni back in India. The establishment of alumni was probably very important between, say, Malaysia and Australia, and I think the same sort of thing will apply. There is nothing like word of mouth. If people speak about us in India as being very positive towards Indians when they get here and as having quality education then that is a message that is going to get around pretty quickly.

Mr WAKELIN—The Australia-India Council has been going for 15 years, and I note that the DFAT submission talks about supporting Australian commercial objectives in India. I will just ask a question about the three bonus, disparate but hopefully connecting issues. It costs about three-quarters of a million dollars to run the Australia-India Council. What changes have we seen in that 15 years, and what might we consider to develop the role further? And should we? Obviously it is functioning well, but I am just wondering what—

Mr Gribble—In terms of changes, I just go back to one of one of the points that I made in my opening remarks, which was that the focus has gone to getting some balance between program development that we the council undertake ourselves, as distinct from what I would call applications by the public to do things, so that we have been able to focus our activities. The area of HIV-AIDS has been outstanding. I think it would be one of our flagship programs. The area of education, where we are now giving fellowships and we are teaching Australian studies in India, is a priority program for us. Another area is in where we have taken the new industry of sports. In Australia, we very successfully ran the Sydney Olympics, and then we had the Commonwealth Games in Melbourne.

Mr WAKELIN—That was one of my questions.

Mr Gribble—We as a council did that. Sandy Hollway is a board member of this council. I have the link to Victoria; he has some link to New South Wales. We also have the Confederation of Indian Industry in Delhi. So with those linkages we were able to run a very successful forum in India, where we were able to showcase all the expertise and capability that we have in running events like that. They are going to run the Commonwealth Games in 2010, they are bidding for the Asian Games and India will bid for, and probably will succeed at some time in getting, the Olympic Games.

Mr WAKELIN—Do they look to us? Do they value that?

Mr Gribble—That is the point; that is getting back to the niche area. This is a niche which we as a council perhaps identified. We pulled together the resources and went off and showcased that. What has happened is that there now is a joint secretariat between the two states taking those capabilities to India and to other destinations in China and to London for the Olympics there. It has been a very positive spin for us.

Mr WAKELIN—Just on this submission or policy, in terms of the various existing Australian programs—Austrade for one—what is the connection there? What is the connection between the Australia-India Council and something like Austrade or various other external Australian agencies?

Mr Gribble—We as a council do not undertake programs if another agency is going to do them.

Mr WAKELIN—I understand that.

Mr Gribble—There is quite a distinct difference between us and Austrade, although Austrade was involved in the initiative that I have just described with the Commonwealth Games.

Mr WAKELIN—I understand that. I am just interested in the connection. I would not have expected that you would do things that others are doing, but I am interested in the connection and the relationship.

Mr Gribble—If you look at the post at New Delhi, there is obviously a close connection there between the council—which would fall into the public affairs area—and Austrade and between what our programs are doing. There is some interaction there. The other one that I could mention is the Australia-India Business Council, which we do have a relationship with. I have a strong relationship with the previous chairman of that. We do a joint newsletter with the Australia-India Business Council, and we also in the past have done what I would call joint internships, where we have had a young person come from India to work with an Australian company and vice versa.

Mr WAKELIN—You mentioned—and I want to try and understand this—India's stronger cultural connection with the business organisations and said that India has a stronger connection there than Australia in terms of the way we see that. Did I take that correctly?

Mr Gribble—Yes. India has a stronger industry organisation culture than we do in Australia. As business people, we are far more individualistic. Okay, some people might be members of and contribute to AIG and other organisations. But in India the Confederation of Indian Industry, FICI—which is the Federation of Indian Chambers of Commerce and Industry—and others all have very strong membership. Their culture is that they will follow that industry organisation. That industry organisation will provide a lot of education and so forth and get them into business so that they are using world's best practice.

Mr WAKELIN—Therefore, they are very important opinion makers and leaders in terms of influencing the relationship.

Mr Gribble—Yes. The peak industry bodies in India have an important role to play.

Mr WAKELIN—The point is that they will play that role more strongly than perhaps similar bodies within our own country. The Indian business organisations are stronger than the business organisations in the Australian context.

Mr Gribble—Yes. Australian industry do not support Australian business organisations to the same extent that Indian industry support their business organisations. That is a cultural difference between the two that needs to be appreciated.

Mr BARRESI—I was going to ask about business opportunities from our sporting links and following on from the Commonwealth Games, but Barry has already asked you about that and

you have answered. Has any thought ever been given to establishing a political exchange program with India?

Ms Robertson—The Australian Political Exchange Council, which is part of the Department of Finance and Administration, has an agreement with the Indian government, which is being worked through at the moment, to facilitate exchange. The Australian Political Exchange Council is working out the modalities with the Indian government on that now and we are anticipating the first exchange within the next 12 months.

Mr BARRESI—That is great. With the links our democracies have had over the years, it would have been perfect to have had an exchange program going. Earlier, you touched on education and, to some extent, skills. Are there still outstanding issues here in Australia in terms of the recognition of qualifications in India, and how are we going about resolving them? It is one thing for us to bring people over here as skilled migrants—and India is a major source—but when they come here they do not receive accreditation through the various professional bodies.

Ms Robertson—We will have to take that question on notice. The Department of Education, Science and Training would probably be in a better position to answer that question. One example I know of is that, in our legal relationship, the Indian government is recognising some of our Australian legal degrees for Indian graduates who are going back to India. But I would have to take that question on notice.

Senator PAYNE—I have a question that, in some ways, flows from Mr Barresi's question about the political exchange process and Mr Snowdon's question about Mr Gribble's remarks that India had a positive but narrower view of Australia than we would like. Some of the bilateral councils facing similar challenges have identified in particular the engagement between young Australians and the young people of the target country—the other partner in the bilateral arrangement—as a way to establish an effective foundation for addressing those sorts of problems. Does your council have any focus on engagement between young Australians and young Indians?

Ms Robertson—Mainly through the links that we have with our universities. We do not have a specific young Australian-young Indian exchange, but we do have dialogue through the various fellowships, gatherings or conferences that we facilitate through the universities. But we do not have a direct program. I think you will find that, with some of the other bilateral councils, those youth exchanges are focusing on interfaith issues and some other issues or characteristics that do not cross over with our council.

Senator PAYNE—The Australia-Indonesia Council spent some time putting together a quite diverse young leaders dialogue in which people involved in business, media, politics, religion, education and so on—they were all under 40, although I was thinking of younger people—met biannually with some commonality of membership. I thought that was a very effective way of forming long-term contacts and relationships that pay dividends down the road in terms of the bilateral relationship.

Mr Gribble—One of the important things—and I use Malaysia as an example—is that, for people that study here and go back, there is some alumni arrangement for them to stay in place and become ambassadors for their education here in Australia.

In terms of the exchange programs, we did for a time put a bit of effort into trying to run an exchange program whereby you would have a young Indian from business come and work here in Australia for three months, or something like that, and an opportunity for young Australians to go and work in an Indian business. It did not really fly. We did not provide all the finance for that sort of thing; we provided some seed money. And it was difficult for people to secure a placement in a business organisation out here, and vice versa. It was one of the areas where we did try and do what I would call a business exchange program focusing on younger people.

Ms Robertson—I will just add that we try not to duplicate other programs through other areas. Because of the Commonwealth relationship between Australia and India, there are other areas that are funded by Commonwealth organisations where young leaders from Australia and India and other Commonwealth countries get together through the Commonwealth Business Forum. So there are other groups through the Commonwealth relationship that facilitate young leaders.

Senator PAYNE—Would it be possible for the council to provide us with some more information on those, the Commonwealth ones in particular, if you are aware of the them? That would be helpful.

Ms Robertson—Yes.

Senator PAYNE—The other aspect of your work at the moment, I understand, is a component with an arts focus through your engagement with the Australia International Cultural Council. I understand it is a campaign or a program to take an Australian arts focus to India in 2006-07. Could you give us an update on that and the details of how that is progressing?

Ms Robertson—The program is in the second half. It is called AusArts India and it is run through Mr Downer's International Cultural Council. The focus has been on film, which is mainly Australian content into the Indian film festivals, and it has a spin-off into our industry representation with the Indian film industry and Australian film industry. There is a focus on literature. In January Australia is the focus country for the Kolkata Book Fair, which is one of the largest book fairs in the world. We have got four or five significant authors participating in that book fair. We will have participation by publishers. It is an opportunity for a whole-of-government approach, actually, to sell Australia at the book fair. The numbers that go through that fair are astronomical.

Senator PAYNE—Do you know who the authors are?

Ms Robertson—I guess the most significant one attending is Thomas Keneally. I would have to come back to you on the rest of them.

Senator PAYNE—Thank you.

Ms Robertson—The other focus is on the visual arts and performing arts. We are able to include Australian content in some of the Indian festivals—the Mumbai Festival, the Jaipur Festival and some smaller festivals in New Delhi and Kolkata. There are already mechanisms within the Indian festival program, but we have some money through the council to actually put Australian content in there.

Also, one of the council's longstanding programs has been working with Asialink, which is attached to Melbourne University, in providing residencies for young emerging artists to spend up to three months in India. This is the visual arts, performing arts, arts management and literature. We will be submitting a supplementary submission—we are just waiting for ministerial approval—which will have some extra detail about some of those more specific programs that probably fall outside the terms of reference but that we thought would be of interest.

Senator PAYNE—I think that is very interesting. On the AusArts program you were talking about: when that concludes, which I think is 2007, will there be an evaluation of how effective it was, what level of penetration was achieved and what potential there is for future engagement?

Ms Robertson—I will have to take that on notice because that is run by another part of the department, but I will certainly come back to you. I am assuming there will be.

Mr Gribble—One thing I will mention, because it is talking about how we have tried to build up an image in India, is that in 1996 there was Australia-India New Horizons, which was one of those very large promotions of Australia overseas. It covered business, the arts and science and technology. It had a budget of about \$8 million in cash and kind. You will find if you go to India that people still talk about that. I think it was the best arts program that ever went across. So it is not as though nothing has been done. In really all started back in 1994 when we started to promote Australia because at that time we saw India as the emerging market.

Senator PAYNE—That is a very interesting story. Thank you very much.

CHAIR—I have one more brief question. Drawing on your knowledge as Australian high commissioner there in the early 1990s, is there a changed attitude in India towards Russia compared to what it was 20 years previously?

Mr Gribble—Yes; totally, with the end of the Cold War and the collapse of the former Soviet Union. The Indians still have a good relationship with Russia, but it is not of the intensity that it was. At the end of the Cold War, there was a realignment of India's international relations. The one that is most important to them at this particular time, be it in the economic field or be it in the strategic field, is the United States. In the Cold War days, it was anybody but the United States.

CHAIR—Are they still purchasing Russian equipment for the defence forces?

Mr Gribble—They might be purchasing some. They would still have Russian equipment, so they would certainly still have to be doing the maintenance and that type of thing, but I do not know whether they are purchasing new Russian equipment.

CHAIR—How is the new high commission building going? Is it on its way? Have you been back there recently?

Mr Gribble—I have been twice this year. I went with the Prime Minister on his visit. It was a work in progress.

CHAIR—It was. I was there in 2002 or January 2003 for the golden jubilee of the Lok Sabha, and it was just being planned. I think we had better conclude there. Thanks very much for appearing before us this morning. Your contribution is going to be valuable to us in our deliberations later on. Thank you.

Mr Gribble—Because I know that a number of you are familiar with Carol, I will just place on record that she has done an outstanding job, but she is leaving us because she is going to take up family duties later in the year.

CHAIR—Carol! How dare you.

Mr Gribble—She has always been very efficient.

CHAIR—Very much so.

Proceedings suspended from 11.01 am to 11.13 am

SHRIVES, Ms Kimberley Jane, International Relations Adviser, Commonwealth Scientific and Industrial Research Organisation

YANNAKOU, Dr Kleanthes (Anthos), Director, International, Commonwealth Scientific and Industrial Research Organisation

CHAIR—I call the committee to order and welcome Dr Yannakou and Ms Shrives from CSIRO to the hearing. I must advise that the proceedings here are legal proceedings of the parliament and warrant the same respect proceedings in the respective houses of parliament demand. Although the committee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the committee may be regarded as a contempt of parliament. The committee prefers that all evidence is given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the committee will give consideration to your request. Do you have anything to say about the capacities in which you appear?

Dr Yannakou—I have a second role, which is Chief Executive of Food Science Australia, which includes the centre for human nutrition.

CHAIR—I invite you to make a brief opening statement, and then we will proceed to questions.

Dr Yannakou—Kimberley and I are very pleased to be here today representing CSIRO before your committee. As noted in our submission, CSIRO's relationship with India dates back to our inception about 80 years ago, during which we have delivered not only scientific but also trade, cultural and social benefits to both countries. I am not going to try to recap the entire submission, but I will pick up on a few points, as well as highlighting some of the recent interactions that CSIRO has had with India since providing our submission to the committee in May.

While the focus of our interactions with India has fluctuated over time, our interactions have covered the full spectrum of CSIRO's research capabilities and have ranged from exchange visits to information sharing to investigating problems of mutual concern to participation in multilateral forums. Many of our interactions have been supported by the Australian Centre for International Agricultural Research, ACIAR. At present, India ranks 12th in the world in terms of the number of international interactions it has with CSIRO, with an average of 32 activities per year over the last four-year period. I can also add that over the last 3½ years CSIRO scientists and Indian scientists have jointly published 80 papers in international journals. Our activities include agribusiness, environment and natural resources, radioastronomy, manufacturing and construction, and minerals and energy.

Given the rapid development of science capability in India and India's increasing importance in terms of global innovation, building our interactions is now a strategic priority for CSIRO. The commonalities that exist between our two nations, including but not limited to cultural, political, environmental and geophysical similarities, add further justification to the establishment of increasing collaboration between our countries. CSIRO is enthusiastic about

future interactions with India and is seeking to move beyond the successful scientist-to-scientist project level interactions of the past into longer term strategic collaborations with partner organisations in India.

Our two countries have a number of challenges in common which our combined strengths can help address. To this end, CSIRO is enthusiastic about the creation of the Australia-India Strategic Research Fund. This fund will be a valuable mechanism for CSIRO and partners in India to deepen and broaden existing collaborations and partnerships, as well as providing opportunities to focus old linkages and providing stimulation for new interactions.

Since providing our submission to the committee in May of this year, CSIRO and CSIR India have agreed to establish a strategic partnership with the aim of targeting issues of mutual national importance under the auspices of the Australia-India Strategic Research Fund. This partnership has an initial focus on environmental sustainability, including key water and energy issues, and will build on existing work being undertaken in both organisations and will provide a platform from which to develop future actions. Importantly, combining our efforts will increase the knowledge base and help accelerate outcomes to the mutual benefit of both countries. The Australia-India Strategic Research Fund will allow greater and faster impact to be achieved by pooling the research resources of CSIRO and CSIR India.

CHAIR—Thank you. I notice that in your submission you expressed some concern about intellectual property rights and bureaucratic difficulties. Can you expand a bit on those difficulties and what they are and what sort of bureaucratic difficulties you might come across?

Dr Yannakou—Kimberley will add to this, but let me first of all say that the bureaucratic situation has certainly improved to the point where difficulties there are no longer a major barrier. As far as intellectual property is concerned, it was very important for us to ensure that when we got involved in the initiative—the Australia-India Strategic Research Fund—that intellectual property was adequately covered in the submission and in the way the program has been developed, which it has been. I would say even though they were obstacles in the past, we have made quite a lot of progress on both of those issues.

Ms Shrives—As Anthos said, it is a problem that has improved over time. It was a bit similar to the problems in China. We would be careful about what IP we took into India, though probably not to the same extent as in China, for fear of that IP being plagiarised, for want of a better term. That is something that is resolving itself and has resolved itself to a large extent over time but is still something that we assess on a case-by-case basis.

CHAIR—So you do not think the intellectual property rights are going to be a problem?

Dr Yannakou—Not in the Australia-India strategic research program. We believe that has been adequately covered. There are a lot of provisions around how intellectual property should be protected, how the licensing fees should be shared and so on—so IP is certainly not a problem in this program. But, as Kimberley said, we have to be constantly vigilant on a case-by-case basis. When we have dealt with CSIR India as a major credible partner we certainly have not experienced problems in the past.

CHAIR—What about your relationship with CSIR India? We note you had a scientist exchange in 2002-03. Was that just a one-off? Do you have regular exchanges? How close is the working relationship?

Dr Yannakou—The relationship goes back many decades. CSIRO and CSIR India have been working together through, as you said, exchanges of scientists and visits. Also, since 2003 the two organisations have been working together in what is called the Global Research Alliance, involving CSIRO, CSIR India and a number of other organisations. The organisation that I came from, CSIR South Africa, and many others form that alliance. As I indicated in the submission, the active engagement with CSIR India involves 30 or so activities during the course of the year. Having said that, the vast majority of those activities operate on a scientist-to-scientist level. They have been hampered to an extent by lack of resources—money and so on. As we indicated, we believe this new fund will allow us to raise that relationship to a more strategic level and increase our engagement with CSIR India. It is a very important relationship and we would like to develop it further.

Ms Shrives—We are in the process of discussing with CSIR India the establishment of a memorandum of understanding to build on that exchange program that we had a few years back. That is in discussion and will build on our linkages through the Global Research Alliance and formalise our view of CSIR India as a strategic partner in India.

Dr Yannakou—The reason why CSIR is so important to us is that it is really a sister organisation. It has a similar mandate and a high level of scientific competence. It has a staff of 20,000 that is involved in areas that are really important to us and where we can collaborate. And there is a strong cultural fit starting off with the two presidents, Geoff Garrett and Ramesh Mashelkar, who have been working together for many years.

Mr BRUCE SCOTT—Dr Yannakou, regarding the agreement that has been signed for \$25 million over the next five or six years, one of the projects seems to be the collaboration in the energy and water domains, which could also form a major focus for research interaction between Australia and India. Obviously, water is of significant interest to all Australians—it always has been, but there has been more focus lately. Would you like to expand on where the focus of the collaboration would be heading?

Dr Yannakou—I can make some general comments. The submission to DEST in the fund is under consideration by them. Perhaps we should not go into too much detail at this stage, because it is with DEST and they are considering the proposal. The focus of research would be in a number of areas essentially around the improvement of water quality—salinity issues, arsenic issues and so on—using cutting edge technology. Perhaps Kimberley would like to comment.

Ms Shrives—India is experiencing similar problems to us in the water area in a number of ways. The research that we are doing at the moment through the Water for a Healthy Country flagship in the Perth area on accessing underground water has strong linkages with some of the problems that are being faced in India. Also, some of the issues that we are doing around the Murray-Darling Basin have some similarities. The sorts of issues and problems that we are facing in those areas have some synergies and similarities in India. India also has some issues in relation to water data which fit nicely with the work we are doing through the Water Resources

Observation Network. So there are a lot of similarities, a lot of linkages and a lot of areas where we could be collaborating. They also have some water contamination problems, which we are looking at to see how we can help them.

Mr BRUCE SCOTT—Also, in the energy area with coal there is a similar sort of collaboration. Are there uses for coal conversions or other forms of energy?

Ms Shrives—There are strong links right across the energy domain. As we are both Gondwana land based countries, India's minerals base has similar basic elements or similar properties to our resources base. There are strong synergies in the coal domain, so we are talking to them about collaboration in that area, right through to renewables energy. One of the areas which we have been talking about collaborating in under the Strategic Research Fund is more so in the renewables area. We are also strongly discussing with India about partnership under the Asia-Pacific Partnership on Clean Development and Climate program, and that covers the full range.

Mr BRUCE SCOTT—One of the other projects is looking at increasing the living standards in India. The knowledge from that could help us here in Australia. Could you give us an overview of the sorts of living standards that people in India have? Do you have that knowledge?

Ms Shrives—I personally do not. I know that we have done a lot of work primarily through ACIAR but also a little through AusAID that has a strong focus on agricultural research and agricultural aid related research to help bring better techniques, capabilities and standards in relation to crops and so forth. In relation to the actual living standards themselves, I will have to defer that question to someone else.

Mr BRUCE SCOTT—You mentioned that, in relation to agricultural research that collaborates with India's National Dairy Development Board, there has been some assistance in animal nutrition and things like that, which has the potential to increase milk production in India's dairy herds by millions of litres a day. Has that project been up and running for a while? Where is it at? With a project such as that, once you have identified that you can assist in this area, how do you know that they are continuing to implement that in practice?

Ms Shrives—Most of those projects are done in collaboration or in conjunction with or through ACIAR. The program activities are agreed through the ACIAR-AusAID mechanisms. They will agree to them at a government level with their respective organisations in India. In relation to the follow-up, I suspect that would be a question better addressed to them. Our agreement is that ACIAR or AusAID undertake that research, whether there is then any follow-up or maintenance of the outcomes of that research, it is not always clear.

Mr BRUCE SCOTT—I would like to find that out. We have invested in these programs to assist them in their living standards or agricultural research. Can you source that information or do we have to go elsewhere for it?

Ms Shrives—We could ask ACIAR or AusAID.

Mr BRUCE SCOTT—That would be good, thank you very much. It would obviously help them enormously. We have given them the way forward, to some extent, but unless it is taken up and applied—

Dr Yannakou—Of course. In general, whether we work in India, China or the United States, we would always look for a credible partner that has a track record in the country, has credibility, has the ability to transfer the technology and so on. We would not undertake a project without a credible partner.

Mr BRUCE SCOTT—That is a good answer. Thank you for that.

Mr SNOWDON—I want to address another area of your research—your collaboration with the Central Arid Zone Research Institute in India. I am wondering how the CSIRO's involvement with the Desert Knowledge Project in Central Australia might feed into this relationship with the Central Arid Zone Research Institute in India.

Ms Shrives—I will have to take that on notice, if that is okay.

Mr SNOWDON—That is fine. I am trying to see whether there might be a way to develop that relationship.

Senator PAYNE—You have been discussing with some of my colleagues the new Australia-India Strategic Research Fund. I want to get a better handle on whether the CSIRO has the capacity assist in the development of the direction of the fund, or did I understand you to say to one of my colleagues that it is more a bid and tender process than anything else?

Ms Shrives—There is an element of both. We have been discussing the program in general terms with DEST since the Prime Minister's announcement. There are two elements of the program: a targeted allocation element and a competitive component. We have made a submission under the targeted allocation component and the focus of that part of the program is on strategic linkages between Australia and India. DEST will be able to give you more information on that when they appear before the committee. The other component of the program is competitively based and is very much about developing projects for proposals between Australian and Indian researchers and simultaneously putting those proposals through to both governments for their agreement.

Senator PAYNE—The latter, in particular, sounds like a fairly long-term, complex process in working with both governments and trying to get some commonality.

Ms Shrives—It has been modelled on the International Science Linkages program which DEST already runs, with the added complication of both governments having to agree and sign off on the proposals. DEST would be better placed to talk to you about the intricacies of that because I am not sure of how that will specifically work, but that is the agreement.

Senator PAYNE—Just in relation to the targeted allocation, I think you just described that as having a focus on strategic linkages—whatever that means in scientific terms. Dr Yannakou, I think you said you would rather not go into the detail of CSIRO's applications under that process at this stage.

Dr Yannakou—I can give you a view of the areas that we have put our proposals in and the product we have, but as it is under consideration by DEST and as it is a competitive process with other proposals, it may not be appropriate.

Senator PAYNE—Sure.

Dr Yannakou—We have put in proposals in partnership with CSIR India. We went through an involved process where we sent one of our senior staff to India to spend time with CSIR India, talking to the President on the strategic fund to indicate the areas that we should focus on, which is looking at Australia's and India's priorities and looking at common areas such as water, energy and so on. We had a major process within the CSIRO to ensure that we had the capacity and competence. In the end, we decided to put in bids in three projects. The first is in the area of water, which is using high-tech, new processes that CSIRO has developed quite a lot of expertise in to look at improving the quality of water and salinity issues. The second is around improving food crop yield in a more farmer friendly way, if I can put it that way.

Senator PAYNE—In what way?

Dr Yannakou—A farmer friendly way. I do not know what the term is. That is high-tech. It can be applied in rural areas, for emerging farmers and so on. So the second is in improving food crops and so on, and the third is in the area of renewable energy.

Senator PAYNE—Thank you. The other question that I want to ask is about the CSIRO in its role in Australia, particularly in terms of developing new research and, for that matter, new researchers, bringing on Australia's newer generations of scientists and experts. If that is part of your role, how do you go about introducing them to their compatriots in India, publicising their work and so on?

Dr Yannakou—Let me make the general comment first of all that of course it is part of our role to develop science capacity in Australia and to ensure that our scientists are given the opportunities to be the best in the world in areas of importance to Australia. It is also a fact that, as time goes on—and this is very important today—science cannot be done in isolation. A lot of science is done in collaboration both within Australia and with the leading experts overseas. CSIRO employs a number of mechanisms. We bring PhDs and postdocs from other countries as appropriate, and there are a number of schemes that facilitate that process. We give the opportunity to our scientists to go to international conferences to present papers, where they meet their peers and develop working relationships with them. In many cases, we have joint projects with organisations overseas, such as CSIR India and others, where our scientists get to know each other and develop relationships. We have secondments, staff exchanges and so on. I might have forgotten a couple, but in general this is a really critical area and there are a number of mechanisms that we use in CSIRO.

Ms Shrives—And, moving forward, we are looking to develop specific programs with India as well to further strengthen those linkages.

Dr Yannakou—I would add that one of the critical issues of course is that DEST have identified that, in the next five years or so, the country will be short of potentially 20,000 scientists, engineers and so on—

Senator PAYNE—This country?

Ms Shrives—Yes. There are plenty in India.

Dr Yannakou—so we have to start working with China, India and others from where potentially we can bring PhDs, postdocs and so on.

Senator PAYNE—That is an interesting aspect of addressing skills shortages issues which I had not really turned my mind to, I must admit.

CHAIR—Going on from what you were saying: I think the Australia-India Council earlier on today said—and somebody else might correct me if I am wrong—that they were interested in a profile in biotechnology but that in fact we had no profile in biotechnology. I am just wondering how that ties in with all the things that you have been saying. I think they said that we had no profile.

Dr Yannakou—I would not entirely agree with that.

CHAIR—It was something about raising the profile and biotechnology. I just remember them saying it.

Ms Shrives—That could be a perception that is out there. I am not aware of it. We do have a memorandum of understanding with the Indian Department of Biotechnology that is focused on how we can collaborate and interact more in the area of biotechnology. If there is that broader perception out there, it is not something that I am aware of at any rate.

CHAIR—No, it just sort of clicked as something that they said.

Senator PAYNE—Finally, I invite you to comment, if it is appropriate. In the development of bilateral relationships, it is obviously a very complex fabric and it is heavily layered, and sometimes in these sorts of discussions we are told that a certain cohort of Australian endeavour does not get enough of a profile or struggles to be engaged or something like that. Is that an issue with science and technology between Australia and India, or is the CSIRO as an organisation comfortable with the level of focus given to science and technological engagement between the two countries in the bilateral relationship and its development?

Dr Yannakou—As I indicated before—and let me expand a little bit on it—if you had asked CSIRO that question six months or a year ago I think concern would have been expressed that there were not mechanisms which allowed organisations such CSIRO to have a longer term strategic relationship with important organisations in India, such as CSIR India, the Indian institutes of technology, universities and so on. There were no inhibitions in terms of culture, language or the willingness of scientists to work together. In fact, those were all positive. But there were a lack of ongoing sustainable funds to create longer term projects and allow people to work together on major issues. That was a problem until a year ago and really a major concern regarding a country that we should be engaging with a lot more strategically and at a higher level. I could make the same comments about China. Having said that, we believe that the fund we referred to is now a major step forward and provides that umbrella, if you like, for us to move forward and develop our linkages on a longer term, more sustainable basis.

The world is a very big place. We also have to decide as CSIRO where we need to concentrate and focus our effort and where we can get the best return for Australia in terms of our international engagement. So CSIRO has been through a process of reviewing its strategy. Certainly China and India, as you would expect, I am sure, have come out as our major focus areas. We will be focusing very hard on people—people development, PhDs, postdocs and so on, and joint research programs which are of interest to both countries. So my longwinded answer is that I think it is positive and moving in the right direction.

Senator PAYNE—That is the sort of information that I was seeking, so that is very helpful. You said at the end where your focus would be. Is there also an opportunity for not so much joint ventures—I suppose that is the wrong term—but at least cooperation with the private sector that is engaged in these areas as well, and could you identify some of those sorts of opportunities for us?

Dr Yannakou—Let me make some general comments. I will identify one or two and then hand over to Kimberley to add to that. We will take it on notice and give you more information if you want. I think there are a number of opportunities for engagement with the private sector—I am talking generally again—in China and India. First of all, when Australian companies set up bases in countries such as India and require some technical research support, CSIRO would always be willing to look at supporting them in those countries, and we are already looking at that. For example, we are looking at potentially having a relationship manager based at CSIR India.

Senator PAYNE—An Australian?

Dr Yannakou—An Australian person.

Ms Shrives—A CSIRO engaged person, who could be based either out of the embassy or out of CSIR India and would be responsible for managing our relationship with India.

Dr Yannakou—We are looking at doing that both in India and in China. We have not made final decisions but we are investigating those opportunities. One opportunity is to follow Australian companies. The other one is for us to support major Indian companies such as Infosys. Our centre for information technology have an agreement with Infosys and are looking at potentially increasing their engagement with Infosys. There are a number of opportunities with the private sector. Kimberley?

Ms Shrives—I think that was a perfect answer.

Dr Yannakou—Thank you, colleague!

Mr WAKELIN—We think we heard other people saying earlier this morning that in the Indian food chain there was a very high spoilage rate.

CHAIR—You did.

Mr BARRESI—Thirty per cent.

Mr WAKELIN—That is the figure I heard. Looking at your submission, there have been examples in the grain industry et cetera of opportunities to assist in that significantly. The question then becomes: what are the niche opportunities in that area?

Dr Yannakou—Let me make a general comment and just reinforce the point that in many developing countries postharvest losses could be anywhere between 30 and 50 per cent. In parts of Africa those losses could be 50 per cent, which is tragic when you consider drought, food insecurity, malnutrition and so on. It is all very well focusing on the on-farm area, but the postfarm area in many cases in developing countries is pretty critical in looking to reduce postharvest losses. So there a number of areas. CSIRO has not been extensively involved in postfarm work in India; the majority of work in the agricultural area has been on-farm. As Chief Executive of Food Science Australia I will be certainly be looking at increasing our engagement in India.

Australia certainly has expertise in postharvest technology and losses, supply chain management and how grain could be stored more effectively; we have world-class expertise in food safety and spoilage, which could be of interest to India; and we have world-class technology in food processing—converting the raw materials fairly quickly to a processed product which could be exported or could keep longer and so on. It is a major opportunity and an area where we could engage more extensively than we have in the past.

Mr WAKELIN—That \$25 million might be used in that area?

Dr Yannakou—We have not put in a submission in that area, because the DEST proposal, the Australia-India Strategic Research Fund, has identified the areas.

Mr WAKELIN—Thank you.

CHAIR—Is the area of scientific research and the work that CSIRO does one of the most important areas of contact that we can have in our Australia-India relationship? We have already heard that there is probably less interest from the Indian side in Australia compared to Australia's interest in India as an emerging world power and a market. Is the area of science cooperation, maybe in agriculture, one of the main areas that we can concentrate on to make sure that this relationship expands?

Dr Yannakou—Having been in Australia for one year, I can only make perhaps one comment, and that is that it is an important area. How important it is compared to other areas, I am really not qualified to say. Maybe Kimberly can.

Ms Shrives—I was going to suggest a potentially biased view and say yes.

CHAIR—We do not mind that at all.

Ms Shrives—Noting that there is strong global interest in working with and collaborating with India in science and technology, there is almost an element of global competition about partnerships and so forth with India. There is an element of competing with other nations in the area. I think that their growth in science, technology and engineering capabilities, and the size of their science and technology workforce is a perfect fit with our experience and our knowledge.

There are a lot of important collaborations and a lot of complementarities between the two countries that going forward will make it an important relationship. We are more advanced than India in some science and technology areas, so in some areas that may be something that grows more over time as opposed to something that we could start tomorrow. But my firm view is yes, I think it is going to be an important element and an important plank of our relationship going forward.

CHAIR—Within the range of things that CSIRO has to offer or would be involved in in our relationship India, what do you think is possibly the most significant thing that we can do to help a country like India, where there is poverty, starvation and an enormous population? We have to look at something we can hang our hat on. What is the most significant area within your organisation, do you think—and it only needs to be a personal opinion—through which we can build and strengthen the relationship?

Ms Shrives—Environmental sustainability—and that covers things like energy, water and agricultural sustainability; so it is broad but general. That to me would be one of the most important areas going forward.

Dr Yannakou—I agree, and I think it is also important to understand Kimberley's statement a little more broadly. You cannot have sustainable agriculture unless you worry about water, what happens on the land, energy and so on. So I would agree with her that in our personal view the issue is agricultural sustainability in its broader terms, including energy, water and so on.

Ms Shrives—I would add that that is one of the primary reasons why our application for the targeted allocation under the Australia-India Strategic Research Fund is focused firmly on environmental sustainability. It is something that both countries have issues with going forward and that we can collaboratively work to address.

CHAIR—Do you think we are better placed than any other country in the world to advise or work with them on environmental sustainability? Because we have to see whether they might go somewhere else for their knowledge.

Ms Shrives—Yes, and that is a risk. I think we are in a very strong position. We have a lot of expertise and skills. The cultural, political and geophysical similarities are all in our favour.

Dr Yannakou—We both face water shortages and so on.

Mr SNOWDON—That is why I raised the question about Desert Knowledge, because that is exactly what they are about and CSIRO are a partner in it.

CHAIR—As there are no further questions I will say thank you very much. The last few statements you have made will help us a lot in our inquiry, because we have to look at some significant individual things that we can use to help make the relationship work better and that are to the advantage of both of us. I did not want to put you on the spot in asking which was the most significant, but if we do have one or two things that we can concentrate on and hang our hats on in the report it at least makes for less than the broad generalities that we tend to put in lots of things. It gives us a significant single thing that we can do. So thank you very much for

coming before the committee this morning and for your contributions. I am sure they will help us in our deliberations when we are finalising our report.

Proceedings suspended from 11.53 am to 1.01 pm

NARAYAN, Mr Aditya, President and CEO, BHP Billiton Marketing Services, India

RAMACHANDRAN, Mr MS, Chairman, BHP Billiton Advisory Board, India

CHAIR—Welcome. This section of the public hearing is informal. As the evidence being provided to the committee is from outside Australia, it is not covered by parliamentary privilege. However, it is being recorded by Hansard and will be used as part of the record of our public inquiry into the relationship between Australia and India. I invite you to make a brief statement about BHP Billiton in India before we proceed to questions.

Mr Ramachandran—Thank you very much. Before I make my opening statement, can I request that this be kept as a commercial-in-confidence submission?

CHAIR—The committee agrees to your request that this evidence be taken in camera.

Evidence was then taken in camera but later resumed in public—

[1.39 pm]

BAINES, Mr Derek, Commercial Manager, International Commercial Management, Qantas Airways Ltd

HAWES, Mr David, Group General Manager, Government and International Relations, Qantas Airways Ltd

CHAIR—It is my pleasure to welcome Mr Hawes and Mr Baines to this committee. I must advise you that the proceedings here are legal proceedings of the parliament and warrant the same respect which proceedings in the respective houses of parliament demand. Although the committee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the committee may be regarded as a contempt of parliament. The committee prefers that all evidence is given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the committee will give consideration to your request. I invite you to make an opening statement, and then we will proceed to questions.

Mr Hawes—Certainly. There are a couple of things in the submission which we forwarded to the committee on 2 June that I would like to draw further attention to. In that submission, we made reference to discussions that were taking place with an Indian carrier, Jet Airways. That came to fruition and we made a subsequent announcement on 10 August, a copy of which I have here and can pass to the secretary, that Qantas has signed a codeshare agreement with Jet Airways, the effect of which will enable Qantas to offer daily connections at Singapore on to Jet Airways services to both Mumbai and New Delhi. That is in addition to the thrice-weekly Airbus A330 which we have been offering from Australia to Mumbai. The effect of that also is that it enables Jet Airways to pass passengers to us at Singapore, providing a range of connections on Qantas services to Australian capital cities. Derek Baines might wish to talk further about that. We see that as an important development in furthering our reach into the Indian market, bringing in Delhi as an additional point but also, importantly, providing the opportunities for daily connections with a partner airline.

There are one or two other points that I think are worth emphasising by way of introduction just to place them on record for the benefit of the process and the committee. Qantas is certainly very much conscious of and attracted to the growing relationship between Australia and India and in particular the growing trade relationship. That is, as you would know, growing rapidly—at almost 25 per cent a year—and there is a very significant services trade component in that, which is seeing increased movement between Australia and India. Educational services and personal travel services figure prominently in what is, I understand, about \$1 billion of Australian service exports to India. That is something that we are conscious of and it is one of the reasons why we were attracted back into the Indian market, from which we had withdrawn in 2002.

The other thing is that the travel market between Australia and India in both directions is growing at about 26 per cent per year, which is in line with the strong growth in bilateral trade. An interesting feature of that market is that the total market from India, 107,000 passengers, is

equivalent to—or not much different from—the 109,000 passengers from Australia. We have a nice balance in the market, which is an important consideration, we believe, in terms of mutual reinforcement of that development. It is not like what we have seen in some markets over the years—for example, in Japan and other markets of that nature, which are heavily reliant on inbound travel. We have a very nice balance there.

There are two other features that we are very conscious of also. One is that the business purpose travel market is growing at an even faster rate than the market overall. From Australia to India, the overall growth rate is 18 per cent, and from India to Australia it is 29 per cent. But business travel is growing at 25 per cent from Australia and at 47 per cent from India. That again attests to the fact that the growth in trade and economic engagement with India is bringing with it both increased movements and significant growth in business purpose travel. That does not mean that we should not also be focusing on the potential and importance of leisure travel. Travel related to visiting friends and relatives is important in a market such as that, but there is also tourism potential.

By way of opening, I will leave it there. I just wanted to underline that this is a market that we see some importance in. The market share of Qantas in it at the moment is currently 26 per cent—20 per cent from Australia and 32 per cent from India. We face significant competition from midpoint carriers, whether they be from Singapore Airlines, Malaysia Airlines or Cathay Pacific, all of which have connections to multiple cities in India. That is a significant element of the competitive environment. In fact, it was so aggressive at one point that because of that and the combined impact of September 11 on world travel we had to withdraw in 2002. But we are back in there with hopes to develop more significantly in the future.

CHAIR—Thank you. In your submission to us, you have a paragraph that says:

A commitment to hold a further round of consultations by no later than October 2006 was made to ensure that Australia is in a position to tap into the potential benefits of a more liberal Indian aviation policy.

Has there been a further round of consultations?

Mr Hawes—Yes indeed. That is the next paragraph. In other words, the commitment to do that was made back in 2004. The talks took place in February 2006 and the results of that led to an expansion of arrangements. Indeed, the Prime Minister on his visit to India a few months ago formally signed off that arrangement.

CHAIR—Okay. So that commitment to have it by October was actually fulfilled by the one that was held in February?

Mr Hawes—Indeed.

CHAIR—Are Jet Airways in direct competition with Air India?

Mr Baines—Yes, they are.

CHAIR—Is Air India part of the Star Alliance or anything like that?

Mr Baines—They are not at this stage I do not think.

CHAIR—To be honest with you, I had not heard of Jet Airways. Are they a reasonably new company?

Mr Hawes—Relatively so in terms of international markets. In fact, the release that we will provide to you says that they operate more than 320 flights a day to 44 destinations across India and five international destinations, including London—that is to Heathrow—Kuala Lumpur, Singapore, Colombo and Kathmandu. The authorities that they have received from the Indian government regulators to move out into international markets are relatively recent. They are only beginning to establish a network or a larger footprint. But domestically they have been operating for a number of years. We would class them as a premium carrier. They offer a two-class service. They are a very good partner to have, we believe.

CHAIR—What sort of planes are they using?

Mr Baines—The aircraft is a 737-800 on the routes that we work with them on—the Singapore routes. They have around 170 or 180 seats.

Mr SNOWDON—Are there any unique characteristics of the Indian regulatory or governance arrangements that make it more or less difficult than flying into other ports?

Mr Baines—I believe that, in terms of the air service agreement, we currently have ample capacity to serve the current requirements of the market. The normal course of business is relatively smooth. We have discussions underway at this stage. The Indian government has imposed a 12 per cent tax on premium class travel from India. The arrangements that relate to that in terms of how it is charged and exactly how it is structured are still the subject of discussion between the board of airline representatives in India and the finance ministry there, but those discussions are ongoing and seem to be working towards a resolution. In general terms, there are no major impediments to doing business.

Mr SNOWDON—What about airports? How are they managed and controlled in India?

Mr Baines—There is a large developmental program now underway across India in airport reconstruction, redevelopment and infrastructure improvement. Certainly that is something we would encourage. The current standard of Mumbai airport in terms of the passenger experience is one that we would certainly wish to have improved over time. But in terms of operational issues, it is generally a smooth day-to-day operation.

Mr SNOWDON—Are they private concerns or are they government owned?

Mr Baines—There is some private ownership, I believe, coming into the fold, but I think at this stage they are all in government hands.

CHAIR—What about airport security?

Mr Baines—I am not aware of any particular issues. David, I am not sure if you are at this stage?

Mr Hawes—No, I am not aware of any particular issues. Obviously for Qantas to operate into a market we would need to be satisfied with either local conditions or arrangements which we put in place ourselves to supplement them. I am not aware of any specific issues that one would want to draw attention to here.

Going back to the earlier question, associated with the Indian government's relatively recent policy shift to work towards a more liberal aviation policy, accepting the importance of air transport to the continued realisations of India's economic growth potential, is that the government has seen clearly the need for an upgrading of aviation infrastructure in the country. It is something that the Indian transport minister is very conscious of. In fact, in June this year, he attended the annual general meeting of the International Air Transport Association in Paris and was given time and quite a deal of opportunity to interact with members there and to explain in policy terms where he was coming from. His and his government's initiatives were greatly welcomed by the aviation community. Obviously there is quite a job ahead. In some respects India had been lagging behind in this sector, but they are certainly headed on the right course, it is believed.

Mr BRUCE SCOTT—Thank you both for your submission. Do you fly direct to Mumbai out of Australia? And, if so, from what port, or is there a link?

Mr Baines—The current operation of three per week operated by Qantas aircraft has a stop in Darwin in a northbound direction, so it operates Sydney-Darwin-Mumbai. In the southbound direction it is a non-stop operation from Mumbai to Sydney.

Mr BRUCE SCOTT—Is that operation going reasonably well in terms of load?

Mr Baines—It is certainly improving. The market is improving and our share is also quite reasonable, so the load factors on these services are certainly improving. At this stage that is the outlook for the foreseeable future. The market is continuing to grow.

Mr BRUCE SCOTT—What is the competition on the direct route, albeit that it drops into Darwin on the way over? What is the competition on the direct route rather than via Singapore?

Mr Hawes—There is none. I should go back and point out that when we commenced the operation we were using a 747-300 aircraft, which was able to fly non-stop in both directions. The problem was, relative to where the market had been, even though we had not been in it for some time, that it proved to be too much capacity too soon. Our load factors were lower than we would have liked and it was decided—I do not suppose one says 'downsize' the aircraft—to 'rightsize' the aircraft. That was when we moved to the Airbus A330. But for technical reasons that required a stop somewhere northbound—going into the wind, as it were—and the stop chosen was Darwin. Southbound, that is not necessary. We do not face competition on the direct route. In going back into India we sought to go non-stop because it gave us a product advantage vis-a-vis our competitors, which are having to make the midpoint stop.

Mr BRUCE SCOTT—Is that a negotiated protected route? Is it like many of our other routes in and out of Australia in being limited to Qantas only? Is it a government regulation that is complemented in India?

Mr Hawes—Other Australian carriers could operate it or Indian carriers could operate it.

Mr BRUCE SCOTT—Do you only have three slots a week or is that because of the loads you are getting? Could you have six a week?

Mr Hawes—Under the new arrangements we could have many more frequencies per week than we are actually using, and those arrangements are continuing to liberalise—in other words, it is a phased increase in capacity under the bilateral agreement. But we are not up to the limits that are there. They are not landing slot issues; they are about bilaterally negotiated frequency or seat capacity. That is not an issue. There was at some stage, I think, a suggestion that Air India might come onto the Australia route, but that is going back more than a year or so now and it has not materialised.

CHAIR—Are we obliged to give them entry into Australia because we are going into Mumbai? Are we obliged to do it reciprocally?

Mr Hawes—Under the bilateral agreement there are reciprocal arrangements, yes. There are opportunities that they are not availing themselves of at this stage.

Mr BRUCE SCOTT—Is it a one-, two- or three-class service?

Mr Hawes—Ours?

Mr BRUCE SCOTT—Yes.

Mr Hawes—It is a two-class service. The A330-300 aircraft has Skybed in business class. It is our state-of-the-art A330 product with all of the IFE gizmos in economy as well.

CHAIR—What is it—about a nine-hour flight direct?

Mr Baines—It is around 10 hours.

Mr WAKELIN—Thank you for your submission. It goes back to 1947. It has bumped along and there have been plenty of challenges in there. On the issue of local costs of the services you need to purchase in India, what are they like? How competitive and challenging are they?

Mr Baines—I am not aware of any particular problems in that regard.

Mr WAKELIN—So there are no particular protectionist issues there?

Mr Baines—Not that I am aware of.

Mr Hawes—You mean in terms of services provided to Qantas on the ground in India?

Mr WAKELIN—Yes, and any other ancillary services, but mainly the air services.

Mr Hawes—None that I am immediately aware of. I do seem to recall that the cost of fuel in India may be somewhat higher than we pay elsewhere, but I could stand to be corrected on that. That is just something in the back of my mind.

CHAIR—The other night we were talking about South America. How important is a direct link in relation to tourism? This is about as direct as you can get. I suppose to know that we need to know about your passengers. Of the passengers you take into Mumbai, do you do a breakdown of how many are tourist passengers and how many are business passengers?

Mr Hawes—Yes, we do. I was talking about some figures earlier in relation to market growth.

Mr Baines—Do you want to know the numbers of Indian visitors to Australia?

CHAIR—Or Australian visitors to India.

Mr Baines—Of Indians visiting Australia, approximately 51 per cent are either on holiday or visiting friends or relatives or are here for other purposes, such as student visits, and 49 per cent are here for business reasons. Of Australians travelling to India, approximately 19 per cent are travelling primarily for business and the remainder, 81 per cent, are travelling on holiday or visiting friends or relatives or are travelling for other reasons, such as student purposes or for conferences—that sort of thing.

CHAIR—Is that for Qantas passengers only?

Mr Baines—That is the total market.

CHAIR—All?

Mr Baines—All airlines carrying—

CHAIR—All airlines?

Mr Hawes—Between Australia and India.

CHAIR—The follow-up question was to do with what we do not know, which is how many Singapore Airlines, for instance, carry to Singapore and then elsewhere. They have four or five cities that they fly to, haven't they? You have either direct Darwin to Mumbai or people have to travel by another carrier if they want to go somewhere else.

Mr Hawes—We pass them to Jet Airways to take through, with a Qantas code and Qantas frequent flyer point benefits and the like, to Mumbai daily or to New Delhi daily.

CHAIR—But you cannot go to any other centre in India, can you, with Jet Airways?

Mr Hawes—We are only putting our code with Jet Airways to those places, but that does not mean that they could not be moving with Jet Airways elsewhere on their extensive Indian network.

CHAIR—Do you know how many places Jet Airways fly to out of Singapore?

Mr Hawes—No, I do not.

Mr Baines—At this stage, they go from Singapore to Delhi and Mumbai, as mentioned, and also Chennai. That is my understanding. They have three ports.

CHAIR—But some of the most important visitor and tourist areas in India are not there. Some people might be heading towards Kashmir, although not too many have gone there lately. But there is Srinagar and places like that. That means that the only way that they can do it is by actually getting on to another carrier, isn't it?

Mr Baines—Or by transferring from Qantas at Mumbai or Delhi on to Jet Airways or another one of the Indian domestic carriers. We offer a range of airfares that allow for connections to other carriers off our services.

CHAIR—Does Qantas anticipate that the tourism market to India is going to grow at a reasonable rate?

Mr Hawes—We would hope so, certainly. There is considerable potential in that market, we believe. We also hope that there will be growth in the numbers coming in the other direction. There is one thing that I might have drawn attention to earlier. We have a minority investment but a very significant stake in Jetstar Asia, which is a Singapore based carrier. In other words, it is a Singaporean carrier using Singaporean air traffic rights and so forth. Jetstar Asia flies between Singapore and Bangalore. It has five services a week, although that is reducing to three per week at the end of this month. So there is another option for Qantas and Jet Airways to pass traffic to Jetstar Asia.

CHAIR—Bangalore has received quite a bit of mention today from the National Australia Bank and a few others.

Mr WAKELIN—With the marketing program, you work with Tourism Australia to come up with cooperative advertising. I seem to remember something—and this may not have been in India but was certainly in Asia—querying the advertising and how effective it would be. Can you give us any feedback on the advertising that was done and how you saw it?

Mr Baines—I think the program of activities with Tourism Australia is ongoing through the next financial year and beyond. We have a fairly significant investment with them in the market. It is a productive relationship that we have with them, and I think the campaign activities have assisted the growth that we are seeing. In general, it is an effective relationship with Tourism Australia and we do contribute a significant cooperative fund of cash to—

Mr WAKELIN—I suppose my purpose was to try and scratch the surface in terms of whether there is anything particularly noticeable about the advertising as you would do it from the Indian end. Is there anything particularly culturally different? Is there something that is done a little differently? I imagine it has to be done a little differently in different markets—for the Indian market, for example.

Mr Baines—The activities in each market tend to be tailored to that market. The overall campaign is a global campaign, as I understand it. I am not aware of the specifics of that tailoring for the Indian market, but I know in general terms that in each market the—

Mr WAKELIN—I am not looking to flesh it out unduly, but it must be terribly difficult to have a global campaign with all the various segments of the marketplace. We are finding, as the inquiry emerges, that we are quite interested to understand where Australia fits with India. What is it: 1.2 billion versus 20 million? And it is emerging in this way. I am trying to understand where we fit, how we fit and how we niche ourselves there in the most effective way.

Mr Hawes—I think, related to that, one can of course speak about and greatly support the efforts of Tourism Australia and what we are doing in conjunction with them, but there are sporting and cultural events which probably, in terms of exposure, far outweigh, in their pass-on value and immediacy, anything that Tourism Australia can do—that is, if you have a cricket series or a Commonwealth Games here et cetera. Hockey also fits that description.

Mr WAKELIN—They tell me Steve Waugh is pretty well known.

Mr Hawes—Exactly—he is very well known. I think that was something we were conscious of in the Latin American context that we were talking about the other evening. The fact that Tourism Australia might not be spending big money there does not mean that you cannot get leveraged exposure in other ways: events related, journalists' visits, films and so on.

CHAIR—Have either of you spent time in India?

Mr Hawes—Yes.

CHAIR—What is the attitude of Indians towards Australia as a tourist destination? Is it high on their list of priorities or would they prefer to go to Europe? I know a lot of them have family connections in the UK, for instance, so a lot of people go there, but I am just wondering what their perception is of Australia as a tourism destination.

Mr Hawes—I think it is hard to generalise. You certainly come across people who are very enthusiastic about it, who have been here for business, have family connections or have events related reasons for travelling. I think Australia would be perceived as a friendly, welcoming and safe destination in their eyes, but it is a competitive world in attracting and winning tourists. It is competitive in events, attractions and things to see. It is very competitive cost-wise against a range of other destinations, and that is why you really cannot sit back and assume that it is going to happen; you have to put effort into it.

One of the things we have seen and talked about in other contexts is the impact of exchange rate movements. With a stronger dollar in recent years, a lot of Australians have been travelling abroad at a greater rate or in larger numbers than hitherto, and some of our previously highly important source markets have tended to slow down. That is perhaps because it is now a little more expensive for people to travel within Australia than was the case before or because they are seeing other destinations that they are attracted to. So it is a very competitive industry, quite clearly, and the growth of air links and a range of market support and promotional efforts are extremely important in that regard.

CHAIR—I just wondered what would make an Indian family come to Australia, maybe to see the outback of Australia. I know that they tend more to want to see the Gold Coast or somewhere like that. I wonder what sort of an attraction Australia would have over, say, a game park in Africa. It is hard to determine, I know.

Mr SNOWDON—You will not get eaten by lions in Australia!

CHAIR—No, you will not get eaten by lions in Australia. You could at Monarto! Thanks very much. This is quite an interesting inquiry for us because we are looking at seeing what possibilities there are to build on the relationship between Australia and India. It is obvious that tourism is one of those areas that we have to look at, and the air links between our two countries are important as far as tourism in general is concerned. We will be very interested to see what we come up with at the end. Thanks for your contribution, which will help us a lot in our deliberations.

Proceedings suspended from 2.10 pm to 2.23 pm

DEAN, Professor Roger, Member, Australian Vice-Chancellors Committee**PUNCH, Ms Callista, Director, Communication and Coordination, Australian Vice-Chancellors Committee**

CHAIR—I welcome you and advise you that the proceedings here today are legal proceedings of the parliament and warrant the same respect which proceedings in the respective houses of parliament demand. Although the committee does not require you to give evidence under oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the committee may be regarded as a contempt of parliament. The committee prefers that all evidence is given in public but, should you at any stage wish to give any evidence in private, you may ask to do so and the committee will give consideration to that request. I invite you to make an opening statement and then we will proceed to questions.

Prof. Dean—It is a pleasure to be here. Thank you for the opportunity. In a nutshell, the reason that we were very keen to present the views of the higher education sector, which the AVCC represents, is that we believe those activities are just as important to the committee before which we are appearing as the topics which have already been defined—trade, tourism, defence and strategic globalisation issues. This is essentially because higher education in India is, as is its overall economy, in a rapidly accelerating phase in which Australia already plays a leading role and can play an even greater role in the future. At the moment, Indian students constitute the third-highest source of onshore enrolments in higher education in Australia. There is also the fact that higher education is one of the top five export industries in Australia. However, on top of that, education underpins very closely those topics which you have already defined in the terms of reference for this committee. For example, regarding tourism, there is a cooperative research centre in tourism nationally, of which my university is a part, which is right at the core of how that business will develop. I could make analogous remarks about the other industries that you are focusing on at present.

I will give you a brief overview of the submissions and comments that we have made before for the record and for amplification if you wish. We sent a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade in May. That was the result of an elaborate discussion at the plenary meeting of the Australian Vice-Chancellors Committee, indicating its importance. We believe that the terms of the inquiry are rather narrow in comparison with the ideal, as I have just mentioned. That was partly in the light of the visit of the Prime Minister to India in March and the Minister for Education, Science and Training's comments about India in the Brisbane International Education Forum in April 2006. I could add to that that the momentum towards national cooperation in higher education is very strong at present. Within the last two weeks, I have received two invitations, one from the state of New South Wales, with which we obviously have close relations, and one from the Australian Capital Territory, of which we are a part, to participate in international delegations to India of which education is a high agenda item.

We want to emphasise the bilateral relationship which already exists between Australia and India and the many universities with which we have connections. I would also like to add that we as a higher education sector are developing not only direct university to university links but

also research links. I believe a very interesting agenda is that of employment led education, where, for example, my university and many others participate directly with the major companies in India—I would mention Tata Consultancy as an example—to foster the needs of their workforces through our education system. That also fosters the trade and research which goes with it.

On the visit of the Prime Minister to India in March, he committed several categories of Australian funding for the Australia-India Strategic Fund and he was aware of and participated in several agreements between universities in Australia and in India. Similarly, the Minister for Education, Science and Training in the meeting in Brisbane to which I already alluded chaired a discussion of education and training portfolio leaders from across the Asia Pacific region with the same underlying agenda: that internationalisation is a necessary and critical element for all those education systems. We are a leader in that process and must retain that position.

I would add, too, that I personally believe very strongly that student and academic mobility is a key to developing international political and social stability and that we should not underestimate the importance of that. That is why I personally push very strongly for Australian students to spend time studying overseas, just as we are delighted to welcome international students to Australia. I am here—and enthusiastic to be so—to encourage you to accept the importance of education in relation to the predefined terms of reference and to the higher agenda. I guess the last thing that I would like to say in my introductory remarks is that it does look as if India could be the biggest economy in 2050, as you would be aware. It may overtake China. We have two major advantages in relation to our connections with India over China, and they are language and its background in the Commonwealth. While that is a historical factor perhaps more than a future one, it still is one as far as the education system is concerned and one that we can gain benefit from and contribute to India.

CHAIR—From the outset can I say that there was never any intention to exclude education from the inquiry. In fact, the first part of our terms of reference talk about us examining and reporting on Australia's relationship with India as an emerging world power. They then say 'with particular reference to' because there were some issues that it was suggested by members of our committee we should make sure were included. There was always an intention to discuss a whole range of other issues. They generally came about once the inquiry was advertised, when people like you realised that things like education might not have enough prominence. For instance, one of the reasons the defence relationship is in the terms of reference is that we are thinking of strategic moves in the area and many of us do not know what the exact defence relationship is. That is why they were included. In your submission you talk a lot about the need for greater student mobility and transferability of qualifications. Could you elaborate a bit on greater student mobility? What steps, for instance, is your university taking to harmonise qualifications and allow for greater mobility?

Prof. Dean—I am happy to say that the incidence of mobility is something that the government presently recognises. The Endeavour scholarships and a variety of other things which replaced the former Colombo Plan and the UMAP process are all very desirable means towards those ends. Similarly, most universities, including mine, are very glad of the loans scheme which has now been introduced for travel for students who want to study overseas, and we are contributing some of our own resources to those ends.

Ultimately we are trying to provide enough support so that finance is not a barrier to our students going to study overseas and vice versa. Of course, on average it is more of a barrier for an Indian student to come to Australia than vice versa. We do not have enough resources to overcome that, nor could we suggest that that should be a national priority. But to do what we can to catalyse it is really essential. That is how I would put our role. The reasons for it, as I think I alluded to already, are the contribution towards future economic development and future social and political stability.

CHAIR—How are Australian educational institutions viewed by the Indians? Are they very highly rated? Are there others that are preferred? For instance, is there a preference to go to the States or to the United Kingdom, which it has strong links with as well? How are we viewed?

Prof. Dean—I think we are viewed very well. We have a high-quality educational system, and that is universally recognised. We have the language. We have a very high proportional international student population. We are actually at the top of the OECD league table, or No. 2, as the percentage of international students amongst our student population varies slightly throughout the year. So we are very competitive.

I did not really address your earlier related comment about qualifications harmonisation. The Bologna process that the minister is very interested in is particularly focused on Europe but is actually a process and a scheme of higher education stages—undergraduate, master's and doctoral degree—to which we are already very closely congruent, or at least we are entirely complementary. Complementarity and consistency are probably the most important things for us to retain, as opposed to absolute congruence, because there are also issues about how we relate to the American system, which is significantly different, and where China chooses to go in the future. So I think our position is sufficiently flexible and perfectly suitable at the present and we just have to make sure that remains the case.

CHAIR—Say I have been a student at your university for three or four years and now I want to do a year at a university in India. While I am studying at your university I can avail myself of the HECS payment system in order to get through. What happens if I want to do one year externally? Do I have to fund that totally myself?

Prof. Dean—We try to encourage people to do that within degrees so that we can use an exchange system and the expenses both ways are minimised. If you completed a degree here and then wanted to do, say, one year of a master's degree there, within their degree framework you would be bound by their conditions. If it was a joint degree—we do many degrees which are two years in one country and two years in another—then you would be able to essentially use the financial system of your own country because of the reciprocity built in. There are some limitations but we are continually trying to mould that to minimise them.

CHAIR—If you were paying for an average degree—an engineering degree, for instance—through the HECS system in Australia and you were doing two years in Australia and two years in India, what would be the cost of the Indian section of your degree compared to the cost of the Australian section? Would it be cheaper?

Prof. Dean—It would be cheaper. I could not give you a precise ratio without checking carefully, but it would be cheaper and, of course, the cost of living in purchasing parity would also be lower.

CHAIR—So you could still claim your HECS?

Prof. Dean—Only if it was a joint degree and it was an exchange system, in which case what I just said would be irrelevant. But if it was a normal system—no.

CHAIR—If we are going to encourage this intercountry student relationship—which is one of the relationships we are looking for—we have to make sure that we do not put too many obstacles in the way to make it more difficult for people. Otherwise, they will either stay where they are or go elsewhere.

Prof. Dean—Yes. Until recently, one of the main obstacles has been the immigration requirements. They are perfectly legitimate DIMA requirements but are technically quite difficult to fulfil. Some of the new legislation which has just come in about the 18-month work period after graduation in Australia will encourage more people to come and will be beneficial, we believe. We are quite supportive of that.

CHAIR—Was there none before?

Prof. Dean—There were different rules which were more restrictive, in a sense. It is now much more feasible for people from India or from other countries to gain appropriate language and work experience within Australia after their degree to qualify to apply for permanent residence if they wish—which, from my perspective, is a very desirable thing at both ends.

CHAIR—It is desirable?

Prof. Dean—It is a desirable thing, yes. It improves the workforce, it enhances our diversity and it deals with problems such as we have in the ACT of underavailability of highly qualified people. The difficulty has been getting the people to go to the right place. In the ACT at the present we do not have the benefit of a regional points advantage for people studying IT which they have in some other places. That has been a problem for us specifically, but not for Australia at large.

CHAIR—I would have thought that one of the problems with people from developing countries, particularly doctors and dentists, who come to Australia and then want to stay as permanent residents is that it is not doing anything to alleviate the problems in their own country, is it?

Prof. Dean—It is not directly, but one of the beliefs that the higher education community worldwide shares is that there is a pull effect. You cannot expect somebody who gets the opportunity to make a huge fortune doing something in the US not to take it, but you can expect them to feed back some benefit from that both in encouragement and in resource. I do not think there is any avoiding that cycle within developing economies. I think that is a fairly widely shared view. In the short term, yes, you are absolutely right; in the longer term, we are more optimistic.

CHAIR—You think remittances are just as important as skills?

Prof. Dean—Not just remittances, but social contact, business contacts and all those other things which can flow from that.

Mr SNOWDON—The other side is deficiency in their own service provision as a result of their doctors fleeing to come over here. I think there are some legitimate questions because if we are de-skilling other communities by bringing over South African or Indian doctors—

Prof. Dean—But I am talking about us training people here. I am not talking about de-skilling; I am talking about upskilling.

Mr SNOWDON—It ends up being the same thing if they do not go back.

Prof. Dean—No, it does not come to the same thing. They would not have been able to study otherwise.

Mr SNOWDON—They might have there. I think there are issues there, but can I ask a question about—

CHAIR—I will just get one more in, and then I will hand over to you. The other thing about people who come and stay is the strange thing that Indonesian students, of which there are 23,000, rarely stay—they nearly all go back to Indonesia. When they have their skills, the figures I have seen show that the percentage of Indonesians who wish to remain in Australia is very low compared to countries like India and some of the others.

Prof. Dean—Yes. I think that is probably explicable largely in terms of the greater social similarity between India and Australia.

CHAIR—I think you are right.

Mr SNOWDON—How have the numbers of students coming to Australia over the last four or five years changed? Are we talking primarily about undergraduates or a mixture of undergraduates and postgraduates, and in what areas?

Prof. Dean—The numbers in the undergraduate category are much higher than the postgraduate numbers. There has been a progressive expansion of both in the order of five per cent per annum averaged over that period. There is a progressive trend towards a higher proportion of postgraduates amongst the total, although it is still smaller. We can give you much more precise figures on any of those than I have in my head if you so wish.

Mr SNOWDON—It would be handy, I think—not now, obviously, but later.

Prof. Dean—With pleasure.

Mr SNOWDON—Are there particular fields of study that people are looking to?

Prof. Dean—Yes. I did want to have the opportunity to say something further about IT since it arose just a second ago. IT is one of the most important. Matters like accounting and business are other very important ones for India and for the Asian continent in general. In the IT area, I really do believe the argument that we have an undersupply of IT professionals. There is a tremendous cry-out both here in Canberra and more broadly. We are trying to encourage more Australian students into it, but I think we get plenty of benefit from our international students when they choose to participate.

Mr SNOWDON—Do we have Australian universities running classes in India?

Prof. Dean—Yes. Many Australian universities would have cooperation with one or more entities there in which they deliver joint degrees or their own degrees. At my university, we deliver joint degrees rather than any kind of franchise, but there are a variety of arrangements and many of them are very successful.

Mr SNOWDON—What about on the research side of things?

Prof. Dean—Yes. As you would know, the Indian institutes of technology in particular are very sophisticated and very successful research entities, and we have many cooperations through the Australian Research Council, partly through government initiatives to have joint research projects. I think that is just as important. It is not such a big turnover, but it is just important in the long run.

Mr BRUCE SCOTT—Did you want to say something about IT?

Prof. Dean—Beyond what I just did say?

Mr BRUCE SCOTT—Yes.

Prof. Dean—No, but I am happy to discuss it further.

Mr WAKELIN—I have two or three things. The third-highest student numbers in the Australian universities are out of India. I suppose that is as much to do with the sheer pool of students from India, in terms of 1.2 billion people. Do we know—and I guess we would have some idea; I think it was hinted at by our chairman earlier—the sort of ratio at which the Indian students distribute themselves around the world in the US, the UK and Europe? Do you have any picture of that?

Prof. Dean—We do know. I must admit that I do not have that ratio in my head, but we can easily provide it if you would like.

Mr WAKELIN—I am interested because I think it gives us an idea of where Australia fits.

Prof. Dean—Yes.

Mr WAKELIN—A view has emerged that, whilst the numbers are significant, Australia may suffer a little at the perception that the US, Europe or the UK is a better destination or a preferred destination, for a whole range of reasons. It is perhaps important for us to understand that.

Prof. Dean—Yes. I actually think that the main factor differentiating Australia from the UK in terms of Indian students is the relative size. There are 113 universities in Britain and 38 in Australia, and that is roughly the ratio of population and all the other things. So it is also roughly the ratio of international students, bar the fact that we are actually more successful. We have a higher percentage of international students. I cannot translate that into precise ratios at the moment.

Mr WAKELIN—Thank you. That does give a perspective. That is a good start. Another part of this is that it was suggested to us that perhaps the Indian student population may not be aware of the Australian landmass as a whole. There may be a stronger perception of the eastern seaboard. I do not know, but there is a suggestion that perhaps Western Australia, South Australia and even Queensland may not be getting their share of those students. Do you have a view on that?

Prof. Dean—I think the main factor that I can observe by talking to Indian students, not only our own but those around Australia, is whether they want to be in a big city or a modest city like ours.

Mr WAKELIN—A straight cultural kind of—

Prof. Dean—Yes. I have not detected anything quite along the lines that you are discussing.

Mr WAKELIN—No. It just came up at Sydney in the public hearing there a few weeks ago. My last question is a little more difficult, perhaps, for me to explain than is the answer that may come. It is going back to the Indian scale of things—1.2 billion and all those amazing figures that are coming out about what is happening with their economy et cetera—and our 20 million people.

It seems to me that it is quite important to recognise that we have moved a fair way in 50 years in terms of India as a nation, the old relationships et cetera. I would be interested in hearing what you think—and I do not know whether the vice-chancellors have a corporate view on this; they may, but I will leave that with you—is the general perception of Australia within Indian academia and what some of the things are that we should be mindful of, as the relationship goes ahead, in the way that we work with each other culturally, politically and educationally.

Prof. Dean—If I can put this relatively simplistically, because obviously it is a simplified overview, then I believe that they see us as a much more open and egalitarian society than many that they might consider, and we do not have the same tar brush over us that the British historic connection does. That is to our advantage and I think, largely speaking, they perceive that. I also think the fact that we are pretty open to religious diversity and cultural diversity—I would say at least as much so as Britain, if not more—is to our advantage as well. So I think we have most of the right advantages going; we just have to develop the historical links to the same level of strength as they were previously with Britain. I think we are doing pretty well. As you imply, the US are as well, but they are not seen as quite so welcoming, open or most of those other things I have mentioned. That is very simple.

Mr WAKELIN—That is excellent, thank you. I have a quick supplementary question. The sheer scale of India is overwhelming in a sense for someone like me, but what does it actually

do? Where do we actually fit? You almost feel you get lost in the back alley in terms of how they might perceive us. What is your view?

Prof. Dean—I think they obviously see us as very important in terms of a resource source, as does China. You have to be realistic and say that, as we have only 20 million people, in pure person power they cannot see us as being in the same league as the UK or, in turn, the US, but I think they can see us as disproportionately powerful. I would say that that depends very much on the discipline and the area to which one addresses oneself. If you think, for example, of medical research, a background from which I come, the connections between India and ourselves in parasitology and in many areas are so strong—disproportionately strong—that we have to and can exploit them in competition with countries like the US and the UK.

Mr WAKELIN—So there is that niche understanding?

Prof. Dean—They are a niche. And I am just giving that as an example.

Mr WAKELIN—Thank you.

CHAIR—Professor, I probably should have warned you that Mr Wakelin comes from an electorate where there are about two people per square kilometre, not two million.

Mr BRUCE SCOTT—You can get a bit claustrophobic, like me.

CHAIR—And Mr Snowden is about the same. Actually, the four of us are like that.

Prof. Dean—I did realise that. That was partly the basis for my comparison between Canberra and Sydney.

Mr BRUCE SCOTT—When you try to get an understanding of India itself—and you look at its Bollywood, its technology and a lot of the skills that it has there—as a country does it have some leading edge IT skills which relate back to some education or training courses that it has there, or has it imported those? In other words, does it have something that we do not have and, collaboratively, are we doing anything about it?

Prof. Dean—Yes, I think that they do and that we are. One of the main examples is probably software engineering. It is not just that India are very good at running call centres and outsourced software development, it is that they are fundamental initiators in software engineering. I think we are, too. They are probably increasingly realising how important that could be in the long run as a source of innovation for them led by them, as opposed to for them by others. So I think we must be in the middle of that, and many universities, including my own, are really trying to focus on that. We specifically do software engineering as one of our main IT disciplines.

Mr BRUCE SCOTT—Do you? And you have students from India?

Prof. Dean—We do. As I mentioned, we have a lot of Master of Information Technology students from India and from the subcontinent in general. Canberra at present is suffering from DIMA local regulations but that is now recovering.

Mr BRUCE SCOTT—How many students from India do you have?

Prof. Dean—In that particular discipline, about 60. With a university of roughly 10,000 students, that is quite a decent proportion.

Mr BRUCE SCOTT—Do you have any on exchange?

Prof. Dean—Yes, much smaller numbers. I could not be precise but there are probably half-a-dozen or so. It varies quite a lot, from, say, two to 12.

Mr BRUCE SCOTT—To whereabouts in India would you exchange?

Prof. Dean—Our presently functional main connections are in New Delhi, Mumbai and Bangalore. And there are a variety that we are developing, as I mentioned earlier, between universities and us, private sector commercial enterprises and us, and some more research or cultural entities and us as well.

CHAIR—In all of the appearances we have had today, the one place I only heard mentioned once is Chennai, which used to be Madras. We have heard Mumbai, New Delhi and Bangalore mentioned numerous times, and there has been scarcely any mention of Chennai.

Prof. Dean—Bangalore is the IT centre, essentially. The other places where IT is developing are almost offshoots of it. That is putting it very crudely, of course. So I am not surprised.

Mr BRUCE SCOTT—As the centre of IT in India, is Bangalore kind of like a Silicon Valley, as we talk about with regard to some areas of the States?

Prof. Dean—I think that terminology gives the wrong impression. I have not been to Bangalore enough to comment in detail, but it is a bit different because it is such an Indian community. I want to offer one other comment, if I may, before we finish.

CHAIR—Please.

Prof. Dean—It is a broader issue that we have not alluded to yet but I hope this committee would want to be aware of it. You may know that, under the free trade and other agreements that New Zealand now has, private education is now totally within the World Trade Organisation and GATS process. That is a really important step for them which has benefits and dangers. I think, if this discussion your committee is having is part of a process which might eventually lead to a free trade agreement, it is really important to be aware of where education, private and public, will or should sit in relation to GATS. I just wanted to make sure that that was mentioned as a really long-term important issue.

Mr BRUCE SCOTT—You said New Zealand?

Prof. Dean—I mentioned New Zealand because—

Mr BRUCE SCOTT—Do you think it is a competitor or what?

Prof. Dean—No. I do see them as a small competitor but I mentioned it specifically because it is remarkable, and possibly dangerous, that private higher education is totally within the GATS system, because it means that they will be bound to follow some international changes which are out of their control. We have to be very careful where we position ourselves in relation to that.

CHAIR—There is only one thing that bothers me from what you said earlier—and I do not always agree with Mr Snowdon, but on this one I do. I am just wondering whether you could give me a one-pager—and you can say no if you like; it does not bother me—on why you think it is important that it not be made difficult for students who have come to this country for education and skilling to stay as permanent residents in this country. Personally, I have always been of the view that we give opportunities to students from underdeveloped countries in particular to come to Australia so that we can give them some skills that they can take back to their own countries and utilise where there are no skills—particularly in medicine and things like that. Your argument might win me over, but it certainly will not be one I have thought of before.

Prof. Dean—I can give you the nutshell points straightaway. I agree with your last point that, of course, we want to be contributing to the development of other educational systems and what they need—absolutely. But, in the long run, we want to get them up to the same level as us. In the short run, before that happens, there is still a benefit to us to have more people highly trained, especially in conditions of high employment, such as we have, because they are economic drivers and because they fill gaps that we cannot fill ourselves. That is why there is a DIMA list of employment desired categories et cetera. In the long run, when we reach an equilibrium where international education is virtually all at the same level as ours in the large countries like India and China, say, then I will still be arguing that we want that exchange because we want the sociocultural overlap as well as the economic contribution. If you had an Australia which only had a population of people who had been living here for, say, 40 years on average, it would be much less diverse than if you had one whose backgrounds were much more complex and recent in other environments. In appropriate moderation, I believe that can only be beneficial.

CHAIR—Why is it so important to have a diverse background?

Prof. Dean—Unless you have a diverse background, you do not have the spread of intellectual thought processes which produce the maximum creative output, and we need creative output not only in high tech—where it is creativity from a very narrow discipline base—but also in process, services and client interaction. There are many people in the innovation discussion and analysis industry these days who would argue that intensively. It is not just high tech; it is broader.

CHAIR—You are starting to convince me.

Prof. Dean—The New South Wales government has commissioned a report about the nature of innovation. I have heard a preliminary discussion of it from the author. It goes along these lines. That document will no doubt be available quite soon.

Mr SNOWDON—There is no difficulty with acknowledging the product of intellectual innovation as a result of people learning here and using the skills that they might have for a short time. I do not, though, think that that is the issue. We are a relatively advanced nation; we are a

developed country. There are a lot of developing countries that require those same skills in bigger order than we do. I would think that what we are doing, if we follow the course that you are outlining, is gathering the intellectual and workforce benefits, but we are denying those same benefits to other people who need them far more than we do.

The other side of the coin—and we have seen evidence of this elsewhere—is that one of the benefits of having people come here to study is they go away and they take with them a whole set of new insights—

CHAIR—Set of skills.

Mr SNOWDON—into how we work, and that makes a difference to our relationships in a strategically very important way. They become more accepting of what we do and our trading relations bear the fruit of that. The alumni associations which exist in countries like Malaysia, for example, are very important, because these alumni associations retain many of the intellectual drivers of that nation. That is very important for us.

Prof. Dean—I agree with most of the things you said, but there seemed to be a subtext there that, if there is a mechanism by which we can compete internationally economically, we ought not to use it if it is damaging to other people. We cannot get away from the fact that anything that we do in competing financially internationally is potentially damaging to other nations. We have got to get a balance between the two. My argument is that we want a significant proportion of these international students to contribute to us and we also want a significant proportion of them to contribute to their own country. It is the balance we need.

CHAIR—I think it is probably a debate for another day.

Mr WAKELIN—I would like to buy into it briefly from another angle. It is a very interesting discussion. I was in London a couple of years ago as part of the CPA. I listened to a senior professional in the health field from the subcontinent—it was not actually India but it was close by. This senior medical person had gone from his country to London and then went back to his own country with exactly the aspirations we have discussed. He found it impossible to settle there for a range of personal, professional and cultural reasons, and he went back to London with his family and has stayed there ever since. It is quite an interesting dilemma when you boil it all down. I just offer that.

CHAIR—Thank you very much, Professor. It has been a very interesting discussion, and you have made a significant contribution to the deliberations that we have to have. I can promise you that education will be one of the things that we report on. The information you have given us will help us in the decisions that we make. Thank you very much for making your submission to the inquiry.

Prof. Dean—My pleasure, thank you—and thank you for your efforts, too.

Resolved (on motion by **Mr Snowdon**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 2.59 pm