



Rob Lomdahl | Head of Government & Regulatory Affairs | Group Corporate Affairs

24 March 2016

PO Box 6021
Parliament House
CANBERRA ACT 2600

Email: jsctig@aph.gov.au

**Follow up responses to ANZ appearance at the
Joint Select Committee on Trade and Investment Growth Inquiry into
Australia's Future in Research and Innovation**

Dear Members of the Committee,

This letter is to follow up questions raised at the ANZ appearance before the Committee on 10 March 2016.

Lack of statistics on Australia's offshore investment

The ANZ submission argued that Australian based companies that operate globally are important for maximising the growth from Australian innovation capabilities.

At the hearing, we noted that there are few official statistics on offshore earnings from Australia's global companies. This type of export earning is often called "commercial presence abroad", "offshore affiliate trade" or "mode three".ⁱ We believe that the statistical gap reduces the policy focus on the role of Australian global companies, particularly in commercialising Australian innovation.

Two recent reports that examined the lack of official statistics were the 2015 Asialink-ANZ-PWC report, *Australia's Jobs Future - The rise of Asia and the services opportunity*, and the Productivity Commission's 2015, *Barriers to Growth in Service Exports Research Report*.ⁱⁱ Although these reports focus on the services sector, the same data issues apply to other sectors such as manufacturing.

The Productivity Commission noted that an ABS review of its international accounts in 2015 identified that there was strong interest from a number of stakeholders in securing more up-to-date data on exports through commercial presence abroad. ANZ believes that this is important for developing policies to promote the commercialisation of innovation and diversification of the Australian economy.

A copy of *Australia's Jobs Future* is attached to this letter. It is a public document.



ANZ interest in reform

Senator Bullock asked ANZ about the extent to which reform of double taxation of dividends from foreign profits would benefit ANZ.

As Australia's and New Zealand's international bank, ANZ clearly has an interest in offshore exports and investment flows. We believe that reform would increase Australian companies interest in offshore trade and investment, and help realise the opportunities from our technology and innovation capabilities.

ANZ has franking credits available from its domestic activities and would not expect a material direct benefit from reform.

Economic modelling

Attached to this letter are copies of the ANZ *Winning the Away Game* report referred to in our submission together with modelling by Independent Economics to support the report. These are public documents.

We would be happy to respond to any additional questions from the Committee.

Yours sincerely

Rob Lomdahl

ⁱ *Mode one* is cross border supply such as export of an ore, or provision of a service from Australia over the internet to a customer in a foreign country. *Mode two* is consumption in Australia to a foreign visitor, such as an international tourist staying at an Australian hotel. *Mode three* is an export earned from a foreign commercial presence, such as sales from a branch of an Australian company located overseas. *Mode four* is an export sale by a natural person delivered by that person in a foreign country, such as an engineering consulting service.

ⁱⁱ Chapter 2 of Asialink-ANZ-PWC report, *Australia's Jobs Future - The rise of Asia and the services opportunity* (2015) deals with data on services exports and provides estimates of the contribution of services including from offshore presence of Australian companies. Chapter 3 in Productivity Commission's, *Barriers to Growth in Service Exports* Research Report (2015) similarly discusses these issues. *Australia's Jobs Future* notes the only ABS estimates are the 2002-03 Survey of Outward Foreign Affiliates Trade (ABS 5495.0) and the 2009-10 Australian Outward Finance and Insurance Foreign Affiliate Trade (ABS 5485.0).