

The economic relationship: Business engagement—services

- 4.1 The bilateral trade in services between India and Australia is expanding rapidly. India has been the recipient of a growing trend in Australia to send ICT enabled services activities and business processes offshore to lower cost destinations and Australia is benefiting from increases in Indian student and tourist levels.¹
- 4.2 The benefits, however, go beyond business growth. Trade in services has the potential to strengthen business relations and general understanding between Australians and Indians because “services inevitably require direct human interaction, including the movement of people from one country to the other.”²
- 4.3 This chapter will explore the services trade between Australia and India with particular focus on the following areas:
- Australia’s services exports to India – education and tourism; and
 - India’s services exports to Australia.

1 The Australian Services Roundtable, *Submission No. 28, Sub. Vol. 1*, p. 289.

2 Australia-India Business Council, *Submission No. 15, Sub. Vol. 1*, p. 112-113.

Australia's services exports to India—education and tourism

Education services

- 4.4 Indian students in Australia make a significant contribution to the Australian economy and their numbers are growing. In the period between 2002 and 2005, the number of Indian students choosing to study in Australia has grown almost 35 percent per annum.³ In 2005 more than 27 000 Indian students were in Australia. This number is projected to grow to around 120,000 by 2011.⁴ Australia is currently second behind the United States as the most favoured study destination for Indian students.⁵
- 4.5 In its Submission (No 45) to the Committee in 2008, the Department of Education, Employment and Workplace Relations (DEEWR), noted:

The number of Indian students choosing to study in Australia continues to increase. India remains the second ranked source of international students, with Indian student enrolments accounting for 17% of total international student enrolments. A total of 51,762 Indian students studied in Australia in calendar year 2007.

In further analysis of these numbers, the DEEWR Submission noted that the enrolments were largely in the vocational education and training (VET) sector:

There has been particularly high growth in Indian student enrolments in VET and English language courses. Year to date June 2008 data shows that Indian student enrolments are largely in the VET sector (53%, up from 14% in 2005) and the higher education sector (32%, down from 80% in 2005).⁶

The DEEWR Submission notes that the resulting trends may be the result of conscious efforts to seek migration outcomes:

The strong growth in Indian student enrolments in the VET sector results from some education agents, providers and

3 Department of Science, Education and Training, *Submission No. 33, Sub. Vol. 2*, p. 332.

4 Mr Graeme Rankin, *Transcript 3 November 2006*, p. 5.

5 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 3.

6 Department of Education, Employment and Workplace Relations, (DEEWR), *Submission No 45*, p. 1

students taking the opportunity presented by Australia's skilled migration policy which gives points for skilled migration on the basis of qualifications related to occupations on the Migration Occupations in Demand List (MODL). Almost half of all Indian student enrolments in the VET sector are in hospitality management and 96% of these enrolments are with private providers, mainly in Victoria and New South Wales.⁷

- 4.6 The Committee asked the Australian Vice Chancellors' Committee (AVCC) if there were particular areas of study which attract a higher number of Indian students. The AVCC cited study in the Information Technology (IT) field as well as business and accounting as areas of particular interest to Indian students.⁸ DEST noted that in the vocational education sector, 85 percent of Indian students are enrolled in tourism and hospitality, business administration and computer science courses.⁹
- 4.7 The Group of Eight (Go8) raised its concern that "Australia is failing to attract the highest quality of students from India, particularly at the undergraduate and research levels." They noted that a large majority of Indian higher education students in Australia are undertaking short coursework masters programs and vocational training. The Go8 does not want Australia to gain a reputation in India as a provider of "cheap" education.¹⁰
- 4.8 The AVCC's comments to the Committee regarding the perception in India of Australian education services were contrary to that of the Go8. When queried by the Committee as to how Australian education institutions were viewed by Indians, the AVCC noted that they are viewed "very well:"

We have a high-quality education system, and this is universally recognised. We have the language. We have a very high proportional international student population...So we are very competitive.¹¹

7 DEEWR, *Submission No 45*, p. 1

8 Professor Roger Dean, *Transcript 13 October 2006*, p. 51.

9 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 8.

10 Go8, *Submission No. 32, Sub. Vol. 2*, p. 327.

11 Professor Roger Dean, *Transcript 13 October 2006*, p. 48.

- 4.9 The Go8 recommended that in order to attract top students from places such as India, Australia needs to provide generous scholarships like those provided by institutions in the UK and US.¹²

Australia's capacity to accommodate Indian students in the future

- 4.10 Given the rising number of Indian students studying in Australia, the Committee inquired as to the ability of Australian institutions to accommodate further numbers in the future.
- 4.11 DEST advised the Committee that the Government does not set upper limits on the number of international students allowed in Australia but did point out that each institution sets and monitors its domestic to international student mix, and many may have already reached the desired mix. In those cases, institutions are now beginning to focus on diversity strategies which ensure that international students are studying in a wide range of programs rather than in one or two specific areas of study such as IT and business.¹³
- 4.12 DEST also noted that world-wide competition for international students is growing and that increasingly, Australia will have to focus on maintaining its current levels in the face of competition from other countries such as China and Japan.¹⁴

Australian training in India

- 4.13 Also of interest to the Committee was the correlation between the skill sets required by Australian business in India and the opportunity for Indians to gain those skill sets through Australian training programs.
- 4.14 The Committee was advised that Australian companies represent a "big opportunity to showcase Australian training."¹⁵ DEST has been working with Austrade, examining the potential for Australian companies in places like India to "train the local workforce to work there and give them the possibility of coming and working for the company in Australia for a period of time."¹⁶

12 Go8, *Submission No. 32, Sub. Vol. 2*, p. 327.

13 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 13.

14 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 14.

15 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 9.

16 Mr Graeme Rankin, *Transcript 3 November 2006*, pp. 9-10.

Promoting Australia's education services in India

4.15 Australia's education services are promoted in India by Australian educational institutions, state governments and the Federal Government. These strategies are outlined in the paragraphs below.

Peak body activity

4.16 The Go8, an organisation which represents eight of Australia's leading universities, highlighted several strategic activities designed to increase levels of engagement with India:

- Monash University's agreement with the Indian Institute of Technology Bombay (IITB) to establish the first joint institution for research and research training;
- a MOU between The University of NSW and IITB to encourage research collaboration in the areas of science and engineering;
- The University of Adelaide has an articulation agreement with the Global Academy of Technology in Bangalore; and
- ongoing collaboration between the Go8 Deans of Engineering and the Indian Institutes of Technology.¹⁷

4.17 In addition to collaborative efforts designed to increase engagement, Australian institutions promote their education services to prospective Indian students through agencies such as IDP Education Pty Ltd – a global company offering student recruiting and testing services. IDP is part-owned by 38 Australian universities and represents all education sectors.¹⁸

State government activity

4.18 State governments are also involved in the promotion of education services. Submissions to the Committee from the governments of Queensland and Western Australia noted the activities of international units within various state government departments.

4.19 In Queensland, education services are marketed internationally by Queensland Education & Training International (QETI). QETI is located within the Department of Premier and Cabinet and is tasked with the responsibility of providing leadership to international education and training providers, both public and private by building

17 Go8, *Submission No. 32, Sub. Vol. 2*, p. 326.

18 <<http://www.idp.com/corporate/aboutus/default.asp>>, 09 January 2007.

a whole-of-industry approach, which is designed to ensure that Queensland is positioned as a preferred provider in selected international and niche education markets.¹⁹

4.20 In March 2006, the Chair of QETI led a higher education delegation to Hyderabad and in March 2004, a Queensland Higher Education Trade Mission visited Mumbai, Chennai, Bangalore and Delhi.²⁰ QETI's goal, upon inception in 2001, was to grow Queensland's education and training industry to one billion by 2006. That goal has been achieved.²¹

4.21 The Government of Western Australia markets WA's education services through the Education Training International arm of the Department of Education and Training as well as through Perth Education City (PEC) – a peak industry body for international education in WA.²² PEC advised the Committee that its India strategy encompasses the following:

- The development of an awareness of Perth, both as a destination and provider of quality education;
- Improving the recognition of Perth as a provider of quality education which rivals that of the US and UK. Changing the marketing focus from affordability to quality;
- Strengthening relationships between Western Australian and Indian education institutions;
- Promoting VET as a viable and lucrative education sector to Indian students. This sector in India, as in many Asian countries, is not held in high regard. Yet, in Perth it is a booming and vital component of WA's efforts to sustain its future; and
- Marketing campaigns that recognise India as a country divided into several very distinct and individual regions, each that require a different approach and marketing strategy.²³

19<http://www.premiers.qld.gov.au/key_activities_information_and_services/International_students/>, 10 January 2007.

20 Queensland Government, *Submission No. 27, Sub. Vol. 1*, pp. 276-77.

21<http://www.premiers.qld.gov.au/Key_activities_information_and_services/International_students/>, 10 January 2007.

22 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, pp. 221 and 227.

23 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 227.

Federal government activity

- 4.22 The commercial activities of Australian education institutions are supported at the federal government level by Australian Education International (AEI), which is a division within DEST.
- 4.23 AEI maintains an office in New Delhi and is responsible for promoting Australia's education and training capabilities through a range of strategies including:
- brand positioning;
 - promotional events;
 - marketing materials;
 - the Study in Australia web site; and
 - in-country communications campaigns.
- 4.24 DEST and Indian Ministries have several MOUs which help to establish a foundation for education service activities:
- Education Exchange Programme agreement – signed in 2003 and covers areas such as staff and student exchange and joint seminars and conferences;
 - MOU on Science and Technology Cooperation also signed in 2003; and
 - MOU on scientific and technological cooperation in biotechnology.
- 4.25 Much of the Australian/Indian government interaction in the education field occurs through a bilateral Joint Working Group (JWG) which held its first meeting in May 2005.²⁴ Issues identified at the meeting for potential cooperation included:
- collaborative research in education policy;
 - research student exchange;
 - encouraging institutional collaboration;
 - capacity building programs;
 - distance learning; and
 - recognition of qualifications.²⁵

24 DEST, *Submission No. 33, Sub. Vol. 2*, p. 335.

25 DEST, *Submission No. 33, Sub. Vol. 2*, p. 335.

Education services and immigration issues

- 4.26 The ability to fulfil immigration requirements and receive a student visa in a timely fashion is a key factor in providing quality education services to Indian students. Note the contribution from DEEWR set out in paragraph 4.5 above on this issue.
- 4.27 In November 2004, the Department of Immigration and Multicultural Affairs (DIMA) introduced an online visa application service for Indian nationals who are residents of India called the student eVisa service.
- 4.28 DIMA advised the Committee that processing times for student visas have been substantially reduced with more than 60% of electronic applications finalised within one month. The proportion of student visa applications now lodged electronically has risen to 44% percent.²⁶
- 4.29 Although the eVisa service has reduced student visa processing times, the Committee was advised by DIMA that student visas generally take longer to process because DIMA has “to satisfy [themselves] as to...the student’s financial capacity to support themselves in Australia.”²⁷
- 4.30 DIMA is in the process of implementing a scheme whereby prospective students could provide DIMA with a statement from a specific financial institution which would satisfy DIMA as to the financial capability of the student. DIMA expects that such a scheme will further reduce student visa processing times.²⁸
- 4.31 Submission No 45 of 2008 to the Committee from the Department of Education Employment and Workplace Relations (DEEWR), updating the Submission of the former Department of Education Science and Training (DEST) noted:

The strong growth in Indian student enrolments in the VET sector results from some education agents, providers and students taking the opportunity presented by Australia’s skilled migration policy which gives points for skilled migration on the basis of qualifications related to occupations on the Migration Occupations in Demand List (MODL).²⁹

26 DIMA, *Submission No. 16, Sub. Vol. 1*, p. 125.

27 Mr James Fox, *Transcript 3 November 2006*, p. 69.

28 Mr James Fox, *Transcript 3 November 2006*, p. 69.

29 DEEWR, *Submission No 45*, p.1

- 4.32 Professor Dean of the AVCC noted, however, that new legislation allowing for students to acquire further language and work experience after their degree in order to qualify for permanent residency, will be beneficial in attracting further students from India.³⁰
- 4.33 In answer to a query from the Committee as to why barriers to permanent residency should not be put in place to deter overseas student visa holders from seeking migration outcomes³¹, Professor Roger Dean made the following points:
- skilled immigrants are economic drivers which fill gaps in the workforce that Australia is unable to fill itself; and
 - innovation can be driven by sociocultural interaction.³²

Harmonisation of qualifications

- 4.34 The Committee believes that limiting barriers to student mobility plays an important role in encouraging the scholastic relationship between Australia and India.³³ Barriers may include immigration issues, but also issues regarding the harmonisation of educational qualifications.
- 4.35 It is important that students who come to Australia to study have previous qualifications recognised in Australia and Australian qualifications recognised upon return.
- 4.36 When the Committee queried the AVCC as to its stance on qualification harmonisation, the AVCC was supportive but qualified its statement by noting that it was in favour of qualifications being complementary and consistent rather than congruent. This would allow Australian institutions to remain flexible in relation to the education systems in other markets such as the United States and China in the future.³⁴
- 4.37 The Australian Government has also been supportive of harmonising qualifications. In April 2006, the Minister for Education, Science and Training chaired a meeting in Brisbane of 37 education and training ministers from across the Asia-Pacific. At that meeting it was agreed

30 Professor Roger Dean, *Transcript 13 October 2006*, p. 49.

31 Senator Alan Ferguson, *Transcript*, 13 October 2006, p.55.

32 Professor Roger Dean, *Transcript 13 October 2006*, p. 55.

33 Senator Alan Ferguson, *Transcript 13 October 2006*, p. 49.

34 Professor Roger Dean, *Transcript 13 October 2006*, p. 48.

that increasing student and academic mobility as well as the transferability of qualifications was a common goal.³⁵

4.38 DEST advised the Committee that it plays a role in facilitating the recognition of qualifications through the use of a country education profile which maps various qualifications in India and then equates those qualifications to Australian ones. This allows Indian students to ascertain how much of their qualification may be applied in Australia.³⁶

4.39 Australian higher education qualifications are generally recognised in India. A representative from DEST noted that:

... at the higher education end, the Australian qualifications that are issued by our universities are recognised by both the government of India and by businesses for employment.³⁷

4.40 The recognition of qualifications for employment in the professions is regulated and accredited by the professional body:

... the role of recognition of the professions [in Australia] is not one played directly by DEST; that is the role of the various registering boards.³⁸

4.41 DEST does attempt to facilitate qualification harmonisation in the professions by ensuring that Australian qualifications are broadly recognised in India:

One of the roles of our offices, say in Delhi, is to become aware if Australian qualifications are not being recognised and if not, to ask: why not? Do we need to change our training or is it just a case of communication as to what is the qualification?³⁹

Committee comment

4.42 Australian education services exports to India have risen steadily since the Committee's last report on India. In 1998, Indian student numbers were expected to grow to over ten thousand by 2001. As noted in this section, there were 27 thousand Indian students studying in Australia in 2006. Forecasts for Indian student growth in

35 AVCC, *Submission No. 1, Sub. Vol. 1*, p. 2.

36 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 10.

37 Mr Graeme Rankin, *Transcript 3 November 2006*, pp. 7-8.

38 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 10.

39 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 8.

1998 were at 38 percent per annum, which is consistent with current growth forecasts.⁴⁰ The DEEWR 2008 Submission noted:

There has been particularly high growth in Indian student enrolments in VET and English language courses. Year to date June 2008 data shows that Indian student enrolments are largely in the VET sector (53%, up from 14% in 2005 and the higher education sector (32% down from 80% in 2005).⁴¹

- 4.43 This is a strong and growing area in the services exports market and the Committee is satisfied that appropriate measures are being taken to grow and manage education service exports to India. It is imperative, however, that Australia maintain its high educational standards and continue to seek the best possible international students.

Tourism services

- 4.44 In a Supplementary Submission from 2008, the Department of Resources, Energy and Tourism (Replacing the Department of Industry, Tourism and Resources), provided updated figures on visitor arrivals from India:

India is Australia's fastest growing tourism market. In the financial year ending June 2008, there were 107,700 Indian tourists to Australia, an increase of 22.5 per cent compared to the previous financial year. This places India just outside of Australia's top 10 inbound markets. The Tourism Forecasting Committee predicts the Indian market will continue to grow at an annual average rate of 16.8 per cent over the 2006-16 forecasting period to reach 397,000 visitors in 2016. In 2007 there were 121,000 Australian visitors to India, an increase of nearly 15 per cent compared to 2006.⁴²

- 4.45 The following section will cover tourism service issues relating to:
- government initiatives;
 - visas for Indian visitors; and
 - air services.

40 JSCFADT report, *Australia's Trade Relationship with India*, June 1998, p. 126.

41 DEEWR, *Submission No 45*, p. 1

42 Department of Resources, Industry and Tourism, *Submission No 40*, p.4

Government initiatives

4.46 In 1998, the inbound Indian tourism market was considered an emerging market in the medium to long-term.⁴³ Today it is one of Australia's fastest growing markets.⁴⁴ Australian state and federal governments have undertaken a number of initiatives in recent years, designed to grow the Indian tourism market and respond to the increased volume of Indian tourists in Australia.

Federal government activity

4.47 As with education, activity in the tourism services sector between Australia and India is underpinned by bilateral government cooperation.

4.48 In April 2002, the Australian and Indian Governments signed a MOU on tourism cooperation. The MOU outlined specific areas for knowledge and expertise exchange and a JWG was established to oversee its implementation.⁴⁵

4.49 In its 2008 Submission, the Department of Resources, Energy and Tourism noted that the above MOU had expired on 22 April 2008 and that it had had limited outcomes and as a result the Department 'would need to carefully consider any future tourism bilateral arrangements with India.'⁴⁶

4.50 Australia, as a tourist destination, is marketed in India through Tourism Australia (TA). TA's marketing strategy in India is currently focused at the high-end of the market:

Our marketing strategies at this stage have been focused very much on that top-end-experience seeker market, where we feel Australia offers unique opportunities that are not available in nearer countries.⁴⁷

4.51 It is expected that as the market in India grows, TA's marketing strategy will expand to reach the entire range of potential tourists including backpackers.⁴⁸

43 JSCFADT report, *Australia's Trade Relationship with India*, June 1998, p. 136.

44 DITR, *Submission No. 37, Sub. Vol. 2*, p. 382.

45 DITR, *Submission No. 37, Sub. Vol. 2*, p. 382.

46 Department of Resources, Energy and Tourism, *Submission No 40*, p.4

47 Mr Philip Noonan, *Transcript 3 November 2006*, p. 33.

48 Mr Philip Noonan, *Transcript 3 November 2006*, p. 33.

4.52 In its 2008 Submission, the Department of Resources, Energy and Tourism explained current marketing strategies:

Tourism Australia's marketing strategy for India is aimed at capturing the Indian traveller at the top end of the market including family groups, honeymooners and the incentive reward market. Marketing activities in India focus on creating a stronger brand presence and refreshing consumer perceptions of Australia as a holiday destination. This involves public relations activities, targeted on line content and promotional activities. Another key objective in the market is to establish a solid distribution network via the development of the Aussie Specialist Program across key markets, with priority cities being Mumbai and Delhi.⁴⁹

4.53 In 2005, an Emerging Markets Strategy was commissioned by the then Department of Industry, Tourism and Resources which related to the Indian tourism market. Relevant recommendations were that:

4.54 TA undertakes segmentation studies to identify the best prospect customers for Australia, and their motivations and disseminate that information to the Australian tourism industry. A channel strategy designed to ensure the best prospect customers receive Australian tourism information through the most appropriate channels also needs to be employed;

4.55 TA undertake the development of a specific Australian tourism brand programme;

- expand the Aussie Specialist Programme and network;
- Australian and Indian Governments continue to work together;
- the Australian Government increase investment in the development of the Indian tourist market and support the establishment of a TA office in Mumbai;
- the efficiency of the tourist visa issuing arrangements is further developed;
- the Australian Government review the Indian Air Service Agreement to allow for further increases in capacity;
- appropriate feedback mechanisms are in place to allow quarantine management to monitor complaint levels; and

49 Department of Resources, Energy and Tourism, *Submission No 40*, pp. 4-5

- that DITR work with the Australian tourism industry to ensure that relevant cultural awareness training is provided to its members.⁵⁰
- 4.56 DITR's response to the report was released in January 2007. In general the response was favourable to the India recommendations.⁵¹ In its 2008 Submission, DITR's successor Agency, the Department of Resources, Energy and Tourism noted that Tourism Australia had acquired a licence to establish an office in Mumbai and was working to open it as soon as possible.⁵²
- 4.57 In its 2008 Submission, the Department of Resources, Energy and Tourism noted with respect to longer term Tourism Strategies:

To address supply side issues in Australia's markets, the Australian Government is developing a National Long-Term Tourism Strategy. The focus of the Strategy, to be developed over the next year, will be to develop the productive capacity of the industry, looking at the issues of investment, labour and skills, climate change and infrastructure. A high level Steering Committee has been developed with members drawn from within and outside the tourism industry.⁵³

Visas for Indian visitors

- 4.58 In response to the increase in tourist traffic from India to Australia, DIMA and TA worked together to develop the Preferred Aussie Specialists scheme. *Preferred Aussie Specialists* are travel agents trained by DIMA and supported by a visa authorisation service.⁵⁴ The scheme is designed to ensure a quick turn around for tourist visa applications and to date, has been very successful:

It is producing great results for us both from the perspective of the number of people using the Preferred Aussie Specialist mechanism and the quality of applicant, which is reflected in that our refusal rates are very low and we are getting people who are genuinely seeking to come to Australia frequently.⁵⁵

50<http://www.industry.gov.au/assets/documents/itrinternet/AGresponse_jan20070110165941.pdf>, 11 January 2007.

51<http://www.industry.gov.au/assets/documents/itrinternet/AGresponse_jan20070110165941.pdf>, 11 January 2007.

52 Department of Resources, Energy and Tourism, *Submission No 40*, p. 4

53 Department of Resources, Energy and Tourism, *Submission No 40*, p. 5

54 DIMA, *Submission No. 16, Sub. Vol. 1*, p. 122.

55 Mr James Fox, *Transcript 3 November 2006*, p. 66.

- 4.59 Turn around time for tourist visa applications has been further reduced by the implementation of the electronic visa application facility for short stay visitor visas in August 2006.⁵⁶ The e676 visa allows Indian clients to apply over the internet with access granted to approved *Preferred Aussie Specialists*.⁵⁷ DIMA reports that “the take-up was modest to begin with but is increasing almost daily.”⁵⁸ Over time, the number of *Preferred Aussie Specialists* is expected to grow; thereby increasing the number of agents authorised to use the e676 visa application facility.⁵⁹

Air services

- 4.60 Australia and India have held an air services agreement since 1947. Talks held in 2004 have liberalised the air service arrangements considerably.⁶⁰ Air service capacity for Australian and Indian carriers has risen to 6,500 seats per week to six specified points in each country.⁶¹

- 4.61 In an updated Submission to the Committee in 2008, Qantas Airways Ltd noted the continuing de-regulation of the Indian aviation market:

The Indian aviation market has undergone further deregulation and experienced unprecedented growth in recent years. Associated with these changes, low cost carriers such as Jet Airways, Air Deccan, Kingfisher, Spice Jet, Jet Lite and Go Air have made significant inroads into the market shares of the government owned airlines; namely international carrier Air India, and domestic carrier Indian Airlines. Partly in response to these developments, Air India and Indian Airlines were merged under the Air India banner in 2007, and long overdue steps were taken to progressively modernise and re-equip their fleets.⁶²

- 4.62 With respect to Qantas’s own services into India the 2008 Supplementary Submission noted:

Qantas operations to India have been modified since our 2006 submission. We are now operating three A330-200 services

56 DITR, *Submission No. 37, Sub. Vol. 2*, p. 384.

57 DIMA, *Submission No. 16, Sub. Vol. 1*, p. 122.

58 Mr James Fox, *Transcript 3 November 2006*, p. 66.

59 DITR, *Submission No. 37, Sub. Vol. 2*, p. 384.

60 Qantas, *Submission No. 17, Sub. Vol. 1*, p. 135.

61 DITR, *Submission No. 37, Sub. Vol. 2*, p. 384.

62 Qantas, *Supplementary Submission No 17a*, p. 1

per week non-stop between Sydney and Mumbai, offering a total of 705 seats. While the commercial performance of the route remains below expectations, we remain committed to the India market given its increasing importance and obvious long term potential.⁶³

- 4.63 The Qantas Supplementary Submission noted that despite competition from other Asian hub carriers, the growth in inbound passenger numbers from India would sustain a Qantas presence in the market in the immediate future:

According to the Australian Tourism Forecasting Committee's recently released estimates (Forecast 2008 – Issue 1) inbound visitors numbers from India to Australia will grow by 20% in 2008 – the fastest growth rate from any country, with similar rates expected to prevail over the next 10 years.⁶⁴

Committee comment

- 4.64 The Indian tourism market has the potential to be an extremely important one for Australia. The Committee supports TA's efforts in developing the market and concurs with the Emerging Markets Strategy recommendation calling on the Government to increase funding and resources for the development of this market.

India's services exports to Australia

- 4.65 In 2004/05, Australia imported AUD\$276 million worth of services from India.⁶⁵ India has become well known globally for its IT services and the Committee received evidence from ANZ and Unisys which suggested that Australian companies are taking advantage of India's skills in this area. Similarly, evidence received from the National Australia Bank (NAB) suggests that India is extremely capable of providing accounting and other banking services. The following section will review the evidence provided by ANZ and NAB.

63 Qantas, *Supplementary Submission No 17a*, p. 2

64 Qantas, *Supplementary Submission 17a*, p. 2

65 DITR, *Committee Correspondence*, 4 December 2006.

IT services

- 4.66 ANZ advised the Committee that the Indian Government has supported the development of India's IT industry for over 20 years and noted that Bangalore, in particular, has developed "as a global technology centre with many of the world's largest companies ... basing key parts of their technology and operations support functions there."⁶⁶
- 4.67 Unisys noted that:
- India has emerged as Unisys Asia Pacific's preferred offshore destination, which reflects the fact that India has become recognised internationally as a leading centre for offshoring work in the information technology sector.⁶⁷
- 4.68 Unisys operates a global helpdesk based in Bangalore which services clients and staff in Australia, the Asia Pacific and worldwide.⁶⁸
- 4.69 ANZ's experience in India is representative of many companies worldwide and a brief examination of its operation in Bangalore will highlight India's services exports ability and the advantage that importing services from India can present for Australia.
- 4.70 ANZ has owned a technology business (ANZ Operations and Technology) in Bangalore since 1989. ANZ Operations and Technology develops and manages software and technology for ANZ's systems as well as those of other companies.⁶⁹
- 4.71 ANZ cited several advantages to operating the Bangalore business. They included:
- access to skilled people;
 - different time zones between Australia and Bangalore provide an extended working day, which creates efficiencies;
 - co-located facilities with companies such as Microsoft and IBM which allows for better access to their laboratories;
 - lower employment, property and technology costs; and
 - high quality work output.⁷⁰

66 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 269.

67 Unisys, *Submission No. 30, Sub. Vol. 1*, p. 316.

68 Unisys, *Submission No. 30, Sub. Vol. 1*, p. 316.

69 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 269.

70 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 270.

- 4.72 The process of sending specific services offshore to India has raised several key concerns in Australia. In providing evidence to the Committee, ANZ addressed issues regarding privacy of customer information, loss of Australian jobs to India and the use of customer contact centres in India.
- 4.73 In regards to maintaining the privacy of Australian ANZ customer information, ANZ stated that:
- Staff in Bangalore...operate under the same ANZ policies and controls that we have in place in Australia. Records for our Australian customers are located in Australia and will remain located in Australia. They are subject to Australian law and privacy standards and where there is a need to access customer data by ANZ staff in other countries, that access accords with Australian privacy law and ANZ's global information security policies.⁷¹
- 4.74 When ANZ chooses to send jobs to India, it advised the Committee that its focus is on "redeployment and internal mobility."⁷² ANZ noted that the majority of staff affected by a decision to relocate 300 IT jobs to India in 2005 have found other roles within ANZ.⁷³
- 4.75 ANZ has also committed itself to retaining all customer contact roles, including call centres, in Australia.⁷⁴ This is a theme that the Committee has noted in the evidence, with the NAB also making a similar claim.
- 4.76 Subsequent to the public hearings held for the Inquiry, the widely reported financial scandals associated with directors of the Indian IT company Satyam have had repercussions for both NAB and ANZ. In response to widespread press reports of the exposure of both banks to IT service contracts with Satyam the banks issued various public statements in January 2009 detailing the extent of their involvement with the Indian IT company.⁷⁵

71 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 272.

72 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 271.

73 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 271.

74 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 272.

75 For example; press statements appeared in *The Australian* on 21 January 2009, (relating to NAB) and 12 January 2009 (relating to ANZ). Both banks announced that contracts with Satyam would be cancelled or 'revised'.

Legal and Accounting services

- 4.77 Evidence received by the Committee from the NAB outlined its reasons for utilizing Indian accounting services. It noted that in 2005, NAB established an outsourcing relationship through a global third-party vendor to provide the bank with accounts payable services. The outsourced services are located in Bangalore.⁷⁶ Since that time, NAB reports that its expectations have been “exceeded” and it plans to expand the amount of positions at its Bangalore centre.⁷⁷
- 4.78 The Committee asked NAB to specifically outline the benefits that its move to Bangalore represented for Australians. NAB noted several benefits:
- a two-way flow of business opens up dialogue in the Australian-Indian business relationship;
 - cheaper services procured in India allow NAB to invest saved money back into Australia (opening new branches); and
 - allows NAB to fill positions it cannot fill in Australia.
- 4.79 The Committee also asked NAB for its stance on the use of Indian call centres and the maintenance of customer privacy. As previously noted, like ANZ, NAB has no foreseeable plans to use Indian call centres, but did state that banks in the US and UK have indicated a high level of customer satisfaction with Indian call centres.⁷⁸
- 4.80 In regards to data privacy and the maintenance of customer records, NAB pointed out that it does not store any customer data overseas. It also advised the Committee to bear in mind that the Indian economy is developing quickly and there are various “tiers of supply” in the area of business process and technology services, and that top-tier Indian suppliers provide the same level of security that can be found in any major financial centre.⁷⁹
- 4.81 A research study published by the Department of Foreign Affairs and Trade Economic Analytical Unit in 2007 entitled *India’s Services Sector Unlocking Opportunity*, noted that in India:

76 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 2.

77 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 2.

78 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 5.

79 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 5.

Both legal and accountancy services are subject to significant domestic regulation, notably limitations on size of firm, as well as barriers to foreign entry.

India has the world's second-largest legal profession. Its more than 900 000 lawyers are regulated by the Bar Council of India, which is constituted under the Advocates Act 1961.

Foreign lawyers and law firms have no avenues to establish any commercial presence in India. FDI (Foreign Direct Investment) is not permitted in the sector, which precludes international law firms from establishing offices.⁸⁰

4.82 In its updated Submission No 45, DEEWR noted:

The Australian Government does not enter into mutual recognition arrangements on behalf of professions, as professions are regulated at State or Territory government level. International professional recognition arrangements need to be driven and supported by the relevant professional bodies in each country. Many peak professional bodies in Australia set national standards for their profession and also assess skilled migrants seeking entry to Australia. These bodies are best placed to discuss mutual recognition with their overseas counterparts.⁸¹

4.83 Current economic trends which might cause change in the professional services sector in India are also outlined in the 2007 DFAT study:

The growth of the Indian economy has fostered demand for qualified and suitably experienced international lawyers and accountants to service the needs of foreign investors in India and Indian multinationals and Indian exporters of capital, goods and services.⁸²

The 2007 DFAT study indicated that Australia was pursuing greater access to the Indian professional services market through the multilateral WTO negotiations:

In WTO services trade negotiations, Australia is seeking a commitment from India on legal services covering advisory services in foreign law, which would enable Australian

80 DFAT, *India's Services Sector Unlocking Opportunity*, 2007, pp. 38-9

81 DEEWR, *Submission No 45*, p.2

82 DFAT, *India's Services Sector, Unlocking Opportunity*, 2007, p.65

lawyers to enter into voluntary forms of association with Indian lawyers and law firms, and employ or be employed by Indian lawyers. Australia is also pushing for commitments on commercial presence to enable Australian accountants to establish offices in India and provide a full range of accountancy services.⁸³

- 4.84 In its 2008 Supplementary Submission, DFAT noted Indian and Australian participation in the Doha Round of WTO negotiations. It also notes that in preliminary studies towards the feasibility of a free trade agreement between Australia and India, attracted strong support:

There has been strong public support from Australian businesses and state and territory governments for an FTA. More than 45 public submissions have been received. Many have pointed to barriers to doing business in India, but are equally keen to find ways to overcome them and improve or gain access to such an important potential market through an FTA which achieves commercially-meaningful outcomes for Australian exporters and investors.⁸⁴

83 DFAT, *India's Services Sector, Unlocking Opportunity*, 2007, p.65

84 DFAT, *Supplementary Submission No 17a*, p.8

