



## Submission No 26

### **Inquiry into Australia's Overseas Representation**

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**Australian Government**  
**Austrade**

Joint Standing Committee on Foreign Affairs, Defence and Trade  
Foreign Affairs Sub-committee  
Inquiry into Australia's Overseas Representation  
Austrade Submission

**Executive Summary**

Austrade is the Australian Government's international trade, investment and education promotion agency. As of 30 June 2011, Austrade operated in 102 locations in 55 countries. This included delivering consular, passport and other government services in thirteen consulates-general and three honorary consulates. Locally engaged staff represent 88 per cent of Austrade's staff resources overseas and approximately half of Austrade's total staff numbers.

Consular activity has grown significantly in recent years and has been accommodated through the flexible use of existing resources.

The Austrade Review, announced by the Minister for Trade on 17 May 2011, has fundamentally reshaped Austrade's strategy, operating model and structure. These strategic changes have been implemented within Austrade's existing budget.

In delivering its core functions, Austrade works closely with the Department of Foreign Affairs and Trade (DFAT) and other relevant Commonwealth and state government agencies, both in Australia and overseas.

A stable, reliable communications network is a key element for Austrade in delivering services to Australian and overseas businesses and institutions, as well as to Australian citizens. Social media is being used to enhance Austrade's communications and business engagement.

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The Australian Trade Commission (Austrade) welcomes the inquiry into Australia's overseas representation. This submission addresses each of the terms of reference of the inquiry:

- the activities that Australia's diplomatic posts must undertake;
- their geographic location and spread;
- the appropriate level of staffing, including locally engaged staff; and
- the effect of e-diplomacy and information and communications technology on the activities of diplomatic posts.

## Austrade Review

On 17 May 2011, the Hon Dr Craig Emerson, Minister for Trade, announced the outcomes of a comprehensive review of Austrade. The Review was initiated by Austrade's CEO to put Austrade on a more contemporary and sustainable footing, and responded to fundamental shifts in the global and Australian economy. Globalisation, changes in technology and the means of doing business internationally also have seen the nature of barriers faced by companies in international markets shift.

Along with this, Austrade's strategy and disposition of resources had moved through several cycles. The abolition of the former business-based Board in 2006 following the Uhrig reforms saw Austrade's governance arrangements brought under public sector frameworks.

More recently, the Government had allocated a range of additional functions to Austrade, including responsibility for attracting productive foreign direct investment; industry-focused trade and investment strategies (clean energy, automotive); the *Australia Unlimited* nation branding program; and the international marketing of Australian education.

Despite the changes in Austrade's functions, responsibilities, governance and operating environment there had been no whole-of-organisation review of Austrade's operational model and organisational structures since one by McKinsey and Company in 1990.

The outcomes of the Review (see **Attachment A** for details) have fundamentally reshaped Austrade's strategy, operating model and structure. The core elements of the new operating model are:

- a clearer rationale and purpose – predicated on addressing market failure and focussing resources where Austrade, as a government agency, can add the greatest value;
- a realigned international network – with a different focus in different markets reflecting the commercial potential as well as the nature and scale of impediments to business in those markets and the optimal role for government;
- a service delivery model targeted to internationally ready firms, supported by simpler packaging and pricing of services;
- a focus on identifying and bringing tangible foreign business opportunities to Australian business;
- sharper investment promotion, attraction, and facilitation priorities;
- a more open and contemporary approach to sharing Austrade information and insight, with new investment in online service delivery and information dissemination and strengthened collaboration with government and commercial service providers – a smarter way to deliver services to Australian business; and
- a commitment to strengthening organisational capability through simplifying the organisational structure; new initiatives to build workforce capacity; and streamlining of corporate administration.

### *A clear rationale*

The key focusing issues for the Review were the current and future rationale for Austrade and identification of where and how Austrade can and does deliver greatest value to business. The views of external organisations that work closely with Austrade and the results of independent surveys indicated a high degree of goodwill and support for the organisation. Client satisfaction with Austrade's services has been consistently high over many years.

This level of commitment was also matched with equally strong views about the strengths and weaknesses of the current operating model. In particular, consultations confirmed the view that Austrade had spread its resources too thinly and was suffering from a lack of focus, lack of consistency and unnecessary complexity.

Consultations and face-to-face interviews held with business and industry representatives as well as surveys of Australian exporters and the experiences of Austrade confirmed that Austrade's greatest value derives from the combination of its knowledge of, and connections in, international markets and its status as a government organisation.

In economic terms, the strongest rationale for continued Government investment in Austrade, and the optimal basis for prioritising the functions it undertakes, how it is organised and where its resources are located, must centre on addressing market failure. In a commercial sense, it is also clear that a lack of access to relevant information in and about international markets can impede Australian businesses from identifying international commercial opportunities and entering those markets.

For Austrade's export facilitation and development activity, market failure will be strongest in markets where governments play a significant role in the economy; where language and business culture can provide a barrier; where there is less openness of regulatory frameworks and transparency of business processes; where there are difficulties accessing distribution channels and commercial connections; and where the value of the 'badge of government' is highest.

For investment attraction, the general market failure argument for government involvement is not as specifically related to the nature of the market. It makes sense therefore to target the allocation of investment priorities and resources to actual and potential sources of investible funds such as Europe, North America, Japan and increasingly the major growth and emerging economies.

In respect of Austrade's responsibilities for the international marketing of Australian education, there is a general deficiency of validated information in relation to Australian education opportunities in current and prospective education markets, despite the existence of private sector agents and institutional providers.

### *Review implementation and impacts on Austrade's overseas locations*

The Austrade Review reforms are being achieved within Austrade's existing budget, through the rationalisation and redirection of resources both in Australia and offshore as well as through efficiency gains identified in the course of the Review.

Implementation commenced on 1 July 2011 with changes being phased in through 2011–12.

Austrade's efforts in the more established markets of North America and Europe have been refocused predominantly on inward investment and education services, with greater reliance on partners, referrals and online information and services to support Australia's exporters in these markets. Traditionally, a smaller proportion of Australian firms make use of Austrade export services in these markets when compared with major growth markets.

The closure of a number of offices in North America and Europe, the reduction of some staff primarily in North America and Europe as well as a rationalisation and redirection of effort in Australia has released resources to strengthen Austrade's trade and investment representation in growth and emerging markets. These are markets with high commercial potential, where there is strong interest from Australian business and, importantly, where Austrade can add greatest value with regard to the challenges faced by firms.

This is important as Austrade's limited resources have been thinly spread or absent from a number of locations where it could clearly add value. These markets will have a strong focus on trade development, the marketing of international education and increasingly, over time, on investment.

The Government has announced opening new Austrade representation in Mongolia and in Colombia and, as resources are available, Austrade will move also to establish or strengthen Australia-based and local representation elsewhere in Latin America, Africa, Central Asia and western China.

In many locations Austrade delivers consular and passport services to Australians travelling and working abroad. This coverage is being maintained.

### Austrade's role

Austrade was established by the *Australian Trade Commission Act 1985*. It is a Prescribed Agency subject to the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999* and is responsible to the Minister for Trade as part of the Foreign Affairs and Trade portfolio.

Austrade's Portfolio Budget Statement for 2011–12 identifies key deliverables and associated performance indicators to demonstrate its contribution to the Government's outcomes. Austrade's outcomes are:

*Outcome 1: Advance Australia's trade and investment interests through information, advice and services to businesses, industry and government.*

*Outcome 2: The protection and welfare of Australians abroad through timely and responsive consular and passport services in specific locations overseas.*

Austrade's strategies to achieve these outcomes are informed by the Australian Government's international trade, investment, education and consular policies; Australian and international business engagement; the capabilities of Australian businesses; and engagement with priority stakeholders such as state governments and industry associations. These strategies, summarised in the Portfolio Budget Statement 2011–12, commit to a number of deliverables (see **Attachment B**) to which Austrade's services and activities are targeted.

## Austrade activities at overseas posts

Austrade's core functions are international trade, investment and education promotion, and consular services in specific locations. In support of its trade and education functions, Austrade administers the \$150 million per year Export Market Development Grants (EMDG) scheme, which provides grants for businesses and institutions to enter into export and grow to become sustainable. Austrade also manages and promotes the Government's nation brand, *Australia Unlimited*.

Austrade's activities fall into two broad areas, in line with the Government's two stated *outcomes above*:

- Advancing Australia's trade and investment interests overseas – consultations with industry and business groups, exporters, staff and other stakeholders during the Austrade Review confirmed that Austrade's greatest value is derived from its:
  - ability to identify and assess foreign business opportunities and help Australian companies capture opportunities;
  - advice to firms on business practices ('how to do business') in prospective markets;
  - networks of key decision makers, customers and contacts in overseas markets;
  - market insight and information; and
  - 'badge of government' assistance with access to senior officials and business executives and with 'behind the border' barriers to trade and investment.

It is clear therefore, that Austrade's unique value stems from the combination of its knowledge of, and connections in, international markets and its status as a government organisation.

Typical Austrade activity includes engagement with commercial and government entities both in Australia and overseas; inwards and outwards investment promotion and attraction; policy-driven engagement such as in the clean energy and automotive sectors; promotion of Australia's nation brand, *Australia Unlimited*; and promoting Australia's international education credentials. These activities increase the type and quality of information and opportunities available to Australian firms, and increase the attractiveness of Australia to international investors and international students.

- The protection and welfare of Australians abroad – in specific locations overseas, Austrade provides consular and passport services to an increasing number of Australians travelling and living overseas (**Attachment C** outlines Austrade-managed consular locations).

Consular services include notarial services and assistance with consular issues such as whereabouts enquiries, arrest or detention matters and medical emergencies. Passport services include processing new passport applications, registering lost or stolen passports, issuing emergency passports, and detecting passport fraud.

These services, combined with consular contingency planning for major events or high-risk scenarios, and coordination with other government agencies and foreign governments, increase the welfare of Australians overseas.

Austrade works closely with DFAT to deliver both of these functions. Of Austrade's overseas locations, 47 are located within, or adjacent to, a DFAT-managed mission. Austrade staff, both A-based and locally engaged, work closely with DFAT in promoting Australia as a trade and investment destination. Austrade provides advice to DFAT on specific issues impeding Australian business engagement which can be addressed through bilateral and multilateral representations and negotiations. Austrade-managed consulates-general and honorary consulates also work closely with DFAT's Consular Operations and Passports Operations branches in Canberra, especially when dealing with complex cases and consular emergencies.

In Auckland and Dubai, Austrade-managed consulates-general support the delivery of visa services in conjunction with the Department of Immigration and Citizenship.

At all overseas posts, Austrade operates within the framework of the *Prime Minister's Directive: Guidelines for the Management of the Australian Government Presence Overseas*. The *Guidelines* establish principles to ensure effective and co-ordinated representation and the efficient use of public resources. At the 13 consulates-general for which Austrade has responsibility, Austrade is the 'managing agency' in the context of the *Guidelines*, with responsibility for the management and administration of those missions. This includes responsibility, in consultation with relevant Australian Government agencies, for the implementation of appropriate physical, technical, information and personnel security procedures, measures and standards, and for co-ordinating business continuity and contingency planning at these missions.

#### Austrade's international network

As of 30 June 2011, Austrade employed 1087 staff, 617, or 56 per cent, of whom were located overseas spread across 102 locations in 55 countries (as shown in **Attachment D**). As noted already, implementation of the Austrade Review outcomes is well underway and by the end of 2011–12 it is projected that Austrade will have 1066 employees, 58 per cent of whom will be located offshore.

Of the 102 Austrade locations in place on 30 June 2011, 48 were managed by Australia-based (A-based) employees and the remainder were managed by an overseas-engaged employee (OEE) overseen by an A-based employee from a related post. Table 1 shows that both the level of Austrade staff and the level of A-based staff overseas have reduced over the past 15 years as funding has tightened and costs have increased. Austrade has also reduced its total number of Senior Executive Service (SES) employees, against the APS trend.

	1995 (at 01 July)	2011 (at 30 June)	Change
Austrade staff total	1185	1087	-8%
A-based staff overseas	102	74	-27%
SES staff	104	63	-39%

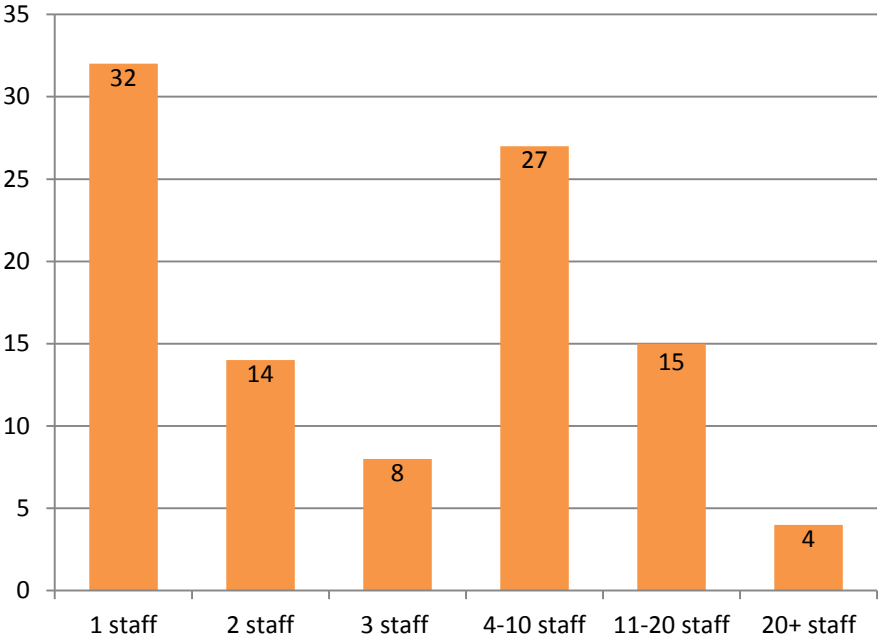
**Table 1** – Trends in headcount

As Austrade has reduced the number of A-based staff overseas, it has increased the number of OEE who have become increasingly important in the delivery of Austrade’s core business functions of trade development, investment facilitation, international promotion of Australia’s education sector and providing consular and passport services. As of 30 June 2011, 543 or 88 per cent of Austrade’s 617 overseas staff were OEE.

Some 57 per cent of Austrade’s overseas A-based and OEE staff are women (**Attachment D**). Austrade’s overseas staff require a range of expertise including trade and investment development and international commerce skills. They also require sound representation and interpersonal skills. Language competency is also required for most markets.

In terms of the average number of staff per location, Chart 1 shows that the majority (54 out of 102) of Austrade’s posts at the end of June 2011 were small posts with three or fewer staff members. Of these 54 posts, only five had incumbent A-based employees.

**Chart 1** - Number of staff members per location (at 30 June 2011)



**Note:** Two Austrade locations were unstaffed at 30 June 2011

One further long-term development impacting Austrade’s international activity is the increasing number of Australians living, working and travelling overseas. This development is displayed, for instance, in the record number of passports issued by DFAT in 2010–11.

Austrade has responsibility for 13 consulates-general and three honorary consulates. This is down from 16 in 2009–10 due to the responsibility for previously Austrade-managed consulates-general in Mumbai and Chennai in India and Lima in Peru transferring to DFAT. The number of Austrade-managed consulates-general will increase as Austrade moves into growth and emerging markets such as Mongolia and Colombia, both announced in 2011.

Table 2 shows that, since 2005–06, requests by Australians overseas for consular support has grown markedly.



Year	Austrade consular responsibility		Australians assisted	Percentage change
	Consulates-General	Honorary Consulates		
2005–06	18	3	38,666	—
2006–07	19	3	53,531	+38%
2007–08	17	4	71,585	+34%
2008–09	17	4	103,061	+44%
2009–10	16	3	111,506	+8%
2010–11	13	3	129,592	+16%

**Table 2** – Australians assisted at Austrade-managed consular posts

From 2005–06 to 2010–11, the number of Australians assisted increased more than three-fold. The average number of Australians assisted by Austrade’s consulates has risen from 1840 to 8100 per year. This trend towards higher demand for consular services is also reflected in other measures such as the number of notarial acts performed, up 50 per cent in the same period, and the number of travel document applications, up around 35 per cent. This long-term growth in demand for consular services has been managed within Austrade’s existing funding by flexible use of staff and other resources.

The significant increase in consular activity, the spread of locations, the number of OEE-managed offices and the reduced number of A-based staff overseas have all combined to reinforce the need for strong governance within Austrade.

### Austrade governance

Over the past 18 months Austrade has undertaken a wide ranging program of enhancements to its governance arrangements. This work has included improvements to the overall governance framework as well as a specific focus on ensuring that its processes and policies are appropriate in relation to the anti-bribery provisions of the Australian Criminal Code and international anti-bribery obligations.

Changes to Austrade’s overall governance framework, including those flowing from the broader Austrade Review, have included:

- strengthened executive management of the organisation through a smaller executive group, meeting on a weekly rather than monthly basis;
- a global rather than regional management structure with strategic management and oversight of the international network based in Austrade’s headquarters;
- clearer lines of responsibility for Austrade’s core functions – trade, investment and education and for the EMDG scheme; and
- renewal of indicators of organisational effectiveness during 2011–12 to better reflect the organisation’s strategy and directions, including incorporation of governance considerations.

Austrade has also strengthened governance arrangements in specific areas including the establishment of an Ethics Committee and Chief Ethics Officer, and anti-bribery training for all staff.

The overall impact of this governance change program has been assessed through an independent audit, undertaken for Austrade by the Australia and New Zealand School of Government Institute for Governance (ANZIG) which concluded that *‘Austrade’s governance arrangements and structures developed through the reform process were of a high standard and in certain areas reflect leading international practice, particularly in the area of anti-corruption training’*.

### Overseas connectivity through Austrade’s communications network

Austrade maintains a broad, independent communications network, which provides national and international end points with data, voice and video services. The network provides reliable, low-cost connectivity between Austrade’s international posts and its office structure throughout the Australian states and territories.

The communications network enables collaboration and interaction via:

- Austrade corporate applications –including Austrade’s business database (Relationship Management System - RMS) and document management and collaboration system (Connect) along with other supporting collaborative software.
- Voice – other than the cost of the fixed infrastructure and bandwidth, call costs between end points within the communications network are negligible, regardless of the distance. International end points are also able to call Australian numbers outside of the network, to either fixed lines or mobile phones, at the cost of making a local call.
- Videoconferencing – meetings, interviews and briefings via videoconferencing can, as with telephone calls, be conducted at a low cost over Austrade’s communications network.

A key outcome of an integrated communications network has been increased productivity through increased flexibility for staff, greater collaboration and enhanced knowledge sharing and retention.

### *Usage of the communications network*

Austrade’s communications network is used in a variety of ways to support Austrade’s core business functions.

Internally, Austrade uses the network to share information on Australian businesses seeking international business outcomes; collect and share intelligence on international developments and opportunities; and bring together and align geographically distinct elements of the international team, among other things.

Externally, Austrade uses its communications network to brief Australian businesses, individually or in groups, on international events and opportunities; connect potential foreign buyers or investors to Australian businesses, state and territory governments, or other

regulatory or service entities; and connect with other government agencies for policy updates on issues such as consular service and education promotion.

Austrade’s communications network is also regularly accessed for meetings, briefings, interviews and conferences by other Government agencies such as the Australian Customs and Border Protection Service; the Australian Federal Police; the Department of Education, Employment and Workplace Relations; the Department of Immigration and Citizenship and the Department of Foreign Affairs and Trade.

*Benefits of the communications network*

The availability of a stable, reliable and broad communications network brings many benefits to Australian businesses and institutions, and also to the wider Australian community. The 2011 Japan tsunami crisis, for example, represented a high, instantaneous peak of consular activity followed by continuing elevated levels of response. Communications support at such times is critical to operational effectiveness and Austrade’s network remained stable and functional through this peak level of activity. For consular purposes, the ability to reliably connect to the Department of Foreign Affairs and Trade and the Department of Immigration and Citizenship on a low-cost, real-time platform is important to achieving outcomes for travelling Australians.

For trade and investment objectives, Austrade’s connectivity with its international team and through its state offices to state governments and regulators is an effective method to promote Australian goods and services to international customers and to promote the benefits of investing in Australia to the foreign investment community. The videoconferencing facility presents a professional, contemporary image of Australia which can create or enhance a positive perception of Australia as a business partner.

Among the benefits of the Austrade communication network are the savings on telephone costs and travel. With the fixed infrastructure in place, telephone call costs via the network are negligible and the recent roll-out to all Austrade users of the internal network has seen mobile costs trend markedly lower, as in Table 4.

<b>Year</b>	<b>Austrade</b>	<b>Govt average</b>
2008–09	\$1,197	\$876
2009–10	\$1,005	\$1,228
2010–11	\$896	Not available

Source: Whole of Government ICT Benchmarking Report for agencies with ICT Expenditure greater than \$20 million

**Table 4** – Austrade annual mobile costs per user

Austrade’s use of videoconferencing increased by around 12 per cent in 2010–11 over the previous year to a total of almost 49,000 hours. In the same period, Austrade’s total travel expenditure decreased by 28 per cent, to which videoconferencing has contributed.

*Social media*

Social media is becoming an important aspect of online marketing. At a basic level, social media has excellent research utility. Postings are windows into how consumers think and research into such postings can help Australian businesses learn more about their own and their competitors’ products and target customers. Austrade, via its website, provides social media marketing advice to Australian companies and also makes available to Australian exporters a free, online booklet called Exporting Online.

Austrade recognises the opportunity social media can bring in reaching new audiences and interacting effectively with clients, customers, stakeholders and staff. Equally, social media brings with it a range of legal and regulatory challenges, along with brand, security and privacy risks. These risks require careful management if Austrade is to maintain its reputation as a trusted agency. Austrade updated its social media policy and rolled out a compulsory training module in the first half of 2011. The updated policy and training are in step with the APS Reform program and with the Government 2.0 Taskforce's guidelines on online communications.

To support the policy, staff training materials and a social media accreditation process were developed and compulsory social media training was conducted for all staff. Record keeping templates now record interactions within social media by accredited Austrade staff and Austrade social media branding designs and guidelines have been developed to ensure consistency across all Austrade social media presences.

Austrade has secured a number of corporate presences including an Austrade-branded YouTube channel, @Austrade corporate Twitter account and Flickr account. The @Austrade Twitter account is used primarily for the purpose of sharing corporate information, Austrade and DFAT press releases and items from the Austrade news and media centre, and for promoting priority events and programs. Most Austrade social media presences are targeted at particular industries and/or markets, for example, the Austrade Mining to Latin America Group on LinkedIn.

As a practical example of the use of social media, Austrade established a Study in Australia Facebook page in 2009 to help promote an education exhibition in Indonesia. Using Facebook's internal advertising tool, an advertisement for the exhibition was created to promote it directly to Indonesian Facebook users. Approximately 200 users confirmed their attendance through the page and 1,500 Facebook users declared themselves as fans of the Study in Australia Indonesia page. The number of fans to this Facebook page has since risen to over 10,000. The page was used to promote another education event in early 2011, following which surveys revealed that 10 per cent of attendees reported the Facebook page as the reason for their attendance. This is one example of the increasing use of social media to deliver key marketing and promotion messages in relation to Austrade's international trade, investment and education responsibilities.

# REFORM OF THE AUSTRALIAN TRADE COMMISSION

MAXIMISING OUR VALUE

MAY 2011



Australian Government  
12 Austrade



## Rationale for the Review

The Australian Trade Commission (Austrade) was established in its current form, under the *Australian Trade Commission Act 1985* as a statutory authority. Initially, the aim was to bring together the functions of the Trade Commissioner Service, elements of the then Department of Trade, the Australian Overseas Projects Corporation, the Export Development Grants Board and the Export Finance and Insurance Corporation into a 'one stop shop' to support Australia's export effort.

Since that time there have been fundamental shifts in the global and Australian economy. Globalisation, changes in technology and the means of doing business internationally have seen the nature of barriers faced by companies in international markets also shift.

Along with this, Austrade's strategy and disposition of resources has moved through several cycles. The abolition of the former business based Board in 2006 following the Uhrig reforms saw Austrade's governance arrangements brought under public sector frameworks.

More recently, the Government has allocated a range of additional functions to Austrade – including responsibility for attracting productive foreign direct investment; industry-focused trade and investment strategies (clean energy, automotive); the Australia Unlimited nation branding program; and the international marketing of Australian education.

Despite the changes in Austrade's functions, responsibilities, governance and operating environment there has been no whole of organisation review of Austrade's operational model and organisational structures since one by McKinsey and Company in 1990.

## Approach to the Review

This review was initiated by the CEO to put Austrade on a more contemporary, more sustainable footing. The review commenced in late July 2010 with the appointment of two external consultants (following public tender) to advise the CEO on aspects of the review. A small internal secretariat was established to support this work.

A significant program of analysis and internal and external consultation was undertaken during the second half of 2010.

Austrade client, investor and customer data (more than 80,000 firm records) provided a key source of information and insight. Annual surveys of Austrade's client base were also analysed. The Client Service Improvement Survey is conducted annually on behalf of Austrade by the Wallis Consulting Group. In 2010, 1,502 firms completed responses to the online element of the survey and 1000 firms were interviewed by phone. Specific questions were added to the 2010 survey to support the review work.

The CEO also drew on previous research and analysis undertaken or commissioned by Austrade (including Journey to Export and International Business) and empirical studies conducted by various international institutions. The 300 public submissions made to the Mortimer Review of Export Policies and Programs in 2008 were also considered.

To supplement (but not duplicate) these sources, the views of stakeholders from government, business and industry were sought. Face-to-face meetings were held in Sydney, Canberra, and Melbourne. Teleconference and video conferences were also arranged with stakeholders located in Brisbane, Adelaide, Perth, Darwin and Hobart.

Within Austrade, more than 300 staff contributed to surveys, made individual written submissions and participated in workshops.

While the initial scope of review was directed towards Austrade's operations in Australia, inevitably this was extended across all other areas of the organisation.

Following the completion of the initial assessment in December 2010 the outcomes of this review have been carefully considered and endorsed by the Australian Government. Under the guidance of a senior management Taskforce, internally staffed working groups were commissioned in February 2011 to undertake early, high level solution design work. This work concluded in late April and will be instrumental in shaping the next phases of review implementation.

## A New Operating Model

The conclusions of the Review will fundamentally reshape Austrade's strategy, operating model and structure. The core elements of the new operating model are:

- › A clearer rationale and purpose - predicated on addressing market failure and focussing resources where Austrade as a government agency can add the greatest value
- › A realigned international network – with a different focus in different markets reflecting the commercial potential as well as the nature and scale of impediments to business in those markets and the optimal role for Government
- › A service delivery model targeted to internationally ready firms, supported by simpler packaging and pricing of services
- › A focus on identifying and bringing tangible foreign business opportunities to Australian business
- › Sharper investment promotion, attraction, and facilitation priorities
- › A more open and contemporary approach to sharing Austrade information and insight, with new investment in online service delivery and information dissemination and strengthened collaboration with government and commercial service providers
- › A commitment to strengthening organisational capability through simplifying the organisational structure, new initiatives to build workforce capacity and streamlining of corporate administration

## A clear rationale

The key focusing issue for the review has been the rationale for Austrade in 2010 and beyond, and identification of where and how Austrade can and does deliver greatest value to business. The views of external organisations that work closely with Austrade and the results of independent surveys, indicate a high degree of goodwill and support for the organisation. Client satisfaction with Austrade's services has been consistently high over many years.

This level of commitment was also matched with equally strong views about the strengths and weaknesses of the current operating model. In particular, consultations confirmed the view that Austrade has spread its resources too thinly and was suffering from a lack of focus, lack of consistency and unnecessary complexity.

### 1. Maximising our Value

Consultations and face-to-face interviews held with business and industry representatives as well as surveys of Australian exporters and the experiences of Austrade staff during 2010 have confirmed that Austrade's greatest value is derived from its:

- › ability to identify and assess foreign business opportunities and help Australian companies capture opportunities
- › advice to firms on business practices ('how to do business') in prospective markets
- › networks of key decision makers, customers and contacts in overseas markets
- › market insight and intelligence
- › 'badge of government' assistance with access to senior officials and business executives and with 'behind the border' barriers to trade and investment.

It is clear therefore, that Austrade's unique value stems from the ***combination of its knowledge of, and connections in, international markets and its status as a government organisation.***

In economic terms, the strongest rationale for continued Government investment in Austrade, and the optimal basis for prioritising what functions it undertakes, how it is organised and where its resources are located, must centre on addressing market failure. And in a commercial sense it is also clear that a lack of access to relevant information in and about international markets can impede Australian businesses from identifying international commercial opportunities and entering those markets.

For Austrade's export facilitation and development activity, market failure will be strongest in markets where governments play a significant role in the economy, where language and business culture can provide a barrier, where there is less openness of regulatory frameworks and transparency of business processes, where there are difficulties accessing distribution channels and commercial connections and where the value of the 'badge of government' is highest.

For investment attraction, the general market failure argument for government involvement is not as specifically related to the nature of the market. Potential investors in New York have a similar lack of understanding of the nature of investment prospects and of Australia's economic credentials and regulatory environment as those in Mumbai. It makes sense therefore to target the allocation of investment priorities and resources to actual and potential sources of investible funds— such as Europe, North America, Japan and increasingly the major growth and emerging economies.

In respect of Austrade's responsibilities for the international marketing of Australian education, there is a general deficiency of validated information in relation to Australian education opportunities in current and prospective education markets, despite the existence of private sector agents and institutional providers.

***This does not mean that Austrade cannot add value in all markets and in all of the activities it currently undertakes; but there is a need to focus where it can add the greatest value.***

## **2. A Re-shaped Network**

It makes sense therefore for Austrade's efforts in the more established markets of North America and Europe to be focused predominantly on inward investment and education services, with greater reliance on partners, referrals and online information and services to support Australia's exporters in these markets. Currently a smaller proportion of Australian firms make use of Austrade export services in these markets when compared with major growth markets.

The closure of several small posts in North America and Europe, the reduction of some staff primarily in North America and Europe as well as a rationalisation and redirection of effort in Australia will release resources to strengthen Austrade's trade and investment representation in growth and emerging markets with high commercial potential, where there is strong interest from Australian business and importantly, where the challenges faced by firms are greatest.

This is important as Austrade's limited resources are currently thinly spread or absent from a number of locations where it could clearly add value. These markets will have a strong focus on trade development, the marketing of international education and, increasingly, over time, on investment.

The opening of new Austrade representation in Mongolia was announced in February 2011. As resources are available, Austrade will move to also establish or strengthen our Australian based and local representation in Latin America, Africa, Central Asia and western China.

The strategy of prioritising different activities in different markets directly contrasts with the current policy of delivering all services in all markets.

In certain locations Austrade delivers consular and passport services to Australians travelling and working abroad. This coverage will be maintained.

Recognising that firm level assistance delivered in international markets is the main priority for Austrade provides a clearer basis for prioritising functions and activities in Australia. Domestically, many organisations across all levels of government and in the private sector play a role in broader business development activity. The further away from the market that Austrade operates, the less unique its role is.

Activities and services which support international based activity should therefore be given priority. It is appropriate also for Austrade to look to ways to better share its market insights and pass information on international commercial opportunities through to other domestically oriented organisations both in government or the private sector who can best help firms exploit those opportunities.



## Delivering Greater Value for Australian Business

### 3. Services for Internationally ready firms

Because Austrade's greatest value lies in international markets, Austrade services will be more clearly directed to those companies ready to tackle international business opportunities. Where companies are not ready for export, Austrade will make referrals to alternative enterprise development programs (government or private sector).

To support this, Austrade will also implement:

- › An International Readiness Indicator
- › A streamlined suite of services
- › Simpler packaging of those services

The Export Market Development Grants (EMDG) scheme will continue unchanged.

Austrade services will be available to firms regardless of size, industry sector or turnover. Having said that the bulk of clients that Austrade currently assists are Small to Medium Sized Enterprises (SMEs) and this will continue to be the case.

Decisions about a firm's capacity to enter or grow international business will not be made by Austrade. Rather, the International Readiness Indicator is intended to guide firms to make their own assessment of their capacity and to guide them to a range of sources of assistance (delivered by Austrade or other organisations) that best fit their need

### 4. Opportunity Identification and Delivery

Identifying and bringing tangible foreign business opportunities directly to Australian business and to other relevant organisations (ie a greater emphasis on 'demand' rather than 'supply') will be a key element of the new strategy. Opportunities will include a mix of transactional commercial opportunities – including assisting Australian firms to win business arising from opportunities they have identified as well as longer term, major project based opportunities.

### 5. Sharper Investment Focus

Investment activity will be focused in markets where there are sources of investible funds, predominantly established markets, but increasingly, growth and emerging economies. However, a sharper focus for investment activity is also required.

- › Generic promotion of Australia's attractiveness as a destination for foreign direct investment in target markets will remain a core element of the investment program.
- › Proactive investment attraction priorities will be determined through structured consultation across Government.
- › The facilitation of investors who have made a decision to consider Australia, requires close cooperation across levels of government and Austrade's role will be concentrated in the delivery of targeted information and navigation through the Australian policy and regulatory landscape. A key goal for Austrade will be the delivery of strong investment leads to states, territories and other providers for facilitation activity, at the earliest opportunity.

### 6. Better targeted promotions

Consistent with the increased focus on opportunity identification and distribution there is scope to streamline Austrade's current events and missions program. In most cases, Austrade's greatest value-add is in the provision of business services around events and missions and the contribution of commercial, market-based insights in third party conferences and seminars rather than recruitment and organisation. Where there are reliable alternatives, Austrade will actively seek to partner with relevant allies to organise events and missions. Agreements with major exhibition companies for logistics and recruitment will be pursued.

Offshore, the roll-out of Australia Unlimited branding, promotions and events will be accorded priority. In Australia, a holistic seminar / roadshow program will be developed informed by market trends and opportunities and other major opportunities that are endorsed through the corporate planning process (and will include events in support of our formally endorsed industry priorities).

Some current, domestically focused marketing activity and early stage export coaching events will be phased out during 2011-12.

## 7. More Online Services and Information

Improved online service delivery will underpin Austrade's new operating model with additional resources to be applied to this over the coming two years. To expand and transform online capacity to support a range of service and information capabilities, the following types of initiatives will be further scoped:

- › Online access to the new International Readiness Indicator tool
- › Integrated online and offline support functionality
- › Online referrals and linkages to appropriate service providers
- › Dissemination of market insights and opportunities via external networks
- › Access to a portal of searchable third party information on Australian suppliers.
- › Online business registration and enhanced access to content and functionality for registered users

## 8. Sharing Our Insight

Austrade possesses considerable information and commercial insight regarding specific developments and opportunities in international markets. Feedback during the review indicated there was high level of demand from other organisations both government and business associations who would value and would be better able to support business their business base if this was made available more readily.

Opening access to Austrade's market insights and information on international commercial opportunities to a wider range of organisations will have flow on benefits for Australian business and ways of doing this more effectively will be explored including any commercial and legal risks.

## 9. Stronger, but fewer partnerships

Many organisations across all levels of government, industry and with the private sector have a stake in delivering trade and investment support and broader business development.

Austrade currently maintains an excessive number of formal partnerships with such organisations. While effective collaboration is critical, new principles and business processes governing Austrade's establishment of partnerships, service provider relationships and alliances will be introduced. A more disciplined approach will see a smaller number of partnerships established but those that are, will be grounded in shared objectives and mutual interest.

At the federal level, there is scope for strengthened collaboration between Austrade and organisations such as Enterprise Connect and the Industry Capability Network. Enhanced, practical collaboration with other government and private sector service providers in Australia where they are better placed to deliver opportunities to companies or to develop export capability is to the benefit of Australian firms and this will be an early priority. The TradeStart network will continue to be an important part of Austrade's service delivery network.

## Stronger Organisational Capability

This new operating model also has significant implications for Austrade's organisational arrangements, its structure and the way resources are allocated. It will also require a more streamlined approach to the delivery of corporate support within the organisation.

## 10. Simpler Organisational Structure

Key objectives in shaping the new organisational structure are to ensure it:

- › allows for more focus, effort and resources offshore, recognising that is where Austrade's major value lies
- › creates a globally integrated organisation without the sense of two if not five Austrades
- › reduces the fragmentation of functions and consolidates areas of expertise

- › is simpler, clearer and improves lines of accountability
- › uses complex matrix arrangements very much as a last resort.

Key features of the new structure are:

- › A smaller executive group (three rather than eight) reporting to the CEO from 1 July 2011.
- › Austrade will move to a global rather than regional management structure with strategic management and oversight of the international network to be based in Austrade's Sydney headquarters. Operational responsibilities remain with Posts.
- › Clear lines of responsibility for Austrade's core functions: trade, investment and education and for the EMDG scheme will be established.
- › Support functions (corporate services, promotions and communications and online information and service delivery) will each be consolidated with clear lines of responsibility.

To enable appropriate recruitment and transition arrangements, the new structure will be the subject of phased implementation from 1 July 2011. Regional Directors will remain in place with their current authority and delegations until 1 October 2011.

There will not be a general 'spill' of senior positions, but the reorganisation will create a number of new positions which will be advertised shortly.

## 11. Skills and Values

Priority will also be given to enhancing staff capability through the introduction of Trade Commissioner Development program and a graduate recruitment program to complement existing recruitment and to bolster longer term capability and sustainability.

These initiatives will also be supported by changes to other key internal policies including changes to posting cycles and rotation practices and the introduction of a new language policy.

As representatives of the Australian Government, a key operating requirement is for all Austrade activities to uphold and promote the highest ethical standards. Changes to Austrade's governance structures following the review will include the establishment of an Ethics Committee with an independent Chair, and the designation of a Chief Ethics Officer.

## 12. Streamlined corporate administration

Elements of Austrade's governance structure need to be refreshed to reflect the new strategy, structure and new operating model. Changes will be made to governance arrangements including Austrade's planning processes; corporate performance indicators; committee and reporting structures; agency risk management; delegations and Chief Executive Instructions; audit; and performance evaluation.

A particular priority in finalising our 2011-12 corporate planning process will be to renew our indicators of organisational effectiveness to reflect our new strategy and directions.

In parallel with the review of Austrade's operations, the efficiency of Austrade's corporate services areas were examined. The broad conclusion is that while Austrade is within norm for (domestically focused) federal government agencies, it is at the higher levels. Equally, Austrade has some genuinely unique features (including its global distribution) which necessarily increases costs in some areas. That said, there are opportunities for achieving efficiencies as part of the forthcoming change program and a specific, internal cost saving target will be set.

## Implementation

These reforms will be achieved within Austrade's existing budget, through the rationalisation and redirection of resources both in Australia and offshore as well as through efficiency gains identified in the course of the review.

Implementation will commence from 1 July 2011 with changes phased in throughout 2011-12. To enable appropriate recruitment and transition arrangements, all elements of the new structure will not commence until 1 October 2011.

Implementation will continue to be governed by an internal Implementation Taskforce. Further details will be communicated within Austrade and with stakeholders over the coming weeks. Austrade staff will be involved in consultations during implementation.

**Austrade Portfolio Budget Statement 2011–12 Outcomes**

**Outcome 1:** Advance Australia's trade and investment interests through information, advice and services to businesses, industry and governments

**Outcome 1: Strategy**

Austrade will apply its knowledge of and connections in international markets, and its status as a Government organisation, to identify and present commercial opportunities to Australian business, institutions, and industry. Austrade's full range of services will be delivered in growth and emerging markets that offer commercial potential and provide opportunities aligned with Australian capability (including education). In established markets, Austrade will focus predominantly on inward investment and education. Wherever possible, Austrade will partner with other Commonwealth Government agencies and state and territory governments and private sector organisations in delivering its trade, investment and international education activities.

**Program 1.1: Trade and investment development****Program 1.1: Objective**

Austrade will advance Australian trade, investment and international education interests by identifying and presenting international opportunities and delivering practical in-market support, advice and insights to Australian businesses and institutions.

**Program 1.1: Deliverables**

- Identify foreign business opportunities for Australian companies and industries, particularly in growth and emerging markets that offer commercial potential and align with Australian capability; where there are difficulties accessing distribution channels and commercial connections; and where the value of the 'badge of government' is highest.
- Deliver market-related services, advice and information to assist Australian companies in international markets to capture opportunities.
- Build linkages and networks with key decision-makers, buyers, investors and institutions and facilitate access to senior officials and business executives in international markets, and assist Australian firms with 'behind the border' barriers to trade and investment, consistent with legal obligations including anti-bribery laws both in Australia and overseas.
- Work with state and territory and other Commonwealth government agencies to secure productive foreign direct investment from target markets that complements or capitalises on domestic capabilities.
- Promote Australia's nation brand, Australia Unlimited, in target markets to advance Australia's image and reputation across a wide range of fields including trade, investment, innovation, diplomacy, international education and tourism.
- Promote the international standing of Australia's education system as world-class, and assist in the marketing of Australian education to support the sustainable development of Australia's international education and training services.
- Support the delivery of the Automotive Market Access Program and Clean Energy Trade and Investment Strategy.
- Strengthen investment in online information and service delivery and new partnerships to achieve a more contemporary approach to service delivery.

- Assess applications for the income tax exemption available under Section 23AF of the Income Tax Assessment Act 1936, to assist the international competitiveness of Australian companies and government organisations competing to win international tenders.
- Draw on Austrade’s global, commercial perspective to provide advice to Government.

**Program 1.2:** Trade development schemes – Export Market Development Grants (EMDG)

**Program 1.2:** Objective

Provide an incentive for businesses to enter into export and grow to become sustainable exporters.

**Program 1.2:** Deliverables

- Administration of the Export Market Development Grants scheme, providing partial reimbursement for expenditure on eligible export promotion activities.

**Outcome 2:** The protection and welfare of Australians abroad through timely and responsive consular and passport services in specific locations overseas

**Outcome 2:** Strategy

Austrade supports Australians travelling and working overseas through the delivery of effective, accurate and timely consular and passport services, travel advice, practical contingency planning and rapid crisis response in locations overseas where Austrade has consular management responsibilities.

**Program 2.1:** Consular and passport services

**Program 2.1:** Objective

Support Australians in specific locations overseas through an effective consular service, accurate and timely travel advice, practical contingency planning and rapid crisis response.

**Program 2.1:** Deliverables

In specific locations overseas:

- Deliver comprehensive, responsive, high quality consular services to an increasing number of Australian travellers and citizens living overseas, including notarial services and assistance with welfare issues, whereabouts enquiries, arrest or detention matters and medical emergencies.
- Provide high-quality passport services to Australians, including processing new passport applications, registering lost or stolen passports, issuing emergency passports, and detecting passport fraud.
- Undertake effective consular contingency planning for major events or high-risk scenarios, including through regular reviews of procedures and available resources, training of staff and coordination with other government agencies and foreign governments.

### Austrade-managed consular locations at 30 June 2011

Country and post		Status	Passports	Visas
Germany	Frankfurt	Aust Consulate-General	Yes	
Italy	Milan	Aust Consulate-General	Yes	
Japan	Fukuoka	Aust Consulate-General	No	
	Osaka	Aust Consulate-General	Yes	
	Sapporo	Aust Consulate	No	
New Zealand	Auckland	Aust Consulate-General	Yes	Yes
Turkey	Istanbul	Aust Consulate-General	Yes	
United Arab Emirates	Dubai	Aust Consulate-General	Yes	Yes
USA	Atlanta	Aust Consulate-General	Yes	
	San Francisco	Aust Consulate-General	Yes	
Brazil	Sao Paulo	Aust Consulate-General	Yes	
Canada	Toronto	Aust Consulate-General	Yes	
Libya*	Tripoli	Aust Consulate General	Yes	
Canada	Vancouver	Aust Honorary Consulate	Yes	
Czech Republic	Prague	Aust Honorary Consulate	No	
Russia	Vladivostok	Aust Honorary Consulate	No	

\*The Consulate-General in Tripoli is closed until further notice

### *Anticipated changes to consular locations*

In his announcement of the Austrade Review outcomes on 17 May 2011, the Hon Dr Craig Emerson, Minister for Trade, singled out emerging markets 'such as Mongolia, Latin America, Africa and Central Asia' as offering growing prospects for Australian businesses. The Government has announced it will open additional Austrade-managed consulates in Ulaanbaatar, Mongolia, and Bogota, Colombia, and the Mongolian and Colombian governments have agreed to this. The locations of these new consular posts align with the outcomes of the Austrade Review and signal the redirection of staffing and other resources towards difficult markets where the role of government is greatest.

## D1. Austrade's overseas locations as of 30 June 2011

Abu Dhabi*	Frankfurt	Los Angeles*	Riyadh*
Accra*	Fukuoka	Macau	Rotterdam
Ahmedabad	Guangzhou*	Madrid*	San Diego
Amman*	Hangzhou	Manila*	San Francisco*
Amsterdam	Hanoi*	Mexico City*	Santiago*
Athens*	Ho Chi Minh City*	Miami	Sao Paulo
Atlanta	Hong Kong*	Milan	Sapporo
Auckland	Honolulu	Montreal	Seoul*
Bandar Seri Begawan*	Hyderabad	Moscow*	Shanghai*
Bangalore	Islamabad*	Mumbai*	Shenzhen
Bangkok*	Istanbul	Muscat	Singapore*
Beijing*	Jaipur	Nairobi*	Stockholm*
Belo Horizonte	Jakarta*	Nanjing	Suva*
Bogota	Jeddah	New Delhi*	Taipei*
Buenos Aires*	Johannesburg	New Orleans	Tel Aviv*
Chandigarh	Kansas City	New York*	Tokyo*
Chengdu	Kaohsiung	Noumea*	Toronto^
Chennai*	Karachi	Osaka	Tripoli
Chicago*	Kochi	Paris*	Ulaanbaatar
Colombo*	Kolkata	Port Louis	Vancouver
Copenhagen	Kuala Lumpur*	Port Moresby*	Vladivostok
Denver	Kunming	Prague	Warsaw*
Dhaka*	Kuwait*	Pune	Washington*
Doha	Lahore	Qingdao	Wu Han
Dubai	Lima*	Rabat	Xian
Dublin	London*		

Key

\* Located within, or adjacent to, a DFAT managed mission – 47 locations in all.

Grey fill indicates A-based posts.

^ The consulate-general in Tripoli remains closed pending efforts to re-establish it.

## D2. Austrade employees by category of employment as of 30 June 2011

Category	Female	Male	Total
Ongoing	241	265	506
Non-ongoing	27	11	38
Overseas-engaged employees	331	212	543
<b>Total</b>	<b>599</b>	<b>488</b>	<b>1087</b>