

Institute of Management Consultants

SUBMISSION TO FEDERAL GOVERNMENT
INQUIRY ON SERVICES EXPORT POTENTIAL

JULY 20, 2006



1. INTRODUCTION TO THE INSTITUTE

The Institute of Management Consultants (IMC) is a member of The International Council of Management Consulting Institutes (ICMCI - see www.icmci.org), the global association of national management consulting institutes from around the world.

The national institutes administer, in accordance with world-class standards, the international 'CMC' certification [Certified Management Consultant](#) earned by individual professional management consultants. To become a participant of ICMCI, the individual consultant must first be a member of the Institute represented by ICMCI in his or her country, or if none exists, then in another country in the region. CMCs are now recognised in almost 50 countries.

IMC in Australia is a nationally registered body with Chapters in all States and the ACT.

Management consultants are objective professionals who provide advice and assistance in the process of management in many fields and across national boundaries.

Their advice and assistance relates to the strategy, structure, management and operations of organisations in their pursuit of long-term purposes and objectives.

The IMC supports management consultants in this by:

- Providing Advocacy for Members and the Industry
- Maintaining Professional Standards
- Promoting the Image of the IMC and the CMC Brand
- Providing fee for service opportunities for members
- Identifying other business development opportunities.

IMC accredited consultants abide by international professional and ethical standards established by ICMCI.

2. INVOLVEMENT IN SERVICES EXPORT

IMC members are highly experienced professionals and many have considerable overseas experience, whether as executives or as consultants.

Our members are currently delivering services throughout the world to Australian and international corporations and governments, financial institutions and the United Nations and its various agencies.

The portability of CMC and the high professional skill levels of IMC members are factors that will assist more Australian members to become involved in different markets in future.

We are active in all four modes of export as defined by the UN:

Mode 1 – providing services to foreigners in the domestic Australian market

Mode 2 – providing services overseas by electronic means

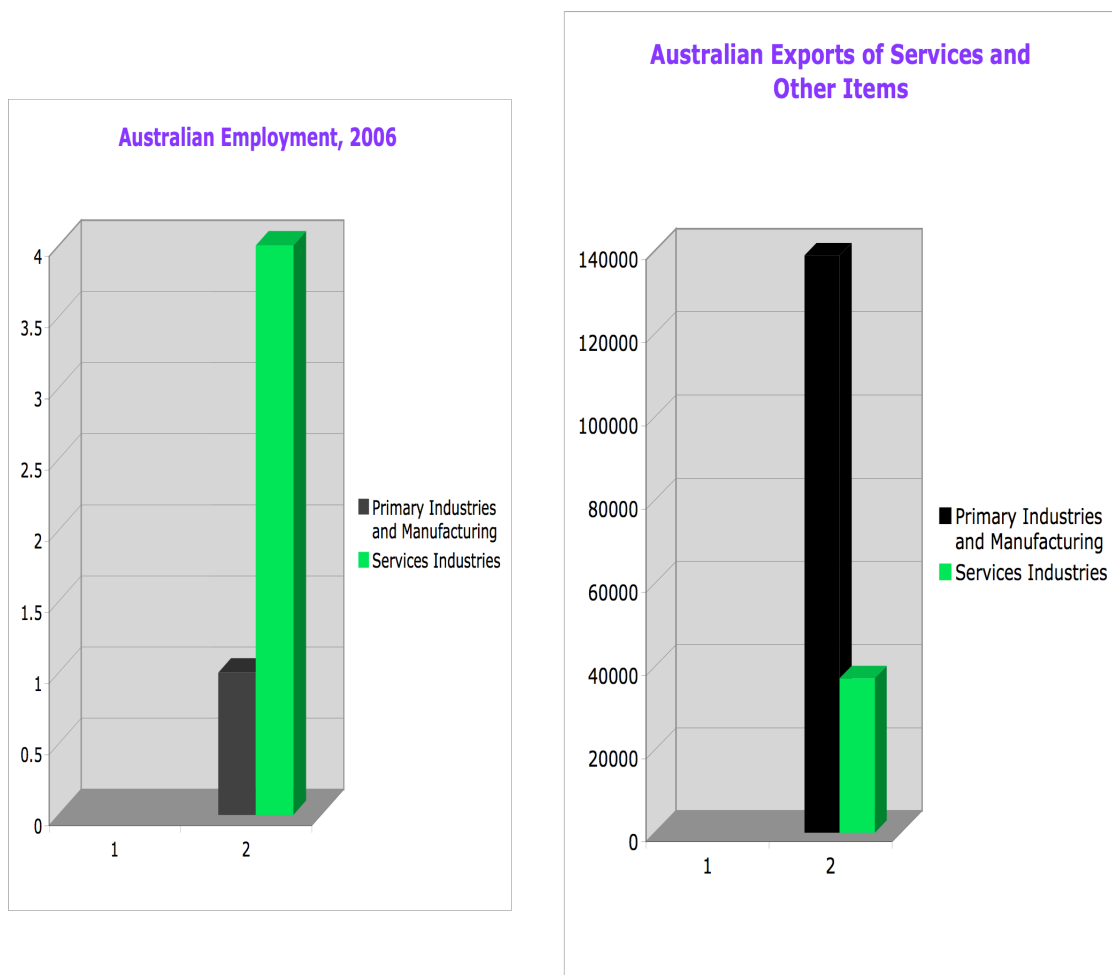
Mode 3 – visiting the target markets temporarily and delivering the services

Mode 4 – establishing offshore offices.

3. RATIONALE FOR SUPPORTING SERVICES EXPORT

Australia's manufacturing sector has declined as a consequence of 'the law of comparative advantage' which sees manufacturers seek low cost labour markets as their production locations. It is impossible for Australian producers to compete on cost alone with low wage countries. China, in particular, which has seen improvements in consistent quality of its output, and which has extraordinarily low wages, presents competition we are unable to match without special circumstances.

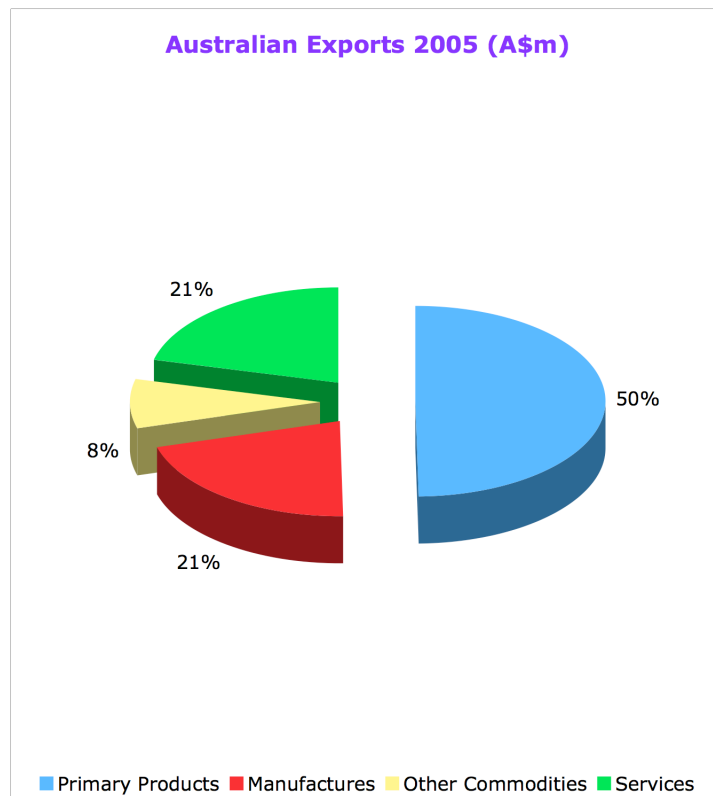
Services industries now employ 4 out of every 5 Australians and yet services represent only 21% of our exports (about the same as manufactures).



Source: ABS

Because statistics are so poorly collected about services industries, services are likely understated as many services exports are 'hidden', such as services associated with merchandise exports that are not disaggregated.

Even so, services exports are important already and the potential for increasing them, with the right support, appears very promising. According to the International Monetary Fund (IMF) services now represent 86% of GDP in the United States.



The second area of concern for Australia in future is the likely pressure on commodity prices.

We need to understand better the composition and capability of our national services, identify the sectors with potential and find ways to support their expansion globally.

4. HOW GOVERNMENT CAN HELP

4.1 Improve Services Export Statistics

The first challenge is to get our score-keeping right. The IMF's 10 service categories should be adopted immediately for reporting services trade. There has been considerable growth in 'Other Services' since the mid 1990s but we do not have the data to know which sectors are showing the fastest growth rates and which ones could grow even faster with targetted assistance. Our government should:

- Move towards adoption of the UN Central Product Classification and the *Manual on Statistics of International Trade in Services* (prepared jointly by IMF, OECD, UN Statistics Division, Statistical Office of the European Communities, UNCTAD and WTO)
- Ensure that output and input data on services products are collected from all industries
- Disaggregate 'bundled services' from 'merchandise' and record them separately
- Use BAS statements records to track services exports to assist future analysis

- Reconcile trade statistics with trading partners.

4.2 Promote Services Export in Australia

Ways to do this include activities to:

- Highlight the growing importance of services exporting to Australia's future in Ministerial speeches and in official government documents
- Publish success stories and interesting statistics and post case studies on appropriate websites
- Conduct conferences on services exporting
- Train government officers (including those offshore) in supporting services exporting
- Collaborate with trade and industry associations
- Help services providers to target foreign investors for local services provision and for referrals to their home markets.

4.3 Facilitate Services Exporting

Recommended approaches are to:

- Address financing constraints, particularly the acceptance of accounts receivable as collateral for overdraft facilities for services providers
- Provide special services exporting training for services providers, including cross-cultural management
- Consider accreditation of providers for international credibility
- Negotiate favourable terms of trade with target markets e.g. temporary business entry, reduction of levies and taxes, withdrawal of fee withholding practices, mutual recognition of professional credentials)
- Disseminate examples of success throughout Australia on websites, in publications and in speeches
- Provide targeted funding for assisting eligible services providers win new markets (both in parallel with funding approaches that have seen success with goods exports and through introducing new incentives)
- Consider innovative private / government partnerships to implement initiatives such as educational seminars and systems and project advice in target markets
- Work together with industry and trade associations.

In particular, the Institute of Management Consultants with its highly experienced membership, would be keen to explore how it could work collaboratively with government to ensure that services exports opportunities are maximised in future.

For further information contact either of the IMC Federal Councillors:

Bob Cother (Adelaide) 0408 081 289

or

Rowan McClean (Melbourne) 0412 966 066.