



**COMMONWEALTH OF AUSTRALIA**

# **JOINT STANDING COMMITTEE**

on

**FOREIGN AFFAIRS, DEFENCE AND TRADE**

(Trade Subcommittee)

**Reference: Australia's trade relationship with India**

**SYDNEY**

**Wednesday, 15 October 1997**

**OFFICIAL HANSARD REPORT**

**CANBERRA**

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Trade Subcommittee)

Members:

Mr Sinclair (Chair)

Mr Price (Deputy Chair)

Senator Chapman  
Senator Margetts  
Senator O'Brien

Mr Brough  
Mr Dondas  
Mrs Gallus  
Mr Hollis  
Mr Nugent  
Mr Slipper

Matter referred:

Australia's trade relationship with India and to consider the emerging economies of South Asia, and report on such areas as:

India's economic significance for Australia, and the opportunities for expanding trade and investment;

the prospects for continuing economic reform and trade liberalisation in India and the implications of this for Australian trade and investment;

India's growing economic engagement with Asia and the Indian Ocean region;

South Asia's emerging economic significance for Australia, and the potential implications of closer economic cooperation amongst South Asian countries, including through the South Asian Association for Regional Cooperation;

trade and investment opportunities for Australia in Pakistan, Sri Lanka and Bangladesh.



## WITNESSES

<b>ALVI, Mr Abbas Raza, President, Australia India Business Association, PO Box N402, Grosvenor Place, Sydney, New South Wales 2000</b>	<b>558</b>
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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE  
(Trade Subcommittee)

*Australia's trade relationship with India*

SYDNEY

Wednesday, 15 October 1997

Present

Mr Sinclair (Chair)

Senator Chapman

Mr Hollis

Mr Price

The subcommittee met at 9.06 a.m.

Mr Sinclair took the chair.

**JUURMA, Ms Ene, Executive Director, Australian Health Industry Development Forum, Level 6, 140 Arthur Street, North Sydney, New South Wales 2060**

**KRAKOWIAK, Mr Robert Stephen, Chairman, Australia India Health Industry Network (Australian Health Industry Development Forum), Level 6, 140 Arthur Street, North Sydney, New South Wales 2060**

**CHAIR**—I declare open this ninth public hearing of the Trade Subcommittee of the Joint Committee on Foreign Affairs, Defence and Trade. As you would know, we are inquiring into Australia's trade relations with India and the emerging economies of the South Asia region, at this stage looking predominantly at the Australia and India trade relationship. It is the first parliamentary report since the Senate committee report in 1990, and there has been a good deal of evolution and change in many ways since then. It provides some follow-up on the new horizons program, in which you, of course, were involved. It is relevant also to the declaration of 1997 as the Year of South Asia and, more broadly, the establishment of the Indian Ocean Rim Association for Regional Cooperation.

We have received some 70-plus public and confidential submissions, and taken evidence from a range of witnesses, including professional business groups and academic specialists. Today we are talking to another range of people, including yourselves, the Australian Health Industry Development Forum. I welcome you. I had not heard of the Australian Health Industry Development Forum until you made your submission to us. That introduction is really just to explain a little of the background.

We do not require witnesses to give evidence on oath, but these are proceedings of the parliament in the normal way, and are to be treated as such. We have received a brief submission from you and would be very interested if you would expand on that.

One of our colleagues is still to join us, but we will proceed anyway and he will emerge in due course. Perhaps you might like to expand on that submission of yours, or make some opening statement.

If you have any evidence that you might wish to give in private, then by all means ask for us to do so and, just as we have adopted that confidential submission, we can adopt any evidence that you feel should be in confidence, if that should be your wish and the committee agrees. With that I ask you to proceed, and perhaps we might have some dialogue with you.

**Ms Juurma**—Thank you, Mr Chairman. I thought I would start with an opening statement, recapping on who and what the forum is and why we are looking at India, and then perhaps the specifics about what we are doing in India and why it is of interest might be handled as questions to the chairman of the Australia India Health Industry Network.

The Australian Health Industry Development Forum was established by the Commonwealth government in 1994. It was to encourage a cooperative approach to health import replacement and to develop export opportunities for the Australian health industry. One of the main aims was to raise awareness offshore about the depth and breadth and quality of the Australian health care system, whether this be for the product that we produce or the services, public sector or private.

An important thing is that the focus of our activities, from the beginning and continuing, is national. Since 1994, the forum has had considerable success in raising the level of awareness of the Australian health industry itself about the export opportunities in health. The most noteworthy success is the establishment of focus groups for the priority countries that we are looking at. These are Indonesia, Malaysia, India and China. As a little bit more background, the original funding of this forum was from the Department of Industry, Science and Tourism, but as of the end of June last year, the forum has been operating under the auspices of Australian Business Limited, the former New South Wales Chamber of Manufactures. Funding for the activities now comes from the general revenue of Australian Business, as well as the member contributions. When we made our short submission to your inquiry, the Australian India Health Industry Network was about to be established. It now exists and, as I said, is chaired by my colleague, Robert Krakowiak.

Why were we interested in India in the first place, as a group of health industry organisations? Some of the obvious reasons are the growing strategic and economic importance of India, both in global and regional affairs, the fact that they have a large middle class which is demanding sophisticated health services, the fact that they are an English-speaking country, and the fact that they have got similar legal structures and medical systems, thanks to the British legacy.

We mention the New Horizons program. Some of our members, Mr Krakowiak included, were part of the New Horizons program. As we said in our written submission, it seemed very important, having opened some of the dialogue with key players in India, that these be followed up on. The reason we think it is important that an organisation like ourselves be involved in India is that is a pretty scary market.

It is big and it is further away from Australia than some of the other markets that we are also addressing, so it is not as easy or cheap for people who have no experience in the market to go there. That is one of the ways in which a network like the forum can help. It reduces the risk. It helps people to share information, to go and have a look at a market and make a decision on whether or not they can do business there, reducing the risk and the costs, particularly for small to medium enterprises.

So what has happened to date? The India Network had a small delegation go to India in August 1997. They have also commissioned a market research report on the health sector in India, which we are hoping to publish before the end of the year. Both of those activities confirm our belief that the Indian market warrants closer attention, and that



there are very real opportunities for the Australian health care industry there. I am sure that Robert can elaborate on that shortly.

As a next activity for the network, we are looking to put together a trade delegation, perhaps with a travelling exhibition, to go to India in the first half of next year, 1998. An important message that I want to leave this committee with is the significance of government support for these sorts of activities. From our experience in other markets, it is very clear that the government does have an important role to play in things like promoting Australian capability, providing its imprimatur for trade activities, taking trade delegations, and encouraging study tours.

A lot of the success the forum has had in other markets to date has owed a lot to the relationship we have with DIST and with Health and Family Services, because in a lot of these markets things really start and have credibility in that government to government contact. There is no getting past companies and organisations then having to do the legwork themselves, but if that initial door can be opened, then other things can flow.

One of the things that are clear is that in India, while in some sectors they know us well, overall you could say that the understanding of Australian capability is limited. There are many European countries that have a very strong presence in India, and the questions are asked again, as they are in some of the other countries in the region: why aren't Australians here? Why aren't they taking a greater interest in the market?

The health care sector is a sector that, maybe more than others, requires some government imprimatur, and that is because of the complexity of it. When you are dealing with people's lives, there are levels of regulation. You have a much higher role for the public sector because it provides a lot of the services. In Australia a lot of our expertise is in the public sector, and very rightly the public sector is focused on delivering services to our citizens. However, they have knowledge and capabilities that other countries could benefit from, which could earn them revenue and which in turn would help fund the delivery of services to our own community. But they do not have the resources or the knowledge to go looking for these opportunities and they require some sort of official government okay in order to legitimise these activities here in Australia.

Because of the specific regulatory requirements and because of the globalisation of markets, if our own domestic health care sector companies are to survive, grow, and prosper they have got to be in the global market. It is very hard for them to compete with the multinationals here in Australia. Unless government, in its trade and other activities, gives some specific support to it, I think we will lose our own industry, let alone help them get into exports.

A very simple form of support, and one of the most potent that government can provide, is for ministers, when they are travelling, to link in with some sort of trade activity. For instance, if a minister were going to be in India, perhaps for a government

meeting, he could take the trouble to find out whether there were groups interested, whether there were any business activities going on or whether he could be present for the signing of an MOU. To take a business delegation along with him really provides a win/win situation, both for government activities and for business, because you cannot underestimate the significance, in the eyes of the other country, which having a minister along can provide.

The health sector is getting some assistance. For instance, in November this year the International Hospitals Federation Congress is being held in Melbourne. AusAID is funding visitors from a number of countries. They are bringing the Director-General of Health from India, which is great. It provides some access for our companies and the public health sector to this person.

What the forum is doing, as an adjunct to it, is organising a reception in Melbourne so that our members can get maximum exposure to the people from our target countries. But not very much of this occurs, and probably we need some more coordinated assistance in bringing people to Australia. It works both ways: we need people to go into India, and we need people to come here. In fact, Health and Family Services is working with us, and we hope that we can bring the Indian Minister for Health out here fairly soon, but that is something between us.

There are models of activities that the government has recently undertaken in other countries, which I think would be a good model for India as well. For instance, it was a great leap forward some months ago when Austrade brought to Australia the Malaysian consortia designated to build 22 public hospitals in Malaysia. They brought them to travel around and see what we can do here. Other countries do this all the time. The other markets expect this—that the travel is paid for and that they have a hands-on experience of looking at equipment and facilities—and if we are to compete, it is not a level playing field.

Austrade did this for the first time for the Malaysians. What we did in Sydney, through the forum, was to put together a mini-expo over at Australian Business, and we brought the relevant products of our members and others for this very specific group. For 2½ hours they had an opportunity to tinker with all the dials and look at the bits of equipment. The feedback was very good from the Malaysians. There is no reason why we could not be doing this for India.

**CHAIR**—Did you get your business?

**Ms Juurma**—We believe we will. With the currency situation at the moment, it does not happen that quickly. But we have had a follow-up visit to Malaysia, where, for instance, there is one company that is really like the wholesaler for the whole public sector. We sat down with them and they went through the list of the people whom they had seen. They divided them into two piles, saying, 'We're interested in these. We're not

interested in those.’ They did say that they had not thought of Australia before for a lot of products and services. They now had a heightened awareness, and there were certain areas—for instance, anaesthetic equipment—where they recognised that we have got the best available. Why then would they go to Germany or some other country? So that is on the agenda for them now. So you can quite quickly see some sort of result for your actions.

They are the general sorts of statements I wanted to make. I think the most practical benefit you can now get is by asking specific questions from Robert Krakowiak, who went to India in August, visited five cities and a lot of facilities, and came back with a number of different business opportunities. He can talk about some of the support and gaps in Australia’s ability to meet these opportunities.

**CHAIR**—Thank you very much. Perhaps we could hand over to you, Mr Krakowiak, and you might say a few words. Then we will have a few questions.

**Mr Krakowiak**—Thank you, Mr Chairman. I am currently the chair of the Australia India Health Industry Network. I also operate a private business, but I have a very big involvement with the forum and have had for two years. I would just make a few pertinent points with regard to the health care industry in India. With a population of 920 million, fast approaching one billion, obviously there is a very big population mass which needs good health care services. In India presently there are 11,500 registered hospitals providing 810,000 to 815,000 beds. That is a very big market in terms of beds. On top of this, there are a whole lot of what they call private nursing homes that are operated by doctors, where they provide 10 or 15 beds for overnight stays and provide a number of services, including operating theatre procedures.

What is glaringly obvious in India is that there is a total lack of organisation of the health delivery systems. There is a lack of funding from government. The government are very conscious of the need to bring their services up to the level of the Western standard. They have made a commitment, which by the way is a very ambitious commitment, to have health care provided to or readily available to every citizen of India by the year 2000. To do that will require at least an additional 80,000 to 120,000 beds to be put in place each year to 2001. So you can see that if you were a bed manufacturer or a hospital construction company—Health Care of Australia or the like—you would be rubbing your hands and saying, ‘This is a goldmine of opportunity.’

But, realistically, they need to get the basics put in place first: things like hospital management systems, technology and improvement in health and hygiene matters, both in the public health area and in the hospital facilities. We believe, from our discussions with the various managers of facilities and people in the industry in general, that after they have read of and been spoken to about our capabilities they believe Australia has a role in that market.

The challenge to us is to go back and respond to some of those opportunities now. As Ene alluded to before, it is not an easy thing to do. It is a very large, complex market. It is very expensive to service, by way of just travelling there and staying there. You do not go there for a couple of days, you go there for a couple of weeks. You are confronted by numerous people with bagloads of opportunities. To work through those and identify the ones that are real and that are going to give you good business is a difficult process.

Whoever we spoke to—whether it be the press, doctors, hospital management, entrepreneurs, industrialists like the Reliance Group, insurance people, and people like that—was just totally ignorant of Australia and our capabilities. They can name our 12 world-class cricketers, but they cannot name 12 hospitals or 12 specialities that we have in health care. So we have to get on our feet in the market, and educate the market as to our capabilities. As Ene said, that will require not just work on behalf of the public and private sectors in health, but also the Australian government. I think some of the state governments have led in this area, particularly Western Australia and more recently South Australia, in their work in those markets. What we would like to see is a more coordinated approach, a national approach to that market, which will be more effective, and that is what the forum is there for: to pull the parties together so we can have a more cohesive and coordinated approach to that market.

**CHAIR**—Thank you very much indeed. One of the things that have me a bit intrigued is the membership of your Australia India Health Industry Network. I would have thought that you might have had a few health professionals, perhaps people like CSL and drug makers, that type of institution, as well as the health professionals. Have you thought of that, or did you expressly exclude them?

**Mr Krakowiak**—We do not exclude them. We have people like Gribbles Pathology, we have companies like CSL, who will come to our forums, not so much as members but come and listen or even present. They are members of their own groups, if you like. There are different industry groups that they are members of, and it is a bit hard to get them to join another group. Part of the process we are going through now is identifying the various industry groups and speaking to industry group leaders to see if they can somehow participate as a group or even encourage individuals to become members.

**CHAIR**—So you are trying to coordinate with other groups?

**Mr Krakowiak**—We are, and if you look at our current membership you will see that there are probably more service providers than there are equipment manufacturers.

**CHAIR**—The other thing that struck me was that over the years we have had a lot of Indian doctors in Australia, and I would have thought the immediate contact, if you were going to do something with India, was to try and tap into their linguistic skills, their knowledge, and try and do something with them. Have you done that, or is that something that you have not—

**Ms Juurma**—One of the things to remember is that the India network has only just started; it started in June. One of our aims is to represent Australian capability, not a parochial one, so while we are getting signed-on members and we are clearly looking to help our members first, say if we were taking a trade delegation, one of our aims, if we do uncover some real opportunities, is not to drop the ball. Everybody suffers if Australia sticks its head up, says, ‘Yes, we can do things,’ and then fails to deliver. So our first aim is to try and help our members do more business, but we would be looking for somebody to deliver on anything that we have discovered. And, yes, we do have some Indian nationals that are members of the India network. We are looking to link, through the Medical Association here, into the Indian Medical Association. Mr Krakowiak might want to make some more comments about that.

**Mr Krakowiak**—Yes. As far as membership goes, the deputy chairman of the group is an Indian working at Epworth Hospital in Melbourne, and there is also a Victorian representative of the group who is also of Indian descent in the group, so we are encouraging participation by Indian nationals living in Australia. We will be joining the Australia India Chamber of Commerce, and we are also now communicating with the Australia India Council in Canberra to set up some regular meetings with that group where we can have focus meetings on India, where we have both a private and public sector input. That way we will be networking with a lot more of the type of people that you have mentioned, Mr Chairman.

**CHAIR**—I was quite fascinated by the target countries you have chosen. Singapore, for example, is not there, yet we have had long-time links with Singapore in the medical field.

**Mr Krakowiak**—Singapore is a mature market. It has a very small population. It has probably peaked as far as the development of hospitals is concerned. We have targeted the markets where there has been what probably we would call a very poor standard of health care delivery systems, where infrastructure has to be turned over and a whole lot of construction of facilities, training services and so forth provided. Singapore has been well taken care of by numerous countries around the world. We would probably be competing against the world’s best and be starting from a long way back to go into Singapore.

Individual companies in Australia do supply products to Singapore, but the markets that we are addressing have evolved through input from the members. It has not just been an initiative of the forum. Members have shown a desire to address those markets, so it is a number of heads getting together and making that decision. It is not just that we say, ‘We’re going to go into those markets—one, two, three, four.’

**CHAIR**—One of the other things that hit me with the sort of things you are doing is this: you can think of the work of Fred Hollows for a start; he got off on that direction. Then you have got the Victor Chang type of institute, which has gone off in another direction. Some years ago we tried to build hospitals in Saudi Arabia, and they have gone

off in another direction. It seems to me that we have a disparate series of initiatives in promoting our health capabilities, and underpinning them all is the fact that in biomedicine and medicine generally we have been world leaders for the last decade.

**Mr Krakowiak**—That is right.

**CHAIR**—And we have done very little, really, other than on an individual basis.

**Mr Krakowiak**—Exactly.

**Ms Juurma**—Yes. I think on an individual basis a lot has been happening that is underreported, because you have got to look at the nature of the medical industry. A lot of people, while they earn a good living, are in it for altruistic reasons, and part of the culture is almost that it is somehow wrong to make a lot of money out of it. So there are people who are inventing things in the public health system who might take their leave every year or every couple of years—we know of groups that take cardiac surgeons up into China and train people in cardiac techniques, take up all the IV fluids and things like that, and it is on a purely voluntary basis.

One of the challenges would be, in certain markets, to find out who all these people are with the links, because we have got such a fantastic profile in some of those countries, and then bring some much more focused business up and through. But I guess one of the reasons why we are focusing on Asia is what has been said over the last few years by a number of different government sponsored reports. Look at the tiger economies. As all those countries were developing and opening up, initially what they needed were basic health systems, but as your population becomes more wealthy, more sophisticated, you have got issues such that it becomes a national embarrassment in those countries to see their wealthy people going offshore for medical care. They are wanting to be able to deliver that in-country.

You have got infrastructure being developed, for instance, in places like Malaysia and Indonesia, but you have not got the professionals to staff the hospitals to the standard of the equipment that they are buying. Australians have foreign policy of very strong links with Indonesia, and Indonesia was the first of a group that was started through the forum. There was a very good report that was funded jointly by Austrade, the forum, DIST and Commonwealth Health—the Booz Allen Hamilton report into medical opportunities in Indonesia.

There are a lot of commonalities between those markets. Some are a little bit ahead of others, so what we are trying to do is not be the also-rans who follow the Germans and everybody else. If you can establish good strong links with organisations and set up an infrastructure—for instance, rehabilitation and aged care is something that Australia does very well but it is totally underdeveloped in all these countries. We are trying to pull that together, initially focusing on Malaysia, but it can go into all of those different—

**CHAIR**—For years we have had nurse training for a number of these countries, and there has been reciprocity. I do not know what has happened to the nurses who have gone back, but I doubt that anybody has ever contacted them. There are also other groups. There is a group called Red R—I think they call themselves that—a group of engineers who have been putting down wells and bores and providing a bit of basic health and hygiene and a few septic systems, which probably do far more for village health than anything else. So I would have thought there was a great deal that could be done by bringing all these groups together and, when you look at your forum, trying to see who else has worked in the field. Numbers of them have worked in India, for example, but elsewhere too. Have you thought of doing that, or are you attempting to, or is government doing it?

**Mr Krakowiak**—No-one is doing that at present, to answer the question, Mr Chairman. It is something we would have high on the agenda, but to do that is a big task. It is a massive task to pull those people together. But I think that the Australia India Council in Canberra would be one way of achieving it, if we can approach the people there. They have the contacts, they know of all the studies and the projects that are going on in India and other countries. I think our best way of achieving that will be to work through them.

**CHAIR**—I think that is a wonderful opportunity.

**Mr HOLLIS**—India is fairly renowned for its bureaucracy. Have you run into bureaucratic hurdles there? Would you expect any bureaucratic hurdles?

**Mr Krakowiak**—Yes. We have not run into any directly as to any processes we have been through, because it is such a new group, but I have witnessed some bureaucracy at work in India in various areas. There is one case of an organisation that is wishing to establish a private hospital on some land through the family. It is a prime site. They are putting it up. They are doing it for India, and they are inviting participation by countries like Australia. Part of the process is that they have to construct a road linking two parts of a suburb, say. It is their responsibility, not the government's or the council's. They have started that work, but they get stopped every two days, and nothing happens for five days, because of some bureaucrat's intervention. It is typical of governments like that. Yes, it does exist.

**Ms Juurma**—I was going to say that I think the key to a lot of those things is that you really have to look at joint venture arrangements. Unless you have the appropriate connected partner in-country, you will never surmount the bureaucrats.

**Mr HOLLIS**—The necessity of having the joint partner who understands the system was put to us very strongly at a hearing in Canberra last week. I do not know what the financial implications are, but someone who was appearing before us last week in Canberra was talking about the difficulty of getting money out of India when paying for

goods or anything. It was a real hassle that they could not do this.

**CHAIR**—It was about paying in rupees. They had trouble.

**Mr HOLLIS**—They were paying in rupees, which is one of the great currencies of the world.

**Ms Juurma**—That might be a counter-trade situation.

**Mr HOLLIS**—What they were saying, from memory, is that it would be so much better if they could be paid in Australian dollars and deliver the goods there in India rather than being paid in—

**CHAIR**—It was a small business, providing consulting services.

**Ms Juurma**—Yes.

**Mr Krakowiak**—I had personal experience through a company I was working for for many years, where the Indian business people will have their own methods of exchange, whether it is through Hong Kong or Singapore, and there are all sorts of funny ways you can go about it. I don't know that all of them are quite above board, either, but it is fairly complex. They justify it on the basis, 'If we don't do it this way, the whole thing won't work.'

**CHAIR**—But this was not because the banks were not adequate.

**Mr Krakowiak**—It was not the banks, no.

**CHAIR**—No, but there was also some apprehension about the nature and the character and quality of the banks. Therefore you could not just get a letter of credit.

**Mr Krakowiak**—That's right, yes, correct. I can't really comment any further than that.

**Ms Juurma**—Another avenue that we have of finding out and making some links in the market there is through the Australian Business connection, because Australian Business still owns, I think, 25 per cent of MMI. MMI Insurance is joint venturing with a big German insurance company, Alliance, in India and, in fact, in some of these other markets, and so we are looking at other opportunities for things like occupational health and safety. The whole business of health insurance and managed care is really being looked at very hard in India at the moment. In fact, legislation was supposed to go through this year, but it has been deferred. Once something like that comes in, it will set up a payment system which will enable some of these facilities to be funded, which will make it easier for some of our members.



**Mr PRICE**—It really is not surprising that the UK and places like that are much better known. Indians tend to look to them first, because of the connection there. But with the growth of Indian students at our universities—and, after the United States, we have the most Indian students here, which is quite surprising—one would think we would become better known in the professional field. Indeed, given the number of doctors of Indian descent who are here, one would think we would become better and better known. Even if they maintained contact with India, one would think we would be becoming better known in the medical or the health fields.

**Mr Krakowiak**—Yes, that would be the case, but I think nothing beats being in the country. It is all very well for us to have intercourse with Indian doctors here and things like that, but it would be far better for us to be more proactive in that market, promoting our services and our capabilities first-hand.

**Ms Juurma**—I am aware that the Ministry of Health in India, at a very high level, is aware of the health care system in Australia, and in fact sees it as a model for some of the services that it wants to put into place. What we are also saying is that the market there is so big and so complex when you go down into the states. And there is the fact that doctors run their own hospitals. But there are so many potential entry points. If you do have some sort of coordinated approach, you might make a better impact than just going and trying to pick off little bits.

**Senator CHAPMAN**—As I have listened to what you have said, and also perused your submission, it does not seem to me that you include the pharmaceutical industry as part of your network. Is there any particular reason for that?

**Ms Juurma**—There is no reason why the pharmaceutical industry cannot and would not join. But in general, in the pharmaceutical industry in Australia, they are subsidiaries of multinationals, and they have a particular brief. Some of them have export responsibilities, but it is not as though they are necessarily looking for a lot of different markets, unless they particularly have a mandate. Within their own corporation, India may be run out of another centre, and I think in India there is probably a requirement for a lot of those companies to be manufacturing on the ground. So it may not be relevant.

That being said, with our own companies like Fauldings and CSL it depends again on whether their spotlight has turned on India yet. As an example, we had a China focus group meeting last week and CSL was there, because they are very interested in looking at China, but India may not be relevant. We would not turn anyone away.

**Senator CHAPMAN**—I know some of them are actually sponsoring health forums, and they are bringing people from some of those countries. I am not sure whether it is India but they are bringing some of the Asian countries to attend, in part as a marketing exercise, I believe.

**Ms Juurma**—Yes. They have a specialty area, because most of the companies specialise in certain disease conditions. So, yes, they would be involved in conferences for that particular specialty, and be bringing people.

**Mr Krakowiak**—We do have two or three biotechnology companies who are members of the forum. That is as close to the pharmaceutical area as we get, as far as membership goes.

**Senator CHAPMAN**—Have you sought out the pharmaceutical companies or not?

**Mr Krakowiak**—We have worked with them when there have been visitations from India or from other countries, but we have not sought them out vigorously.

**Ms Juurma**—Our network extends to over 1,500 organisations around Australia. As one of the forum focus groups, if we identify a major health care event or we are, say, at a health care conference, as we were in Malaysia some months ago, what we try to do is promote the holistic capability in Australia. We would then offer to our members an opportunity, if they are not going themselves, to provide some capability information which we will take up.

Through Australian Business we have got an Internet site called Australian Health Online, which includes a capability database of who does what and where in health. What we do is to use that live, so that somebody can come up and say, ‘What have you got in pharmaceuticals in Australia?’ and we will call that up and show them. ‘You want to know about beds? Fine. Is it paediatric beds? Okay, we’ve got five manufacturers. Look, here are pictures.’ You have got to wing it a bit, I guess.

**Senator CHAPMAN**—You referred also to the significance of government support of your activities. Within the existing framework of government support, are there any gaps or are there any particular areas that are particularly beneficial among current programs?

**Ms Juurma**—The best thing would be if government ministers had a much more specific trade focus so that they were interested in seeing the opportunities to piggyback on other activities. As a door opener, you need something like a minister to minister or director-general contact. It is great when one of ministers is travelling and perhaps will call on the Minister for Health, and take a delegation along. Some of it is opportunistic, but we were, again, talking about China the other week and somebody was giving an example of how effectively they have worked with ministers in the past. For instance, if there is a major contract that is being signed for some activity, if you can orchestrate it in such a way that the signing does not happen until a minister is there, even if they are only there to witness it, that gives credibility to the activity.

In countries where the bureaucracy can be very difficult, the fact that something

has been overseen, even though not signed, by a minister is significant. There is a loss of face unless you follow that through and give it some special attention. But for companies going into a market for the first time, it is helpful to be able to ride in on the coat-tails of a key government official. In the end, the legwork has to be done by the companies. There is no getting around that. But if there is a reception where the companies are formally introduced to some key players in the market, then after that it is their business. It does not cost a lot of money, but it really has an impact.

I think minister Wooldridge has just been inspired by that. At the time that we were in Malaysia for the health care conference, he was doing a trip through Asia, following up specific projects. I have heard him speak on, I think, two occasions since then. He was very impressed by the fact that the forum was there representing a cross-section of public and private sector organisations. He was pleased to see so many Australians overseas, but he was dismayed to see them representing Queensland or New South Wales. It is the parochial thing coming before Australia. What we need to be doing is presenting Australia. We can compete, and competition is good, but we have got to do it in Australia, behind the scenes.

We get done in markets overseas, because if there is a major contract going in one of the countries then the Germans, for instance, put up one bid. They have done all the dealing behind the scenes and they get that total capability that is required for the project, and they say, 'Here it is.' What happens in Australia is that we put up five or six competing bids and we get laughed at overseas because we all do one another out of business. That is one of the reasons why the forum was conceived, and that is one of the reasons why minister Wooldridge's department and Moore's department support us. For all its frailties, for all its limitations, at least it is trying to say, 'This is what Australia can do. We will figure out who the delivery group is, but you tell us what your need is and we'll put together a package.'

**Mr Krakowiak**—Yes, it would be nice for the federal government maybe to take a leading role there—not just to tell state governments, 'This is how we should be doing it,' but to make some trade statements in that context.

Just on gaps in the provision of government support, Ene mentioned the Booz Allen Hamilton report which was conducted on the Indonesian market, because it was felt that there were big opportunities there for health and it warranted spending some money, and some significant money. When we looked at doing our own market research in India, we were not aware of any availability of funds from government to do something similar, so we have enlisted the help of some postgraduate students at UTS, all Indian nationals, to do that research for us, very much on the cheap. Okay, it is a good initiative on our behalf, but maybe—

**CHAIR**—It is a source of cash, too.

**Mr Krakowiak**—Yes. So we are not aware of any support along those lines.

**CHAIR**—Have you got those reports yet?

**Mr Krakowiak**—They have been completed, but they have not been packaged. Their role was to compile the information and do the research. Now it is over to the forum to package that into a professional document.

**CHAIR**—When you have, perhaps we could get a copy of that.

**Senator CHAPMAN**—So that does not come within the guidelines for an export market development grant?

**Mr Krakowiak**—I don't know.

**Ms Juurma**—I think there are limitations to that. Limited feasibility studies have now been allowed, but it is usually on a company level. For things like the trade shows and so on, we do claim export market development grants on behalf of the group. But part of the issue for a lot of these areas is that our members are specifically health focused, and often there isn't ready information to tell them about the dynamics of a particular market. That is why the Booz Allen Hamilton report was so powerful, because it did a proper job. It was a very expensive report. You would not want to be funding too many of those.

**Mr PRICE**—On this issue of competitive destruction in terms of bidding, are there any other options that you see the Commonwealth may have for some more sensible arrangement?

**Mr Krakowiak**—Maybe the Commonwealth could somehow sponsor—whether it is in India or some other market—some marketing expo or something, ensuring that it goes in under an Australian banner, and market it that way. I think a good step in the right direction would be to encourage or initiate some health trade expo to India, but make it very Australian, and then have some strict guidelines as to how we would be presenting ourselves.

**Mr PRICE**—In that hypothetical example of six bids, presumably all six companies could have been in receipt of some federal government assistance in terms of trying to get into that market and opening up things.

**Ms Juurma**—Usually they are public sector organisations, not companies.

**Mr PRICE**—When you say public sector, are we talking about hospitals?

**Ms Juurma**—We are talking about organisations like SAGRIC or OPCV, which is

the Overseas Projects Corporation of Victoria. SAGRIC is the South Australian government. It was originally an agriculture group doing overseas projects. There is a requirement now that, if the South Australian Health Commission is involved in projects, SAGRIC is the project manager and they contract out.

**Mr Krakowiak**—It is very uncomfortable if you are in a market like India—and I had this experience very recently—where you are speaking to a state government representative from Australia and they are very guarded about their activities in the health sector, and we are the Australian representative organisation. There isn't a full exchange, they are keeping secrets, and it is very difficult to work in that sort of environment.

**Ms Juurma**—For instance, at the Malaysian health care conference, if you were walking around the Australian booths, you would come to one booth which said 'The Australia Clinic'. That is the Western Australian government with the public and private sector as a commercial vehicle to do projects, and they are up there all the time. Then you meet AusHealth International, which is the New South Wales government overseas project corporation. Then you get the banner with Queensland, and there are five booths sitting under that. Then there is the South Australian Health Commission. You meet a director-general for health in one of these countries and they say, 'I thought we met the Minister for Health last week.' 'But that was the minister from another state.' 'How many ministers are there?' That is the nature of Australia.

**Mr Krakowiak**—That is the difficulty.

**Mr PRICE**—You are saying that the tragedy is that we are losing contracts because of that.

**Ms Juurma**—Yes.

**Mr Krakowiak**—Yes.

**Ms Juurma**—That has been documented. I guess the only way that the Commonwealth can impact on that is by—

**CHAIR**—Abolishing the states!

**Ms Juurma**—That's the simple way. You did it for education. In the education arena, which is one of our big export earners now, bringing students in, the confusion in the marketplace was recognised, and the International Education Foundation and IDP Education Australia was set up, and all the universities were forced to relate to an organisation like that. I think the only carrot that would be big enough is to give them enough money to force change. State governments are parochial by their nature. What is the meeting of all the health ministers called?

**CHAIR**—There is a health ministerial forum.

**Ms Juurma**—Yes.

**CHAIR**—There is the NHMRC too.

**Ms Juurma**—Not the NHRMC. There is a recognition of the problem and there is an attempt to pull together a national health export corporation. But the reality is that, because of the vested interests in the different states, it is not going to happen.

**CHAIR**—Most of the money comes from the Commonwealth. While some of it has been now subordinated to the ordinary tax reimbursement area, it all originates essentially from the Commonwealth. So there is some capacity to apply some financial disciplines but it is a major difficulty.

**Mr PRICE**—I apologise for being late. I am not sure whether anyone has asked about the issue of recognising qualifications.

**CHAIR**—No. That one wasn't asked.

**Mr PRICE**—What sort of difficulty is there? I understand a lot of work was done between Australia and the Philippines, where we had similar problems, and we have made quite some headway.

**Ms Juurma**—You mean for professionals?

**Mr PRICE**—In the health area? No, I mean in terms of recognising university degrees and school qualifications.

**Ms Juurma**—You mean specifically from India?

**Mr PRICE**—Yes. What is the problem with India?

**Ms Juurma**—I am not sure that I can answer that.

**CHAIR**—Is there a common standard, for example, if you are talking about anaesthetic equipment? Is there something that meets a criterion that is acceptable in India although it is maligned here?

**Ms Juurma**—I would say that our regulatory standards are probably higher.

**CHAIRMAN**—So there are our regulatory standards which conform or are recognised—if not in qualifications, then in regulations?

**Mr Krakowiak**—That is one of the unknowns. We are still getting that information in the various sectors of our industry, as to what the standards are in those countries, and what they work to. This information is just coming to us now. We can't really respond to that right now. But you do understand that they do work very much on the British and the US systems? A great number of their leading cardiologists have worked in the US.

**Mr PRICE**—Forget about the issue of doctors who migrate and are not qualified. Is there a market in Australia for taking the Indian professional qualification—and paraprofessional, I presume, as well—and offering short courses, in terms of bringing it up to Australian standards, so that the person may not necessarily leave India, certainly would still work in India, but would have an Indian fully recognised qualification plus one from Australia?

**Ms Juurma**—I would say yes. In all the countries in the region, education and training is the big opportunity. The service side is what we should be actively fostering because it will pull the product through with it. When you develop a relationship like that with another country, initially the easy way is to send your students to Australia for training, but in the long run every country wants to be determining its own destiny. To have a long-term relationship, the courses have to be delivered over there to meet the environmental and other requirements that they have in their own country.

**Mr PRICE**—We seem to have done a lot in terms of undergraduate and postgraduate qualifications, but we do not seem to be seizing the market for upgrading the undergraduate qualification to an acceptable Australian standard—

**Ms Juurma**—We are, in some of the markets, through organisations like the College of Nursing and through universities. That is a very big opportunity.

**Mr Krakowiak**—We have an inquiry currently from Malaysia on bridging that gap, which I will be following up when I am there next week.

**Mr PRICE**—Would you be able to give the committee—not today, but subsequently—any stats you have on those issues, or any further information? If not, perhaps you could steer us in the right direction.

**Ms Juurma**—Certainly.

**CHAIR**—We seem to have run out of time but there is a range of other questions. I see you have got some booklets there.

**Mr Krakowiak**—Yes. I will tender these as exhibits, Mr Chairman, if I may.

**CHAIR**—We will be delighted to receive them. Thank you very much indeed.

**Mr Krakowiak**—Also, we will furnish you with the recent delegation visit report, which is quite comprehensive. We just need to structure it for presentation to you. We will have that to you within a fortnight. Once the market research is properly packaged together, we can make that available as well.

**CHAIR**—That would be excellent. What we want to try and do is to finish our collecting of evidence as soon as we can so that we can try and get the report pretty well finalised before the end of this year. The nature of parliamentary sittings is a bit of an impediment, therefore we do want to try to get it processed as soon as we can. Any additional information you have would be very welcome; also any dealings you have with Indian states. You have talked about Australian states, but obviously in India the health administration is also largely at a state level, as I understand.

**Mr Krakowiak**—Yes. We have had meetings with two or three of the states. At the New Horizons program last year, the Indian Medical Association was very much part of the whole show. Just to pick up on the comment about doctors training: one offer made to us during this last delegation visit was that they had at least 40,000 doctors they could send to Australia if we were lacking doctors in remote areas. They picked up on that.

**CHAIR**—It is mainly because they are paid more here. It doesn't mean that the people of India necessarily have enough to send them to us. In due course you will be sent a copy of the *Hansard* transcript to check. I thank you both very much for appearing, and thank you for that evidence. That has been very helpful.

Resolved (on motion by Mr Price, seconded by Senator Chapman):

That the the document entitled *Australia India Health Industry Network* be received as an exhibit.



[10.06 a.m.]

**CALDERWOOD, Mr Bill, Deputy Managing Director, Australian Tourist Commission, 80 William Street, Woolloomooloo, New South Wales 2011**

**HUDSON, Ms Margaret, Manager Corporate Strategy, Australian Tourist Commission, 80 William Street, Woolloomooloo, New South Wales 2011**

**CHAIR**—Welcome to our meeting. Thank you for coming and giving us your evidence this morning. You are, as you would be aware, appearing in an inquiry into Australia's trade relations with India. It is a broader inquiry than India, although we are starting on India. We are going to have a look at the other countries of South Asia when we have finished the Indian inquiry.

Although we do not require you to give evidence on oath, these are legal proceedings of the parliament and need to be treated as such. We would prefer all evidence to be given in public, but if you wish to give any evidence in private, please ask and we will consider that.

The subcommittee has received your submission. It is submission No. 33. You might wish to open by making a statement in relation to that, or in any event to make a short opening statement. Perhaps after you have made your short statement we can have a bit of a dialogue, and perhaps ask you a few questions. Thank you, and welcome.

**Mr Calderwood**—Mr Chairman and members of committee, thank you for the opportunity to appear this morning and to provide an update on the submission which we know you have read already. There are a couple of significant areas I would like to highlight today, and also perhaps update on some changes to the situation since we lodged the submission back in May of this year.

When the ATC looked at the Indian market we looked at it as a market which has potential as an emerging market in the medium to long term. We have obviously noted the high economic growth rates. We have noticed the increase size of the middle class, and the potential for outbound travellers. We looked at figures which showed in 1993 the total outbound travellers from India was something like 880,000, and that had grown to 1.34 million in 1996, an increase of 52 per cent. These figures I am quoting are excluding what we call the Haj traffic, because that is obviously a market which we do not necessarily believe is relevant to our statistics.

By 1993, as a comparison with Australia, we had something like 9,700 visitors to Australia, but in 1996 that had grown to 21,000, an increase of 119 per cent. So our growth was double the overall average. As a consequence, our market share doubled, but it is still a very small share of the total market, something like 1.6 per cent. The major competitors for Australia still remain the countries which have long historical ties with

India. These are the UK, and Europe as well, but particularly the USA, Singapore and South Africa. It is true to say that these countries have both stronger historical links, and also they are far better known, and the awareness of the attractions is significantly higher than for Australia.

In 1996 something like 21,000 visitors arrived from India, which represented a value of something like \$56 million. The latest figures for June-July 1997 indicate that the figures for the year ending July 1997 have increased to 24,000, which represents an increase of 26 per cent. That level of increase has been fairly consistent for the last few years. One of the significant factors about this market is that it is relatively high in yield. The yield from the market is something like \$2,345 on average, which compares to a worldwide average of \$2,213.

By the year 2002 the Tourism Forecasting Council is predicting something like 42,000 arrivals from India. We, however, believe that that number could be exceeded to a level of something like 80,000. That is based on a prediction that the growth from this market could indeed continue at a level of something like 24 per cent over the next five years. That in turn would represent an overall yield from the market of some 200 million. But, to put it into perspective, India still represents slightly less than half a per cent of the total arrivals from Australia, but is one of the emerging markets which we believe requires some attention.

With respect to the sources of visitation at the present time, 45 per cent would come from Mumbai, 30 per cent would come from Delhi, and 25 per cent would come from the Madras and Bangalore area. In the submission in May of this year we noted that we did not have market representation in India. Since then, however, in conjunction with various partners, we have reviewed that situation. In September of this year we appointed a rep who is based in Delhi, and will represent our interests exclusively in India. The role of the rep will be very much to establish long-term relationships with key trade partners, to ensure adequate product in the marketplace, and to develop some tactical promotional activity in advertising with key partners in that market.

Last year, in conjunction with Tourism New South Wales, Tourism Victoria and Qantas, we had the opportunity of inviting some journalists from Zee TV, which is a major Hindi cable television station, to come to Australia. They produced 13 three-minute travelogues, which subsequently were aired earlier this year. It meant that, for something like an investment of \$150,000 between the four partners, we secured air time which was valued at something like \$2 million. So these are opportunities which we obviously believe will help us to establish far quicker some greater awareness of Australia.

If we looked at some of the issues which we see in the market, and which potentially impact on the rate of growth from the market, we would look at, firstly, obviously, air capacity. We are well aware of the plans Qantas has to expand the number of services it has. We have had close discussions with Qantas in terms of its future

intentions. Indeed, it has supported us in some of our recent marketing activities.

If we look at the situation, we recognise that there is more capacity available than is currently being used. It is all focused on Mumbai, and tracking through Singapore, and then pumping through to different parts of Australia from their Singapore services. We would believe that obviously there is a need to increase services in the coming years if that 80,000 figure is to be achieved. We would also suggest that perhaps it is time to recognise that services out of Delhi might be necessary as well, which really can start to develop that part of the country as well.

Another issue which we have discussed with both the High Commission and also DIMA is the issue of visa issuing facilities in India. Currently there is no visa issuing facility in Mumbai, which is the largest source of numbers for us, requiring Indian nationals to send a passport and visa application to Delhi. We believe that that is a disincentive to travel, and that places us in somewhat of a disadvantage in comparison with other competitive destinations.

**Mr PRICE**—Do we have consular representation?

**Mr Calderwood**—Yes, we do have consular representation.

**Mr PRICE**—But they do not issue visas?

**Mr Calderwood**—They can't issue visas, no. We have discussed this with DIMA, and I know that the high commissioner is also well aware of it because I have discussed it with him personally. We understand they are looking at it, but we are not aware that there has been any decision taken at this stage to establish that facility.

**CHAIR**—Do you have reports of trouble getting visas generally?

**Mr Calderwood**—It is anecdotal at the present time, and it is feedback which we receive from various key agents in India itself. So with the establishment of our office, with the representation in India, the increase in the marketing span, the increased cooperation between ourselves and Qantas, we do believe that this market has a potential to become one of the important emerging markets for us, particularly at a time when we are looking to broaden the source of arrivals for Australia. But there are obviously some structural issues which we believe need to be addressed at this time.

**CHAIR**—Thank you very much, Mr Calderwood. Would you like to add a few words?

**Ms Hudson**—Not at this stage.

**CHAIR**—I noticed that in your paper you referred to retail training programs with

travel agents.

**Mr Calderwood**—Yes.

**CHAIR**—Could you just outline a little of what they are, and how effective they have been?

**Mr Calderwood**—Yes, indeed. The retail training programs are a process which we employ worldwide. It is designed very simply to improve the awareness and the knowledge of Australian product and the destination with the retail distribution network in these countries. These are programs which we work in conjunction with the state tourism bodies and the airlines; they are, very simply, seminars which are conducted in different parts of the country by our representatives to boost product knowledge. We conduct them not just in the main cities, but we would also conduct them, in the case of India, in both Madras and Bangalore.

To the extent that we know that the awareness of Australia is somewhat limited in the trade, it is an absolutely essential part of the early development of the market for us. So we believe that that would be a very important part of our marketing activity over the next five years in particular.

**Mr PRICE**—To get a handle on that 80,000, what is the comparable figure, say for China today, in what you are projecting?

**Mr Calderwood**—China today will deliver something like 63,000 for the year 1997.

**Mr PRICE**—So it is well up already?

**Mr Calderwood**—Yes. By the year 2002 the Tourism Forecasting Council is talking about a figure of 145,000. We believe it will be closer to 300,000 if we get the official destination status which we are currently negotiating for. So China would have to be recognised as the fastest growing emerging market for us. If we look at India as being part of the overall Asian region, from which we exclude Japan for different reasons, it would mean that India would rank about the 10th market in terms of priority for us at the present time. It would move up to the ninth market in terms of priority, based on what we see as the growth and obviously the overall yield for the market, by the year 2002.

To put it more in perspective, by the year 2002 we would expect to have something like 600,000 arrivals from a destination like Indonesia. We would expect to have 400,000 from a destination like Korea. Singapore would be up over 300,000 at the same time. As I mentioned, we believe China has the potential to be there as well.

**Mr PRICE**—Is there anything that can be done in India to make issuing visas a lot easier?

**Mr Calderwood**—The most significant development in the whole visa issuing system has been the introduction of the electronic travel authority, the ETA. It has proven very successful in parts of Asia, Japan and also the USA. That would be one solution which we would suggest needs some consideration. If there is an attitude which says that the establishment of a visa issuing facility in Mumbai is a cost aspect, the ETA provides a cost-effective alternative which employs the resources of key travel agent partners to undertake that process. But I am not aware that DIMA is looking for that at the present time.

**Mr PRICE**—The countries you mentioned are low-risk countries in terms of overstays, aren't they?

**Mr Calderwood**—Yes.

**Mr PRICE**—But India is not in that category. I think that is a diplomatic way of putting it.

**Mr Calderwood**—Yes. We have heard that comment, that there is some concern about the length of overstays for some Indian nationals. The mix at the present time is predominantly a very high proportion of VFR—visiting friends and relatives. The actual proportion for vacation or holiday reasons is something like 26 per cent, so it is a relatively small proportion. So certainly the risk of overstay would be a key factor impacting on our decision to introduce ETA.

**Mr HOLLIS**—Is there any specific attraction for these people who come as, if you like, independent tourists? Are they beach-goers? Are they bushwalkers?

**Mr Calderwood**—No, they are not beach-goers, and they are not really bushwalkers either. They like to visit the cities, the amusement parks, and shop and dine well. It sounds like a lot of people. As a consequence, they are mainly concentrating on destinations like Perth, Sydney, and the Gold Coast. The type of product which we have seen historically selling well, and on which we mainly focus our efforts at the present time, is the Perth-Sydney and Sydney-Gold Coast combinations. If they are coming on holiday, they travel in fairly large family groups as well. They tend to be sort of family-oriented in terms of the activities in which they want to get involved.

**CHAIR**—Does that mean they go in buses, like a Japanese tour group?

**Mr Calderwood**—No, not like that. It is true to say that those people who come to Australia at the present time for holiday reasons are fairly well off, and therefore they come under what we call FIT—free independent travellers. They are not doing the classic group tour. When the market evolves eventually there will be a segment of the market from India who will potentially look to doing group tours, but at present that is not the profile.

**Mr PRICE**—Lots of people only visit families over here. Is that the majority who come here?

**Mr Calderwood**—It is a large number. It is something like 28 per cent which, on a worldwide basis, is very high.

**Senator CHAPMAN**—I just want to query your comment that the middle class in India has increased in size by only five per cent.

**Mr PRICE**—Didn't he say three million?

**Mr Calderwood**—Yes, the figure which we normally quote in terms of the total outgoing potential market is something like three million, but what we do say is that 60 per cent of that is travelling overseas for the purposes of the Haj. Therefore it leaves a net figure of 1.2 million who are looking for travel, which covers either VFR, business, or indeed vacation. So that is how we get the numbers.

**Senator CHAPMAN**—I was just intrigued at that being five per cent of income earners. That means that there are only 60 million income earners out of a population of 600 million. Do only 60 million earn incomes in India? That does not seem right.

**Mr Calderwood**—No, you are right, in a population of 930 million.

**Senator CHAPMAN**—Did you say 930 million?

**Mr Calderwood**—Yes, that is the population. That three million does not represent the five per cent, obviously. We are saying that potentially we believe that there is only five per cent who may indeed have the potential to travel, but at the present time the total outgoing market is only in the vicinity of something like three million.

**Senator CHAPMAN**—So it is three million, but it has a potential of five per cent?

**Mr Calderwood**—Yes. All we are trying to do is to put in perspective the size of the market which we are looking at. The purpose of travel sometimes get clouded, obviously because of the past currency restrictions introduced by the government. Often people would declare they were going for business purposes when they were actually going for holiday purposes. So some of these figures do get a little bit distorted from time to time.

**Senator CHAPMAN**—Can you perhaps just enlarge on how you integrate with the industry itself in terms of promotion, specifically in India?

**Mr Calderwood**—Right. When we move into a new market like India, our first focus is to try and ensure that we have effective relationships; the right product in place, the right brochures, mainly before we actually start to work very hard on increasing our

advertising direct to the consumer. We obviously rely and work in very closely with key partners, which are the airlines and the state tourism bodies. In the case of India, Qantas has made an increased commitment this year, which we believe will continue. That has in turn allowed us to look at increasing our presence in the market. We have had some support also from Tourism Victoria and Tourism New South Wales. In the past, Western Australia showed some interest, but I think it would be true to say that their interest is perhaps waning somewhat as they look to other parts of the world where they see some more potential for them.

So if you look at India, the number of Australian partners which we have to work with is somewhat limited. I think a lot of the Australian industry is looking at India as a market which may have potential, but there are bigger fish to fry at the present time. I am thinking of such markets as China. It is a matter of volume as much as anything else. Therefore, our role is to try and work with some key wholesalers cum retailers in these markets to find those which have effective distribution networks, and to work with them, through the allocation of joint cooperative funds, to do some very effective tactical advertising.

The advertising which ran on Zee TV earlier this year did have a tactical message at the end. There was a call to action which directed inquiries to Qantas, and that created some considerable inquiry. Where it perhaps fell down was the follow-through at that stage to ensure that all of the wholesalers had adequate products, but that is a focus which we are working on right now.

**CHAIR**—How successful was the new horizons program? Have you had any follow-up?

**Mr Calderwood**—We took part in a couple of aspects of the new horizons program. It was timely for us in terms of the focus which we are starting to have in the market, so the opportunity to be involved in the new horizons program certainly worked to our advantage. Other parts of it I simply can't comment on. It gave us an opportunity to focus on the Australian industry, and we took part in a fairly extensive sales mission. That was the second sales mission which we had had in a two-year period. Since then we have had other, smaller sales missions. Since then we have had the increased interest of Qantas.

I think the new horizons program provided a vehicle to focus attention. It has certainly given us some impetus. It has certainly increased the level of interest in India about Australia for potential trade partners there. I think that if we were asked again to get involved in something similar, we would query what it would give us in return for the investment, however. I think it was right at the time, but there are other opportunities for us in the future.

**CHAIR**—The growth of Indian traffic to Australia you have mentioned. I know that is your major focus. What is the parallel position for Australian visitors to India? Do you know?

**Mr Calderwood**—Unfortunately I do not have those figures, but I can take that question on notice and provide that information to you.

**CHAIR**—I ask that because quite often, particularly if you are looking at the extension of air services, for example, there is a reciprocity that has to be taken into account for both legs.

**Mr Calderwood**—Yes.

**CHAIR**—There is no aircraft that goes nonstop from Australia, even from Perth, to India, is there?

**Mr Calderwood**—No. They all go via Singapore, as I understand it.

**CHAIR**—Or Bangkok, yes.

**Mr Calderwood**—I do not know the exact figures, but I understand that the outbound market from Australia to India is larger than the inbound market at the present time.

**CHAIR**—I know it has been. That is why I asked.

**Mr Calderwood**—It is still the case, but unfortunately I do not have details of the actual magnitude of it. I'm sorry.

**CHAIR**—As I understand it, it is not only to India, but to Nepal and these trekking tours and that sort of thing, too.

**Mr Calderwood**—Yes.

**CHAIR**—I notice that Mortimer talks about some duplication in ATC, state and territory governments, DFAT and Austrade in your services, and there were some recommendations made. Have you yet developed a position on the Mortimer recommendations, the proposals they bring? Do you have any response to the criticism about this overlap and duplication?

**Mr Calderwood**—I will answer that question in two parts, if I may. Firstly, yes, we have made a submission to DIST.

**Mr PRICE**—Are you pleading guilty?

**Mr Calderwood**—That has recently gone in to DIST, who are actually looking at it. Unfortunately, I can't comment too much more on it at this stage. But we do have a fundamental issue about duplication of resources. For that reason, we introduced a concept



three years ago called Partnership Australia, which was designed to try and eliminate duplication of activity between ourselves and some of the state tourism bodies. Partnership Australia is a cooperative which gets involved in the provision of consumer information and help lines. We do joint advertising. We get involved in joint trade shows. That has certainly helped to minimise many aspects of duplication, but it has not eliminated all of the duplication. We still have that as a challenge, if you like, which we continually work on.

**CHAIR**—Mr Hollis referred earlier this morning to some evidence we heard last week in Western Australia about problems with rupees and their non-transferability. Is getting currency for travel a problem? Can tourists take enough currency out? You have mentioned that \$2,345 or whatever the figure was, and it seemed to me to be a fairly high figure, that people spend.

**Mr Calderwood**—Yes.

**CHAIR**—Do they have problems? Do they have to have capital outside the country in order to be able to get the currency necessary to travel?

**Mr Calderwood**—There is a limit. They are allowed to take \$US2,000 for leisure purposes, but they can take up to \$US15,000 for business purposes. I guess that is the reason why, when they are actually stating their reason for travel, they sometimes indicate that it is more for business than for leisure purposes. That was the aspect I alluded to before. Much of the travel arrangements in Australia, however, will be prepaid in India, so that is a different situation. It still allows them to pre-book many of the travel arrangements and it normally leaves them sufficient, if they are restricted to \$US2,000, to cover their on-ground costs as well. But, as I said, many of them do actually apply under the guise of business travel, which gives them a bit more flexibility.

**Mr HOLLIS**—Is that \$US2,000 that they can take out of the country, or that they can spend out of the country? For example, there are limits on how much you can take out of Australia, but there is no limit on how much you can spend on your Visa card or American Express card or anything outside Australia. Would the same apply with India? What would be wrong with an Indian tourist coming here and being restricted by the \$US2,000 limit, but having a Visa card, a Mastercard and an American Express card in their wallet, and using those? There would be nothing, would there?

**Mr Calderwood**—Nothing. But the simple fact is that I am not fully aware of whether the \$US2,000 applies to currency or to the actual spend. My understanding is that it is really on the total spend, whether it be credit card or currency, but we will double-check on that and feed that information back.

**CHAIR**—Thank you. Where do most Indian tourists go? Do they still go to Europe? You mentioned that Europe and the United States were the major attractions.

**Mr Calderwood**—Yes, very much so. There are the historical ties to the UK, certainly, and they are travelling increasingly to parts of Europe, and the USA because of its perceived fashionability, and also because of the air links and the competitive air services and prices to both of those destinations.

**CHAIR**—So fare prices are a factor?

**Mr Calderwood**—Absolutely.

**CHAIR**—How would the Australian fare compare with prices, for example, to the US and UK?

**Mr Calderwood**—I do not have exact details, but if we use other parts of South-East Asia as an example, there are many times during the year where the airfare to Europe and to the USA is comparable to the airfare to Australia. I believe that in India there is the exact same situation, mainly because of the capacity and the number of competitive airlines flying on the route.

**CHAIR**—Obviously one of the big marketing tools for the ATC is the Olympics 2000.

**Mr Calderwood**—Yes.

**CHAIR**—Does that feature in terms of a country like India, or is it more subsumed within all the other factors that you have mentioned?

**Mr Calderwood**—The Olympics is Australia, which we are ensuring is woven into all of the plans which we have in different parts of the world. It will obviously have more significance in some markets than in others. In terms of India, we believe that it will obviously increase awareness of the destination. We do not necessarily believe that it will be a significant factor in boosting tourism. It will be one of the factors which will contribute towards it. We will utilise the awareness the Olympics creates to try and target some specific groups, most obviously the incentive groups. We believe that out of India there will be opportunities presented from the Olympics to target some more incentive groups to visit Australia. That will be not just during the Olympic year, but pre and post as well.

**CHAIR**—Do you look at incentive groups outside the Olympics?

**Mr Calderwood**—Yes.

**CHAIR**—We have been talking about student exchange, perhaps enhancing degrees, and also looking at various other ways by which business might be able to be attracted. How do you operate in that scenario? Do you work with the airlines? Do you

get any encouragement to do that, from the government or otherwise?

**Mr Calderwood**—We get encouragement to try and ensure that we target some of these high yield segments, of which the incentive is certainly one. And, yes, we have a very clear focus on developing incentive groups.

**Mr PRICE**—What is an incentive group?

**Mr Calderwood**—An incentive group is basically people who are coming for, mainly, company sponsored trips, which are in the form of a reward for performance. It would be like IBM's top salespeople being awarded with a trip to Broome or Singapore or wherever. Conversely, we have large movements which can be as large as 4,000 or as small as 10. So they come in different scales, they have different spending patterns, but traditionally they spend at a greater rate than the normal holiday traveller. To that extent, that is why we talk about it as being good per diem high yield.

Yes, we have strategies in place in all of our key markets to target these groups. It is basically done by working with some of the key operators in those markets, who indeed have that type of business. India is certainly one which can work.

You also mentioned student groups. We have had quite a lot of success in recent times, particularly in South-East Asia, and also in Japan, in chartering some more student excursions, and also student travel. Markets like Korea, Hong Kong, Singapore, Thailand, Indonesia, and Malaysia in particular, are the ones where the number of students who are coming to Australia for education purposes or indeed for school excursions is certainly increasing.

The flow-on from that, of course, is that we get significant VFR traffic, with friends and relatives coming to visit the students during the period of their study in Australia as well. We do not necessarily work closely with the airlines on that. They tend to do some special initiatives with some key partners as far as air fares are concerned. We mainly work with the key partners in terms of trying to ensure that we have sufficient collateral and promotions and seminars which highlight the destination.

**CHAIR**—If there were an Australia-India cricket series being conducted in Australia, would that give you an opportunity to market? Do Indians travel to follow their cricket team?

**Mr Calderwood**—Yes. It is true to say that their awareness of Australia is somewhat limited, but one of the areas where we are well recognised is in the sporting field, particularly cricket. And, yes, cricket tours are an opportunity obviously to try and encourage some additional traffic through supporters or even incentive groups, but in reality that is still a very small proportion of potential business.

**CHAIR**—You mentioned that ATC does not have market representation in India. Do any of the state tourist bodies?

**Mr Calderwood**—We do now. At the time of our submission in May we had not made the decision. Subsequent to the submission, we have had extensive discussions with Qantas. They gave a commitment to us in terms of support which allowed us to look at doing some additional things in India, including the appointment of a rep, which was effected from 1 September.

**CHAIR**—Whereabouts?

**Mr Calderwood**—In Delhi. But no other states have representation in India.

**CHAIR**—Does Qantas have a representative in Delhi?

**Mr Calderwood**—In Mumbai.

**CHAIR**—So Qantas is in Mumbai and you are in Delhi?

**Mr Calderwood**—Yes.

**CHAIR**—And there is nobody in Calcutta or over on the east side at all?

**Mr Calderwood**—No.

**CHAIR**—In terms of location, do most of your travellers from India to Australia come from Delhi, significantly, or Mumbai, or is there a spread?

**Mr Calderwood**—Yes, there is a spread. Forty-five per cent come from Mumbai, 30 per cent come from Delhi and 25 per cent come from other areas, of which Madras and Bangalore are the major areas. Why did we base the rep in Delhi rather than Mumbai? It was a decision which we based on—

**Mr PRICE**—Sorry, I will ask the question!

**Mr Calderwood**—I was waiting for it to come! We looked at a lot of different potential reps in India, and rather than having a fixed idea about the city which they should be based in, we thought it was more important to identify the right type of person. That was what drove the decision. It is not dissimilar to what we do in other parts of the world. In the USA, for example, we service the whole of the USA out of Los Angeles. We service the majority of Europe from London. So it becomes a case of trying to ensure that we have the right people who are going to be able to deliver and work with the industry. That was the basis of it. I believe it will work.

**CHAIR**—In my opening remarks I mentioned that we were looking not only at India but eventually at South Asia. You mentioned your New Delhi office servicing essentially India. Other markets in South Asia would not be as significant, but presumably they have potential. Would you look at that New Delhi office to service those markets?

Let me explain that we recently did an inquiry into the SADEC countries in Southern Africa. I was thinking that South Africa generally has a very dominant influence on the region around it. Is that true of India? Even though there are problems between India and Pakistan, would a New Delhi representative for the ATC be able to promote India into Pakistan, into Bangladesh, into Sri Lanka, and perhaps into Nepal and the other countries such as Bhutan? Or is it that essentially when you look at India through your ATC eyes, you look at India, you don't look at the region?

**Mr Calderwood**—Correct. I doubt very much if we would be charging a rep in Delhi with the responsibility of developing those other markets at the present time. I think there is a lot of potential in India which we would prefer to concentrate on. We would tend to try and service those other markets out of Hong Kong, our regional head office in the Asian region. The reality is, we keep a track on the potential of various markets in South-East Asia, whether it be Pakistan, Bangladesh, Vietnam, et cetera. It is simply a matter of resources and priorities.

We can't be in all places at any one time, so we need to try and just keep gauging what is happening. Most of those markets obviously will start to develop once there are more direct air links. That historically has proven to be the most significant issue for us in developing Australia as a destination. When we have the right air links, it starts to move along. There has only been one market which we have ever moved into before the direct links were established, and that was Korea. It has proven successful, but it was at a unique point in time directly after the pilots dispute.

**CHAIR**—Taiwan is another.

**Mr Calderwood**—Taiwan, yes. But normally it is a case of making sure that we have good effective air links before we can even consider it. It is simply a resource issue.

**CHAIR**—I wondered about that in part because New Delhi is a destination on its own, and yet I presume there is business into India from each of the surrounding countries. I was in Kuwait the other day, and I had not realised the degree to which those Gulf ports all have that ongoing connection with India. So there are a lot of other countries that go through India, and yet in your tourist terms you do not really look at people going through India to come to Australia. You would essentially look on India as a separate market, and therefore all the other markets could be serviced from Hong Kong or somewhere else.

**Mr Calderwood**—If the statistics identified that there was significant through-

traffic from other markets, we would obviously have to look at ways in which we could encourage some additional distribution. It is not true to say, however, that we don't have some form of focus on these markets. We do have some of the trade reps from some of these markets coming to the major trade shows which we run, one of which is the ATE, or Australian Tourism Exchange, which is an annual event. We provide them with limited support.

The Middle East is actually a market which is handled out of our European office. There are a couple of trade missions going there each year. So it is a matter of constantly monitoring the traffic flows, keeping a close eye on where the key trade partners are, but servicing it as adequately as we can with the resources which we have.

**CHAIR**—Thank you very much indeed for coming along and talking to us this morning, Mr Calderwood and Ms Hudson. Your evidence will be translated into a *Hansard* transcript and forwarded to you. If you wish to correct either the grammar or facts, then please by all means do so. If there is any publication or other material that ATC produces which you think might be relevant to our inquiry, we would be delighted to receive it.

Part of our problem is to identify specifically the trends for the future. There has been a good deal of work done in the past, but there are new opportunities emerging, and it is not just the new horizons program, or the Year of South Asia, it is really far wider, and we are trying to see where we might be able to give encouragement and look at impediments. If you have ideas, even regarding what the government might be able to do to encourage the Indian-Australian link, we would be very happy to hear them. So thank you very much indeed for coming along. We appreciate your appearing.

[10.49 a.m.]

**ALVI, Mr Abbas Raza, President, Australia India Business Association, PO Box N402, Grosvenor Place, Sydney, New South Wales 2000**

**JEWELL, Mr Reginald, Member, Australia India Business Association, PO Box N402, Grosvenor Place, Sydney, New South Wales 2000**

**RAJ, Mr Michael, Executive Committee Member, Australia India Business Association. PO Box N402, Grosvenor Place, Sydney, New South Wales 2000**

**PATEL, Mr Rajni, Managing Director, Agromin Australia Pty Ltd, Suite 3, Ground Floor, 781 Pacific Highway, Chatswood, New South Wales 2067**

**CHAIR**—I welcome you to our hearing this morning. As you would know from the processes that you have received, we are in the process of conducting an inquiry into Australia's trade relations with India. We will probably follow that inquiry by having a look at the wider subject of Australia's trade relations with the other countries of South Asia, but we are initially examining the particular contacts between India and Australia in the light of the new horizons initiative last year, this year being the Year of South Asia.

The inquiry is being conducted by the Trade Subcommittee of the Joint Committee on Foreign Affairs, Defence and Trade, which is a committee of the Australian parliament. There are 32 members. It is the largest of all the parliamentary committees and we have four subcommittees, one of which is the trade subcommittee. The purpose is really to try and identify, within the parliament, the ways by which we might be able to extend the relationship. We will consider all the evidence that is tendered and, having considered it, prepare a report which will then be presented to the parliament and to the government. The government is required then to respond in due course.

Senator Chapman is a member of the Senate and there are other senators on our committee. There are senators and members of the House on the committee, so it is a very broadly based committee. While there are only a few of us here this morning, that does not in any way reduce the significance of the case. We do not require witnesses to give their evidence on oath, but the proceedings are formal proceedings of the Australian parliament, each of us being members of the parliament, and the evidence given needs to be treated with the respect that that entails.

There is a short submission, No. 63, which you have presented to us and which we have received into evidence. Perhaps you might like to open by expanding on that a little. Then we might ask you a few questions and analyse your attitude toward the subject as far as we can. If you have any evidence that you feel you would like to give us in confidence, then please ask and we can consider whether or not we shall do so. Do you have any comments to make on the capacity in which you appear?

**Mr Jewell**—I am here as a member of the Australia India Business Association. My other capacities are that I am chairman of Wills Shipping, which has for many moons been mixed up with Australia-India trade, and my other company is a trading company, Alexander Watt, which again has been trading, particularly in jute goods, with India for a long, long time.

**Mr Patel**—I am the managing director of Agromin Australia Pty Ltd. The company's main trading is a trading and investment company, mainly engaged in the export of Australian grains and pulses to Asia, the Indian subcontinent. Also we bring in products from the Indian subcontinent into the Australian market

**Mr Alvi**—I am president of the Australia India Business Association here in Sydney. I am appearing basically on behalf of my chamber, but in a personal capacity my company is dealing with India. We import engineering products to this country and do some manufacturing and sell here, and also export to other countries.

**Mr Raj**—I am one of the executive committee members of the business association. My other capacity is that I am also a senior manager with the New South Wales government Department of State and Regional Development.

**CHAIR**—How do you wish to proceed?

**Mr Alvi**—I will just explain a few things about AIBA. AIBA is the only bilateral business chamber here in Sydney. It was formed in 1990, so it is about a seven-year-old chamber. When that chamber was formed, there was not much of a business relationship between India and Australia.

We do have some large corporations, but most of our members are from medium-scale and small-scale companies who are doing business with India. They are the traders. They are exporting to India and importing from India. There are consultants from the legal professions. It is basically different sectors.

We think that we are the very key persons in terms of really doing the business with India, and most of our members are already having significant business in that region. The total membership of the organisation is about 65 now. We have members from the development department, for example, who are not only members of our organisation but are also on our executive committee. Certainly we have quite a good relationship with this state and with government organisations, of course.

Our business chamber has participated in new horizons programs. Certainly when the matter comes out, we will have discussions on it. We have taken an independent delegation to India during the new horizons program also. I will leave it to my other members to explain some of the things they are dealing with.



**Mr Jewell**—Shipping is often a tough subject for a lot of people. You hear many complaints about shipping, but mostly I think they come from people who are not experienced in the trade, and that is half the problem. We are just learning now that the only direct shipping which was available—direct in the sense that if you place your cargo on board a vessel in, say, Melbourne, it discharges from that same vessel in Bombay—was mixed with the P&O Blue Star NYK group running from New Zealand, with cargoes to Melbourne, Fremantle, the Gulf and then to Bombay.

Because of the lousy freight rates, they decided to discontinue the discharge at Bombay when much better freight rates were available from the Gulf area, so that that direct connection is now lost. It really is, with respect to the development of smaller companies in the trade, quite a problem. One receives, as an importer, a note that it is on such and such a vessel; that is the vessel from India to Singapore. What happens from Singapore down is that you are largely left to find out for yourself. Nominated vessels apply maybe half the time, insofar as the shipper will nominate vessel A to Singapore, and vessel C from Singapore to Australia, and it might arrive on vessel C or it might arrive on any other vessel, too.

For those experienced in the trade it isn't a problem, but we did ask a recent Indian delegation to please ask all of their people to nominate a second carrier and to follow it up so that their buyer in Australia is not wondering, 'When the hell are my goods about to arrive?'

The same applies in reverse. In fact, Indian importers have been known to pay a premium on cargo going to that area for a named vessel, and just now Singapore to India has settled down to a nominated seven-day service. That is to say, one line will leave every Monday and every seven days, so that every Monday one ship is nominated. That seems to be the pattern which, of course, has developed from Singapore to Australia. So shipping should not be a problem. If anybody is having a problem, that is where we ask that they get in touch with some of us who know through the associations: AIBA here, the Australia India Chamber or the Australia India Business Council.

On the larger scene, a problem—not only with India, of course—is the disturbed Australian waterfront. That covers both the container area as well as bulk ships. In Singapore, I have often heard the terminology, regarding chartering vessels to go to India, 'Okay, \$8,000 a day,' or something, 'Oh, plus the Australian factor.' There is no doubt that the disturbed waterfront is costing in that way, as well as the obvious cost here per container across the wharf area. We watched and approved very much the action that is being taken at the moment. Let's hope that it all works out without too much stoush, but the interruption to shipping is certainly a problem.

Perhaps in the national interest, with regard to the development trade, we would ask that goods imported by India by way of bulk cargoes should be in the form of FOV purchases, with the Indians providing their own tonnage to lift the goods from here, rather

than the C&F sale, where the seller provides his freight from wherever he gets it, in whatever sort of tonnage he might choose to put on the berth. The sellers are not always Australian, either, for that matter, because the international merchants do that selling—obviously successfully—and to the benefit of Australia, so far as they are moving Australian. But where it is not Australian, where it is a C&F sale, often there could be an option of country of origin. That is the reason that we would suggest strongly that sales go that way.

The Indian government has a policy that is perhaps a bit reversed. They want to buy FOB, but for their exports to Australia they want to sell C&F, so they want it both ways. But I think with the C&F coming south it is mostly container cargoes, as distinct from bulk cargoes. In the container shipping trade there are so many deals done with individual shippers—a \$50 rebate to the shipper, something here which influences which line is used to come south—and we as importers find it preferable to buy C&F for our southbound out of India.

In general terms, there is not sufficient volume on the moving of containers between Australia and India to warrant a direct shipping service. The Shipping Corporation of India, through which company my Wills Shipping have been agents, have had it on the berth. We took it off the berth because it was losing money heavily. They are now coming back halfway, insofar as they are providing a feeder service from Singapore up to Mumbai. But there just is not sufficient volume in Australia to go northbound.

However, there is certainly no lack of shipping opportunity. Everybody is chasing cargo from here to Singapore, and there are ample vessels lifting from Singapore north to the Indian subcontinent.

**CHAIR**—What would be the average time from when you loaded in, say, east coast Australia, to discharge in, say, Mumbai?

**Mr Jewell**—Sydney to Singapore, 11 days; allowing a maximum of seven days transshipment, 18; and seven days transit, 25 days.

**CHAIR**—As long as that?

**Mr Jewell**—Yes.

**Mr HOLLIS**—If someone was chartering a ship from Singapore to an Indian port, and it was sailing from Singapore to India, why would the so-called Australian factor have any relevance at all?

**Mr Jewell**—It is slightly different from that. I didn't make myself clear earlier.

**Mr HOLLIS**—That is what you said.

**Mr Jewell**—Yes, I did.

**Mr HOLLIS**—What you actually said as an aside, when you were talking about the Singapore to Bombay run, was, ‘Oh, they throw in, "And add on the Australian factor.”’

**Mr Jewell**—Yes.

**Mr HOLLIS**—I am very puzzled. Unless you are chartering a ship from Singapore to Australia, and then Australia to somewhere in India, I do not see what relevance at all the Australian factor has.

**Mr Jewell**—It is not in that context. The shipowner in Singapore has a ship on the market and he is saying, ‘How much a day do I think I can get for this size of ship? I think about \$10,000 a day. Now, will I let it for Indonesia to Korea or Japan, or Indonesia to India for the same coal, or will I let it for Australia to India? I want \$10,000 a day for my ship—\$10,000 plus the Australian factor.’ So it is in Singapore where the negotiation is done, where the shipowner is sitting, and he may have his ship already plying out to Australia with other cargoes, and then wants to lift a cargo from the proximity of Australia—Indonesia or Australia, or whatever is available—but he wants a daily return on his ship of so much. To go from Australia to anywhere, he wants an extra premium.

**Mr HOLLIS**—I am actually trying to remember when the last major industrial dispute took place on the Australian wharves. Do you know?

**Mr Jewell**—In container cargoes, it is quite a while.

**Mr HOLLIS**—Yes.

**Mr Jewell**—It is quite a while. It has been sort of managed port by port, such as the WA attempt to use private stevedores, but that lasted only two days.

**Mr HOLLIS**—Yes. There is a delay, I know. I see ships sitting off Port Kembla. But that is a matter of berthage, not industrial dispute. There is a problem with ships off Newcastle waiting for coal to come on there.

**Mr Jewell**—Yes.

**Mr HOLLIS**—That again is a matter of the port, not industrial dispute. I actually spent a year or 18 months of my life on a couple of inquiries, the ships of shame inquiry and the wharf to warehouse inquiry. What we found there is that the Australian waterfront was a mish-mash of all sorts of people. They were all jealously guarding their

own little bailiwicks. Whether it was the customs agent, whether it was electronic transfer—bringing documentation from Singapore—whether it was the nonsense that the banks used to go through with the payment, whether the exporters leaving it to the last possible minute to deliver their stuff to the wharf, whether it was the importers leaving their shipping there for the demurrage that they could get, or whether it was the crazy truck lines there at Port Botany, we actually found was that it was always a very convenient scapegoat to hit the waterfront—that is, the wharfies—and to hint, without saying, that if all the waterfront workers could be lined up against a wall and shot, all the problems on the Australian waterfront would miraculously disappear.

Actually, however, as you would appreciate much more than I and others, it is much more difficult, much more complex, and all those bit players must do their little bit on the waterfront. There are industrial disputes. It would be silly to say there were no industrial disputes. There are some stupid industrial disputes. But there are also a lot of other issues on the waterfront, and the unions on the waterfront have been, in many respects, sorted out. It is the many other players on the waterfront that have not been sorted out yet, who are protecting their own little bailiwicks. Until they are sorted out, we are going to have those ongoing problems with the Australian waterfront.

**Mr Jewell**—I will come to your example of ships sitting off Newcastle or Kembla. I think six or seven years ago, when there were 35 ships sitting off Newcastle, the charterers, the operators, decided, ‘Well, it is no good bringing the ship in now. We’ll slow our chartering down and get that queue down.’ When the queue got down to 11, the coal loaders’ union decided, ‘We won’t load another ship until there are 30 sitting off the port.’ That is the sort of thing I mean.

**Mr HOLLIS**—I don’t know that that goes on. I know that there are ships off Newcastle.

**Mr Jewell**—Yes.

**Mr HOLLIS**—This year there have been 40 ships off Newcastle, to such an extent that the unions suggested that the coal be put on a train from the Hunter down to the Illawarra, down to Kembla, then shipped out of Kembla, because they—the unions—were concerned about the number of ships that were sitting off Newcastle. There has been an average of 40, as I understand it, all this year. I think that is part of it. We hear a lot about Port Waratah and how wonderful the coal-loader is there and how much it ships out, but, I don’t know, there is a real delay there.

**Mr Jewell**—I think so long as the shipowner is getting his \$10,000 a day and he can measure the delay, he knows what freight to quote. His vessels are basically chartered to Newcastle. But contrast that with Dalrymple Bay and Hay Point where there is virtually no delay.

**CHAIR**—Where is Hay Point?

**Mr Jewell**—Off Mackay.

**Mr HOLLIS**—But they're not shipping the same tonnage either.

**Mr Jewell**—Well, it is considerable.

**Mr PRICE**—So what do you see as the solution for that?

**Mr Jewell**—I just mentioned that that is a factor there.

**Mr PRICE**—Yes. I appreciate that.

**Mr Jewell**—One needs to be aware of that. The other area of doubt about Australian shipping is the mining areas. Basically the Queensland coalminers have done a tremendous job in organising sufficient cargo at the pithead to get down, such that if you have a seven-day strike at any particular mine, the shipping is not interrupted. But it has been a problem there. In the way of the container shipping, I agree there is just a general apprehension, however, in people's minds, 'Look out, there might be a blow-up,' and I think the government and industry are getting around that.

**CHAIR**—This is a very significant question. I think we had better come back specifically to other members of the delegation. So, Mr Patel, perhaps we might move to you and then come back to shipping when we have heard from everybody else.

**Mr Patel**—We are a trading company and we export quite a bit of Australian green fin to Malaysia and to India, Pakistan and Bangladesh. We started about eight years ago, and a few years ago when we started there were direct vessels into all these ports, especially Mumbai and Karachi. We had a P&O service and all that. The transit time was about 14 or 15 days if you go directly. But what happens now is that when you ship from any port, it goes to Singapore, and it is then transshipped. Even now they give the name of the vessel which they are going to ship on the next vessel. The shipping companies here can do that. But the transit time has gone up to about 25 or 28 days, and also it provided the connector vessel in Singapore, otherwise it ends up another seven days late.

The other problem with India is, most of the Indian, Pakistan, and especially Bangladesh and the Indian buyers, require different payment terms. They ask for 180 days and you try to offer them 90 to 180 days. The problem with the local banks here is, when you come for default payment and all that, they like to charge a confirmation commission on that. Then sometimes we will have to wait about 15 or 20 days before they look at the country risks on the bank or something like that. But that is another problem we are going through on that trade, because most of the Indian buyers, because of the high interest rates in India—the India rupee fetches about 18 or 20 per cent, and the Australian dollar to buy

in US dollars is about seven or 7½ per cent. So they like to use the exporter's finance to finance that. So this is one of the things the Australian exporters are facing here.

**Mr PRICE**—What is the confirmation commission that the banks charge?

**Mr Patel**—That is a confirmation charge. They are putting a one per cent commission just to make sure that it is added up. It is an added-up commission from the banks just to make sure that the payment comes in.

**CHAIR**—How much is it?

**Mr Patel**—One per cent of the LC value. That is quite a bit, because for Australian pulses it is about \$180 or \$200 per tonne. If you are going to pay, say \$2 or \$2½ a tonne, and apart from that your negotiation commission, and apart from that, if there is any delay in payment and all that, the charges are on you. I find my experience shows that—

**Mr Jewell**—Excuse me, Raj. What are your gross earnings on pulses? That is relevant to the amount of confirming commission.

**Mr Patel**—With gross earnings, usually the margin of profit is very small. We work on the basis of one per cent or 1½ per cent, because we have competition from Canada. Canada also supplies two of the main pulses that go into this market, which are dhan peas and chickpeas. These are the biggest exports from here to Bangladesh, Pakistan, and India. I think if you look at last year, in November and December, chickpeas used to trade at \$US280 to \$US260, and dhan peas used to trade at around \$US230 to \$US240. So it is quite a lot of money the banks are charging just to add up.

Apart from that, the market fluctuates quite a bit because when India has a drought or if Pakistan has a drought, all of them come into the market and have big requirements and the market goes up quite sharply. If the farmers cannot cover the requirement or something happens and then they drop the quality, then you have got a quality claim there. So there are quite a few problems in the market. But if the market goes up and up and up, you find there is no problem at all, but if the market takes a turn down back into India—because India has been flooded with chickpeas from Turkey, from Iran, and from Syria, the other belt which also grows and harvests at the same time. We are in the same belt.

**CHAIR**—What about currency? Do you sell in rupees?

**Mr PATEL**—US dollars. The banks here do not accept Indian rupees.

**CHAIR**—It is the banks here that do not, rather than the Indian government? Indian rupees can be used?

**Mr Patel**—It can be done. Yes, there is no problem. But when you ask the Commonwealth Bank or any other bank what is the rate of the Indian rupee to the Australian dollar, they quote a big spread, so people like us just quote in US dollars and hope that buyers there will cover the Indian rupees or whatever they want to do.

**CHAIR**—You talked about country risks. Do you use EFIC cover?

**Mr Patel**—Yes. EFIC cover is another one which you quote, and their charge is another one per cent.

**CHAIR**—Yes, but that saves you the other one per cent.

**Mr Patel**—No.

**CHAIR**—It doesn't? They still require confirmation fees even if you have got EFIC cover?

**Mr Patel**—That's right. It is a separate cover. So that is another extra.

**CHAIR**—They do not accept EFIC as being adequate confirmation?

**Mr Patel**—No, they do not accept that.

**Mr Jewell**—I think EFIC covers the buyer.

**Mr Patel**—The buyer's rate.

**Mr Jewell**—But the bank confirmation covers the Indian bank. So for EFIC you need the buyer to go broke.

**CHAIR**—Do you ship from every state around Australia?

**Mr Patel**—I ship Melbourne and Adelaide. I think Fremantle is coming up, because a lot of pulses are being grown because they are getting around \$350 for chickpeas this season. Last season they got \$250. So there is a big spread. The market is very controlled by the Indian economy in Pakistan and Bangladesh, with these two pulses, because they buy in huge tonnage, you see.

**Senator CHAPMAN**—You indicated Canada, but who else are our main competitors?

**Mr Patel**—Turkey, India, and Iran. That is our main competition.

**Senator CHAPMAN**—What advantages are we able to offer against those

competitors?

**Mr Patel**—A shorter transit time. That is our advantage there. They keep telling me that Canadian exporters give a lot of credit to them. I think the Indian market is mainly trading on quality. I think Canadian dhan peas are much better in quality than Australian dhan peas, and I think Canadian dhan peas command a premium of over \$10, you see. The Australian pulse growers are endeavouring to make sure that the quality of chickpeas is becoming better and better. We are trying to improve on it. At the same time we are trying to improve our quality of dhan peas also, to reach a better standard.

**CHAIR**—Are you offering contracts to do that?

**Mr Patel**—Yes, we offer contracts to the growers.

**CHAIR**—Contracts to growers?

**Mr Patel**—That is right, and we come and see them, and talk to them.

**CHAIR**—And you offer a discount if they do not meet the standard, and a premium if they do.

**Mr Patel**—That is right. Then we store all our grains in the VicGrain silos in Portland, and then we bring in a ship of 12,000 or 15,000 tons and go straight from here to Mumbai.

**CHAIR**—Any more questions for Mr Patel? Do you wish to add anything, Mr Alvi? Are you wearing another hat, perhaps the chambers hat?

**Mr Alvi**—I would really like to say a few words. As all of us know, we have quite a lot of similarities in India in terms of the judiciary systems, or maybe parliamentary structure, and even some of the climatic conditions like between Western Australia and some of the towns in India. Indian trade with Australia, or Australian trade with India really has not reached significant relevance. It really needs a lot of things to be done. I would like to pinpoint a couple of issues. There were good initiatives in the new horizon program. I think that probably we could have done much better on that, and there are some issues which I think I would like to mention.

Probably the visit of the Prime Minister was really a good idea which was cancelled at a later stage. I was very close with some of the chambers in India at that time and I found that they were really expecting the Prime Minister would be visiting. In India, when they consider a foreign country, they compare it with America or any of the European countries, and they see the similar type of system or protocol arrangement, and when they don't get this sort of thing from a country like Australia, some sort of feeling develops. Probably this sort of thing can be taken care of in the future with a visit from



the Prime Minister and things in this direction.

Also, I think that a closer association and closer cooperation between associations like ours, who are working in the state, and the Department of Foreign Affairs and Trade, will certainly improve overall business strategy. But while it is true that you people make the policies and decisions, and all of our ministers are coming, and you are going there, and we have the get-togethers and all those sorts of things, it would be good if the people who were really doing the work, conducting the business, had closer cooperation from DFAT.

I remember during the new horizon program DFAT utilised us whenever they had some problem. If they wanted to arrange some function, or they needed more people from business, they would certainly request that we arrange the program accordingly. We do that. But on the other hand, we really need some better cooperation, and probably you can play a key role in that.

**CHAIR**—You did not mention Austrade, which you did in your submission. Do you mean with Austrade as well as the department?

**Mr Alvi**—I am talking about DFAT, the Department of Foreign Affairs and Trade.

**CHAIR**—Austrade is sort of part of that, but not the same.

**Mr Alvi**—Yes. That is another issue. I am presently talking about DFAT. We had quite a big conversation with them during the new horizon program. We cancelled some of the program. We wanted to have a joint program with them and later on it was changed and notified. The thick file is there. I remember all the people who were committed indirectly, and our members really felt that probably more closer cooperation was necessary. Also, I would like to mention my views when I was in the new horizon program. We have taken this up with delegations, as I mentioned earlier. Six people from our organisations were there. We had been to Bangalore, and I was in Delhi and Bombay. We had done, in my opinion, quite good work, along with the New South Wales state delegation, but probably we could have done some activities with Canberra also. That was really missing there in that part of the world.

Also, some of the chambers in India asked me, ‘Before we were going there, is there a business directory?’ So we have done a business directory. We have circulated about 2,500 copies of this in India, but this is only for the internal chamber. I think it would be a good idea to make a really large, national directory which has chapters, not only from the business associations and organisations, but also certain Australian policies, some Australian climatic conditions, and business strategies and other things. They are things which can be circulated or can be distributed in a wide circle in India. I think that is really essential, because all the other countries have done this sort of thing.

We really need to be known there. We should not merely be known as the country of the kangaroo or cricket. There are other things which we need to make known about this country. Also, there is one other point which I want to mention. Probably it would be a good idea to say it with you now. Indirect trade between India and Pakistan is around about \$2 billion, which is moving to Dubai, and probably it will surprise some of you to know some of the trade is moving to the United States.

**CHAIR**—So it is going from India to Dubai or the United States, then back to Pakistan?

**Mr Alvi**—Yes, both ways. Between India and Pakistan there is about \$2 billion worth of trade. Please don't quote my figures because these are business figures I am saying. I don't have any proof of that. But that is moving to Dubai. Some part of that is also moving to other countries like Germany and the United States. I know of one such very large deal. Probably Australia can do something in that line too, not the trade from item to item, but some sort of value addition here.

**CHAIR**—What sort of goods are being transferred in this way?

**Mr Alvi**—There are a lot of engineering items out there and a lot of commodities products are also there. I will not be in a position to say more on that because it is not published anywhere, but that sort of trade does exist. I do know that some of the equipment which is moving through the United States can go through Australia also. It may be worth while to consider that. I understand about \$28 million worth of Australian aid went to India during 1995-1996. We really do not know what this aid was for. Through their involvement, probably some of our members can be a part of that, or can facilitate more on that, or it can be utilised more effectively, or something like that.

**CHAIR**—I know it is a bit after the event, but AusAID presents an annual report. It identifies formally each of the areas where the aid has gone. Have you taken it up with AusAID?

**Mr Alvi**—With Austrade?

**CHAIR**—No, this is AusAID. You talked about aid, I thought.

**Mr Alvi**—Yes, I am talking about aid.

**CHAIR**—AusAID administers the aid program and if you want to check, you really should consult with them, or even look at their last year's reports. It is all available.

**Mr Alvi**—Yes, certainly we can do that. But probably it could be distributed more effectively if there was some system of coordination, and information was given to us that we could give to our members. Some of our members may be beneficial in that. On the

point you raised regarding Austrade, we do have cooperation with Austrade. They have some very good programs. But Austrade has its own independent activity and probably it would be a good idea if somehow Austrade could utilise associations like ours for promoting Australian technology or Australian products or projects in India. Organisations like ours have one very great asset, and that is Indian migrants who come from India and have settled in Australia and are conducting business. I personally feel that this is a very useful factor which Australian governments are very loath to exploit, which is done by the United States also. In our eyes certainly the USA is playing a very vital and important role in increasing the trade between India and the US. Thanks for that.

**CHAIR**—Thank you very much, Mr Alvi. Mr Raj, would you like to say a few things?

**Mr Raj**—Yes, just to probably enforce what Abbas has said and that is where the issue, as I said, government being a member on the executive committee of the chamber as well, we see the value of the non-resident Indians. We also financially supported the chamber with the new horizons program. The value of such chambers are they are at the coal face. As a result we can meet with them on a regular basis.

The issue of DFAT and Austrade, rather than using such chambers on the need-only basis, perhaps they could be a bit more pro-active in participating in the executive committee and participate in the planning process. In that respect I also think what would be helpful is, like Foreign Affairs or at the Commonwealth level, if they have a forward program of events, activities for the year, that will assist companies who are members to do their budgeting—and state governments, whoever. So that when they do come to us or to the Commonwealth, we can allocate on merit and see what the other allies, like Austrade and DFAT and others, are saying in relation to that—whether they are signing on behind these programs, et cetera.

The other issue is also the alliance between associations and their counterparts in India, like the Confederation of Indian Industries or Ficci and others who are peak institutions. Their counterparts here also should be of a certain critical mass, otherwise they tend to get overlooked.

**CHAIR**—I just interrupt to say that—and the secretary has just reminded me—Charles Jamieson, who is the head of Austrade, gave us some evidence that suggested that they were putting together some seminars to try and involve you and to try and see if they can improve communications, so I think at both the state level and at the chamber level there are some activities by Austrade to try and cover the gaps that you have identified. I didn't want to interrupt you. Please go on.

**Mr Raj**—The power of those chambers in those countries, which we also had the opportunity to experience at first-hand when we participated in the new horizons at state government level, not only through the chamber but also we participated in Agrotech

through Australia, the international business conference, environment exhibition in Mumbai, and we supported our companies there. As a result, we did meet people, and there is evidence that there is quite substantial Indian interest in investing in Australia. I think there are one or two investments, or probably more, has occurred. At least I know of one substantial investment. There is a flow the other way which is going to be beneficial to Australia as well, so that kind of linkage needs to be reinforced I think regularly at a high political level as well as at the chamber level and state level.

Finally, more so the other aspect is the availability of information more in the public domain. On reports that are coming out, initiatives are as a result of new horizons where they have targeted several industry sectors which the association and others could capitalise on—environment, health, mining, et cetera. That information is still scarce. We seem to have lost a bit of momentum. We need to lift it, and I think if those things could be addressed we can see much more growth in bilateral trade. Thank you.

**CHAIR**—Thank you.

**Senator CHAPMAN**—We have identified the shipping problems as one of the impediments to trade. Are there any other significant impediments to developing trade relationships, either generally or in relation to specific products?

**Mr Alvi**—Actually there are complications with the finance, especially with the small scale and medium scale companies, but probably that is a different topic but I can certainly say for importers for us there is the requirement of LCs and the small and medium scale companies really have problems because of certain limitations. When you go back to India, say if you want to put up a project in India, with technical cooperation from Australia, you need to put up only 30 per cent equity and 70 per cent is given by the bank. It is mostly unsecured loans. They also provide certain incentives in income tax and surtax on the material, which is really very good when you see most of the American and German, European companies, now putting their plants in India on that basis.

We also have to look into a similar sort of situation. If you are inviting Indian companies, because when they are bidding for something they will be interested to get some incentives here if they are putting up those type of projects here, because when they come to Australia the market for them is only the nearby countries. When they go to Germany or the UK or USA, it is a very large market for them. So probably some incentive has to be looked into. There are some Indian investments here already, and there are some more companies may be interested to come over to invest in Australia. Some sort of incentive certainly has to be looked into there.

**Mr Jewell**—Because is it the 70 per cent that would be imprimatured by the Indian government or the Indian—

**Mr Alvi**—No, the other Indian government institutions but basically the financial

institutions. All the national banks—

**Mr Jewell**—The nationalised banks, right.

**Mr Alvi**—All the national banks.

**Mr Jewell**—Not Grindlays, for instance?

**Mr Alvi**—Grindlays—they have very few banks, Grindlays. There are very few banks like this which are utilised for some of their activities but—

**Mr Jewell**—Not that long term, right.

**Mr Alvi**—Yes, most of the national bank authority.

**Mr Patel**—Exim Bank and then you have the unit trust and all the—

**Mr Alvi**—No, most of the states have their own financial institutions and therefore—

**Mr Jewell**—It is government influence and not private influence.

**Mr Alvi**—Yes, it is government influence, yes. It is something if some Indian company wants to come over here and wants to put up a joint venture here with us, we are told we can't offer them any such incentive.

**CHAIR**—I notice your organisation is called the Australia India Business Association, New South Wales. Have you a national body? Do you link in with similar groups in other states or do you essentially operate only here in New South Wales?

**Mr Alvi**—We don't have a national body as such, but we are trying to do something in that light. Basically the name of our organisation—we are expecting to change it to Australia India Business Chamber fairly soon. We have cooperation from Western Australia, we have cooperation from Victoria, and I think there is something going to be formed soon in Canberra also. So we do have some cooperation there.

**CHAIR**—As marketers of Australian goods in India, are you finding the change in the excise and non-tariff barrier regimes freeing up the Indian market more? Does that have any effect generally on the business opportunities by you as exporters to India?

**Mr Patel**—I think that what has happened is recently the tariff was seven per cent and now they have raised it to 10 per cent. It has gone up a bit. So I think that the tariff rate changes every year.

**CHAIR**—Not all down. Some of it is going up.

**Mr Patel**—It is very difficult—if every time we are looking for a tariff rate to go lower, you see, because from 10 per cent it is reduced to seven per cent and then you are thinking they are reduced because it is a cheap product for human consumption, and all of a sudden they will find that because of the budget deficit or because of budget something they are changing it to an extra three per cent just in a short—

**Mr Jewell**—But you would be aware of the situation with wool to India?

**CHAIR**—Yes, well, that is where the tariff is going the other way. We have been told that the tariffs are moving. That is an impediment. I was really, following Senator Chapman's question, looking at the impediments and one we are told in India has been bureaucracy and tariffs, and I just wondered whether those are factors that you as exporters are finding are offering opportunities. Mr Patel's point is fairly material that if they are going the other way, then obviously—

**Mr Patel**—The main thing is we can never ship any packed goods from Australia to there, you see, because Australia's rates are very high and the cost of packaging and cost of labour is so high that the most economical thing is to ship in bulk and then repackage it there according to the system and style. That is where we look at it on that system.

**Mr Jewell**—On the sale of goods coming from India to Australia, we are still importing, believe it or not, significant quantities of jute. In that case, the Indian ECGC are extending us 90-day terms without letters of credit. So that is an enormous help. EFIC is their opposite number in India, ECGC, and we bypass the bank component of it. The area that needs defining is this confirmation by Australian banks of the Indian banks. In other words, the Australian bank, by confirming, guarantees that the Indian bank will pay. Most of the Indian banks are nationalised and those that are not are very substantial. Is there something that perhaps Treasury—I am not sure of the department—from here could do to ask the Australian Bankers Association to cut out this confirmation commission?

**CHAIR**—We have been told of the problems in the Indian banks. I had not been aware of the confirmation fee until this morning, but we have certainly been told that there have been difficulties in getting Indian banks whose creditworthiness was acceptable. Just how you overcome that, I'm not sure.

**Mr Patel**—There is also the same thing in Bangladesh, with letters of credit coming from Bangladesh to here. They have got a standard letter form that says, 'The credit is opened at your risk.' So what exporters like us do is go to the bank, get our own finance, ship it out, give the document to the bank, and then once the money comes in, they pay it into their new account and then they just pay us, you see, because the banks won't take the credit rates or they won't discount anything there. If it is a small business,

then we get \$25,000, \$20,000. Even the banks, like all the local banks, will wait until the payment comes through. Every time we go to them, they say they will have to refer to head office. It takes about two weeks by the time we get answers.

**CHAIR**—There is another thing that struck me but that you have not mentioned. You mentioned, Mr Alvi, the obvious advantage of larger markets and trade from, for example, Germany to Europe or wherever. We have quite a significant Indian community in some of the South Pacific countries and out of Australia. Do you trade through Australia into other markets with Indian goods and commodities?

**Mr Alvi**—Yes, we do this.

**Mr Patel**—I do. I bring in a lot of Indian product and ship it to Fiji. I am now trying to bring in Indian product and ship it to Papua New Guinea. But recently what has happened is that Singapore has taken over the role because the freights are much cheaper from Singapore. Here, we are charging \$2,300 just to ship a container from here to Fiji or from here to Papua New Guinea. So all the trade mostly now goes to Singapore and then Singapore just acts on it. If you recall, there was no trade between India and Fiji because of the Commonwealth; they were kicked out. We tried to take advantage of that situation and bring it into Australia, but the labour costs and the freight from here is so expensive. They shipped it from here to Singapore and Malaysia, and then shipped it out from Malaysia to there.

**CHAIR**—It is closer too.

**Mr Patel**—That is right, yes.

**Mr Jewell**—And it is where there is competition and no competition.

**Mr Alvi**—Mr Chairman, I just want to raise this point. When we import the goods and we have to re-export after doing some value addition, the cost of the customs duty plus the customs agent charges is not very large, but not very small either. So when you are exporting the goods, you want to get it back. To get it back, you have to invest a lot of money into customs agents before you get back that demand. What is happening in India is that if they are importing some goods and doing the value addition and exporting, at the time of the import the customs duty is not charged because they declare that the product will be exported after some value addition. So there is not the hassle of getting all the duties and all those sorts of things.

In my company's case, we handle this problem, even if we exporting from New Zealand or exporting to Malaysia, bringing it to India and doing some value addition. Now, we have to forget about that amount, because this amount may be about \$200, \$300 per consignment or something like that. If I put up \$250 to get back \$250, it is not worthwhile.

**CHAIR**—It is not worthwhile, no.

**Mr Alvi**—But if this amount is becoming \$2,000 or \$3,000, it is a problem. So probably something along the line that the customs tariff, if goods are declared that are going to be exported, is not charged at all at the time that we apply.

**CHAIR**—We can raise that with the customs people and see whether there is something there. Thank you very much indeed for coming and giving your evidence to us this morning. There will be a *Hansard* transcript made available to us, so if you want to correct it in grammar or fact, then please do so. If there is any other information or facts you believe you would like us to take note of, we would be very happy to receive those. We hope to have our report getting on towards completion by the end of the year, although it may well not be tabled until early next year. Thank you, each of you, for coming along and giving your evidence this morning.



[11.50 a.m.]

**ZHOU, Dr Zhangyue, Director, Asian Agribusiness Research Centre, Orange Agricultural College, University of Sydney, PO Box 883, Orange, New South Wales 2800**

**MILSTON, Mr Michael, Director of Human Services and Economic Development, Orange City Council, PO Box 35, Orange, New South Wales 2800**

**CHAIR**—We welcome the Asian Agribusiness Research Centre from Orange Ag College to the hearing today. As you would know, we are conducting this inquiry into Australia's trade relations with India. We prefer all evidence to be given in public. If you have some matters that you want to present in private, then feel free to do so. As I mentioned, the proceedings are being taken down in *Hansard* and they will be then recorded and, as I explained, sent to you and you can correct them in grammar or in fact. When you have done that, then they will go eventually into the record of our hearings.

The proceedings, although we do not require witnesses to give evidence on oath, are formal proceedings of the parliament and therefore need to be treated in that way. Do you have any comments to make on the capacity in which you appear?

**Mr Milston**—I am with Orange City Council. We work cooperatively with the Asian Agribusiness Research Centre at the Orange Agricultural College.

**CHAIR**—Over to you now.

**Dr Zhou**—Thank you, Mr Chairman, and thanks for inviting us to be here today. It is really a great pleasure to be with you. We held a business seminar about market opportunities in India in June. After Jane Vincent learnt about that, Jane invited us to come here to talk to you about what we are doing there and why we run this business seminar. I thought, 'Well, it's a good opportunity to share some ideas with other people,' so we happily accepted the invitation. That is why we are here today.

The seminar was run jointly by the Asian Agribusiness Research Centre, Orange City Council and the Central Western Regional Development Board. So accordingly today's presentation is done on behalf of all of these three organisations. The presentation will have five parts. First we will have some ideas about the AARC, OCC and the CWRDB. Then we will talk about our efforts to promote regional economic development and about the business seminars and workshops we have organised, and why we do so.

We will only briefly talk about why India and why now. I imagine many people have talked to you about that. Finally, we thought it might be nice to leave some of our own ideas about how to explore the business opportunities in India. I will try to finish my talk in about 25 minutes time, and then we can start the questions.

*Overhead transparencies were then shown—*

**Dr Zhou**—First I will talk a bit about the Asian Agribusiness Research Centre. This centre formally started its operation in January 1996 after more than one year's preparation. It was initiated by the Orange Agricultural College of the University of Sydney. The centre is located on Orange campus of the university. Our general objective to have this centre is to assist Australian rural industries, rural business and governments in their understanding of the potential agribusiness trade with various Asian countries.

A number of specific objectives of the centre are to promote and carry out research activities related to Asian agribusiness with the purpose to provide a consultancy and a service to Australian government departments, the business community and the wider agribusiness sector in relation to production and export of Australian agricultural products into Asian region, to increase through our information dissemination activities the awareness of the Australian agribusiness sector of the trends and development in the agribusiness sector of the Asian region, hopefully leading to possible business opportunities in this market. We also try to make contributions to the university's agribusiness education programs.

To achieve the centre's objectives, accordingly we carry out activities in areas of research, information dissemination service, and consultancy and agribusiness education. I have to say that we are a small player because we have limited funds. At the moment we only get the funds from the college, so our activities are fairly limited. But even though we have still tried to do our best to do whatever we can. In the research areas recently we are looking into China's barley market, China's wheat production and consumption issues, China's rice market integration, and China's grain supply response. We are also looking at China's grain distribution system reforms, India's grain distribution system reforms, and a comparative study between China and India and their grain economies.

Recently the Australian Centre for International Agricultural Research has also approached us for a collaborative research on India's agricultural liberalisation, and hopefully we will succeed in doing that, and that will help us to understand more about the agricultural reforms in the Indian economy. We are also going to look into the rapidly increasing consumption of wheat in Indonesia. Over the past several years Indonesia's wheat consumption has increased dramatically. Hopefully we will get into this project next year to see what is happening behind this phenomenon. We also carry out a few other research projects. For example, currently we are looking into Australian farmers' attitudes towards exporting to Asia. We are just trying to gauge what is happening in the farming community, and to see whether they are enthusiastic regarding exports to Asia.

In the information dissemination area we thought that if we could not transmit research results to the wider agribusiness community we would probably only achieve half of the objectives of doing research. So the centre has a strong intention to try to translate that fairly expert language into plain English language for the wider community to

understand what is happening. For that purpose we write articles digesting research results for newspapers such as the *Land*, and we write for some farm journals such as the *Grow* magazine, and also we do that through our newsletter.

In the service and consultancy areas, one of the areas that we provide service to the community is through running business seminars and workshops, which I will mention a bit more later, and we also provide a free service to the local business community when they approach us for some advice or consultancy about how to do business with other countries.

In the agribusiness education area we make contributions to the education program at the college, and we facilitate the international institutional links between our college and institutions in other countries. We also facilitate to receive guests from overseas who come to Australia to understand about Australia's agriculture and agribusiness systems. We provide short courses, and we also facilitate academic exchange activities.

I have taken this opportunity to say a little bit more about AARC. I will now briefly explain the OCC's role, particularly in the area of promoting export activities. Orange City Council has a pro-active economic development policy, and it is active in encouraging the business community to understand that the expansion of export activities is an important way of increasing the economic wealth of the community. For that reason the council has recently undertaken a number of activities to promote export activities. Its collaboration with the centre is only one area of its efforts. The council has been working with the college in promoting local export-oriented activities since 1994, so we have been good partners for a fairly long time.

Recently the Central Western Regional Development Board has made a contribution to our joint effort. The board has joined us in an effort to promote local business activities from the beginning of the year. The board is a government body. It works with the Department of State and Regional Development. It is also keen to facilitate local business in their business activities, and particularly recently put much emphasis on promoting export activities. One of the major activities of the board is its organisation of an agribusiness export forum. This year's forum will be held tomorrow. We anticipate that will be well attended.

I hope that I have not talked too much about ourselves. Because of the common interests of these three organisations, we try our best to promote regional economic development. We see the future of the regional economy as a very important aspect to sustain our economic development in the future, otherwise many regional centres will shrink. At the moment we certainly don't want to see our region actually shrink; we want to see our region develop properly. For that reason we have made a number of joint efforts. I will probably mention a few to you. We have run a number of seminars and workshops, which I will mention a little bit more later on, and we have facilitated business

activities between our local community and outsiders.

For example, following attending a business seminar, one of the audience approached Mike and I myself about his Australian local flower exports to the Asian markets. Obviously we were happy to help and we enthusiastically liaised between him and the Agsell section of the Department of New South Wales Agriculture. Recently a group of farmers held a meeting in Orange about a joint venture into the Asian market, with the help from the Department of Agriculture and also the Orange Business Enterprise Centre. Some other business people approached us about exporting rural products from Orange into the Asian markets. Obviously we are more than happy to help.

We have helped a Hong Kong based company to explore the opportunities to export some of our products from Orange to overseas markets, and eventually recently the company has entered a joint venture with one local winery—and I think they are in the process to sign contracts and what they would do is the winery will produce grapes and make the wine and then they will export the wine to China and they probably will bottle in China. The Hong Kong company would tell the winery what sort of requirements they have on the wine. I have just given you some examples about our efforts to help the local business people to get connected with people outside.

Recently we have received quite a few visits from people from other countries and they are keen to explore our region's products. Subsequently, we have also joined together with the city council and Orange business enterprise centre to compile a regional product catalogue. We thought it would be handy for people to have a quick look at what we have and that might encourage them to further explore for business. This catalogue will be launched shortly. We plan to do that quickly.

Over the past years we have been running a series of business seminars and workshops. We ran a business seminar on China and following that we ran a doing business with China workshop, which is a one-day workshop. We also ran a business seminar on Indonesia and later last year we ran a seminar about general information about India's food processing industry. As I mentioned at the beginning, in June this year we ran the business seminar about business opportunities in India.

These seminars and workshops are sponsored by the Orange City Council, the Central Western Regional Development Board, and the centre from the college. We treat this as an important community service to our region, so most of these seminars and workshops are subsidised by us and the attendees only pay a nominal fee in most cases to cover their morning tea or lunch. Have I talked too fast?

**CHAIR**—No, you haven't talked too fast. My worry is that we are not going to have all that much time, so I think you had better try and get on to India if we can. Thank you very much, Dr Zhou. It is just a bit of worry. We have got to hear your recommendations in particular.

**Dr Zhou**—Okay. By running these seminars and workshops we have the intention to foster local export interest. We will probably cut it short a little bit.

**CHAIR**—I think we might, because otherwise we are going to run out of time.

**Dr Zhou**—In telling us why India and why now and, as I said, many people have told you about this and I am not going to talk on that. The major reason for us to look at India from a trade point of view is the potential food market as a result of economic reforms. Why have we bothered to look at India for the local community? What we have in mind is that we need to get the local community informed of what is happening in the Indian market and if they feel that they have the ability to explore the market, then they can do so. Also, when we run the business seminar, these people will be put into contact with outsiders who may help them in the future to explore opportunities in the market.

We thought we might leave some suggestions about a few areas we may need to deal with in our endeavour to explore the business opportunities in the market. As usual, we need to capture any opportunities in any particular market if we want to do so. I think we are now doing that. We also believe that not only we will capture whatever business opportunities are there, we also need to create business opportunities for ourselves, just as a point. To emphasise that, I probably would tell you a quick story.

When China started economic reform in the late 1970s and when China opened the door to the world, the Japanese Citizen watch company went to China to advertise heavily about the watch, but at that time not many Chinese people can afford—but they did it heavily and regularly. Later on when people had more money and when they wanted to buy a more luxury watch, what they know is the Citizen watch before other watches have entered the market. So the Japanese company benefited from doing these sort of activities. In that sense I think they have done things fairly smartly and with foresight—‘Well, if you don’t have money to buy my watch, don’t worry about it, but if I foresee that in 10 years time you will have the money to buy then I will let you know about my product. At last you will be ready to buy and you will buy mine, if other companies haven’t entered into the market or they haven’t tried to let people know about their watch.’

If we get some ideas from such stories, we probably can think about that. We may try to create some opportunities for our business, and in this case we will mainly talk about some opportunities we may be able to create for our agribusiness industries. Time goes quickly. We will list a few areas and this is our own opinion. Whether they are of much value is up to you to judge. One area we may think about is that the Indian government is inviting investment in India’s food processing industries.

Nowadays in India foreign investments are approved in two ways; one is automatic and one is through the government’s approval. In the automatic approval, if the foreign investment in the equity capital of the Indian company is up to 50 or 51 or 74 per cent, or if the investment is just in India’s high priority industries, then the approval is automatic

by the Reserve Bank of India. Otherwise the investment has to be approved by the Indian government according to the project's merit.

For the manufacture of a number of food products, if the foreign equity is up to 51 per cent, then the approval is automatic. I have listed a number of areas I imagine that we have the capacity to do something with. I will probably not go through these. I have a copy for you, so we can think about that later. I think we have a fair bit of expertise in these areas. By the way, at the moment India's food markets are heavily protected and it is difficult to export food to India at the moment. However, given that we can't easily export our product there, if we run this sort of joint venture, we will gain a number of benefits for doing this kind of work.

First, we hope there will be return on our investment, but more importantly in the future there will be guaranteed market if we run these sort of things with them, because people will have to eat continuously, given the huge population there. Now it is about 930 million, but by the year 2000 there will be more than one billion, so the market is there. When we work with local industries, they can easily promote the products to local people and so we capitalise on their expertise and their connections to do things.

But one thing that I think would be important is if we can set up some food processing industries there. In the future, if we do foresee that India won't be able to produce enough agriculture product for themselves, say in 10 years or 20 years time, and if we do have the business there, and if we want to make use of Australia's agricultural supply, then I think things will be much easier because we will have the connections to get the exports to there. We export from here and they process there and they sell on the market. We can think a little more about these points.

The other area is the seed technology exports. In a few areas, India's domestic efforts in evolving appropriate seed technologies for some crops has been very slow or unsuccessful. Therefore, in some areas they can't increase their supply to meet domestic demands, in particular with vegetables and fruits. There are also a few other areas where they desperately need to improve the seeds, and for that reason the government encourages the import of some seeds. What we have thought about here is that we can either make use of our clean environment to produce seeds for the market, or we may export our technology.

One thing we may need to think about is that if we help them by providing good seeds or by providing the technology, to a certain extent they will be in a position to compete with us directly. We need to think about whether we want to do this or not. However, one thing we need to think about here is that if we don't do it, will other companies in other countries do it? If we don't do it and other people do it for them, it will be the same. So if we see any benefit for us to do it, we do it. I think we probably need to have a little more research into this area.

As I said, at the moment India doesn't allow much import of food products. However, there are reports that some years into the future India will have some difficulty in providing enough food for their people. If we are optimistic about this forecast, and if we believe that might be the case, I think we can put forward some ideas. We may think about some actions in response to future agricultural liberalisation now.

What we can do here is to educate the Indians about Australia, our products, and the benefits to consume Australia's products. For example, we can clearly show them that the products are produced in a clean environment; it has high health standards. As soon as they are ready, we hope that our products have more exposure to them. When the markets are opened, I think we can easily encourage them to buy Australia's products.

I am from China. China at the moment has a larger population than India, but probably in 10 years time India will have a larger population than China. What I have understood, according to my experience, is that in a very populous market what is important is not only how good your products are, but probably more important is whether people know your products or not. If they don't know your product, they don't bother to look at it. For that reason, educating people about our products is very important. If we have good quality product, and if we let people know that, then in the future we will benefit from such activities.

How can we educate them? We talk about our products. It is the only thing we can do, cheaply, at the moment. We use India's public media. For example, we use their television. We just put some short advertisements—one product at one time—just continuously running on their TV and telling people that that is something from Australia. For example, Zee TV, which is the commercial TV broadcaster from Hong Kong, is targeting the middle class in urban areas. If we have some products that we think the middle class will buy, we probably can use this channel. There is a central television, Doordayshan, like our ABC, and one which broadcasts widely to the general public. So if we just want to give people a general idea about Australia and about our products, we probably can use this channel. Another cheap way we can do such things is that we can use radio; we use very short radio announcements telling people about Australia's products. Newspapers is another medium.

Where do we get the money to do the work? I thought the federal government can contribute a bit, and industries can contribute. We have enough levies charged, so we can convince them to use a little bit. What I have in mind is that even though we have to spend, say, \$A1,000 for 10 seconds of TV advertisement, if we do it once a week for 52 weeks each year, that will only cost us \$52,000. I think in terms of the future benefit, if we are optimistic about the future potential in India, that should be worth while.

At the moment, product-wise, probably we can concentrate on a few products. Wool might be targeted. Many Asians care much about their face and they like to have a certain prestige, and when they wear woollen clothes, they stand out in a crowd and they

feel good about that. If we can clearly promote our wool image, whether they buy today or not is not a critical issue at the moment. But we need to let them know. I think New Zealand has already started this promotion in India. It is called Wools of New Zealand. Recently we have also increased our wool export to the country, but continuous promotion might be useful for the future, particularly when we see that India's middle class will increase continuously.

Some dried fruits may be promoted. People tend to buy, for example, macadamia nuts as gifts if properly packed. They are the sort of luxury things that people give to each other as gifts. And pulses. India has great difficulty at the moment in producing enough pulses for the country because of the seed technology drawback, and also because the production of pulses is mainly on rain-fed land and its production cannot be guaranteed. Australia, I think, is doing well to export pulses to India, but we can seek more chances in this particular area.

Finally, I will just mention general areas not particularly related to the agribusiness sector and ways that we can encourage Indian tourists to Australia. Again, we can use TV to promote the Australian image to the Indian public. Each time we can promote one city or one tourist spot to the Indians. In terms of the contents design, what I imagine is that we just tell them quickly, within a short time, for example, that to go from Calcutta to Perth takes however many hours, and which company comes here—just continuously let people know something they can do and how they can do it. Again, I think the cost should be shared between industries, and I think it would be wise for the federal government to contribute to that, because eventually this will benefit the country as a whole.

Finally, while we look at our trading relations with India we also need to keep an eye on developments in China. The reason for that is that these two countries have so many similarities; probably, to a certain extent, what one country is doing might affect the other country. For example, if one country, in terms of attracting foreign investment, makes a mistake, its customers might go to another country. But if we know what is happening in those countries, when we do negotiations we might be in a better position to negotiate.

Thank you, I will stop here. I did not realise the talk would take such a long time.

**CHAIR**—Thank you very much. Unfortunately, I have to go and talk to a meeting of legislative councillors at the New South Wales parliament at half past 12, so the deputy chair, Mr Price, will take over.

**ACTING CHAIR (Mr Price)**—What is the funding figure for the institute?

**Mr Zhou**—For the centre, the funding from the college is \$10,000 each year.

**ACTING CHAIR**—It is very modest.



**Mr Zhou**—Yes.

**Mr HOLLIS**—You lecture at the college, so your salary does not come out of that \$10,000?

**Mr Zhou**—No. That \$10,000 is purely for use for the centre's research and external activities.

**Mr HOLLIS**—Was the seminar you held there the first that you held?

**Mr Zhou**—No. We have held a number over the years on China and Indonesia.

**Mr HOLLIS**—Who is it aimed at? Local producers?

**Mr Zhou**—We target mainly the local business community, producers, some exporters and also some government officials, for information dissemination, to let them know what is happening outside.

**Mr HOLLIS**—What is the attendance?

**Mr Zhou**—The attendance is generally good—sometimes 30 or 40, sometimes 50.

**Mr HOLLIS**—Was there a strong interest in India?

**Mr Zhou**—Before we ran the seminar in June, we were worried about the attendance. As you may know, rural people tend to be a little bit slow in reacting to things, and we were not sure whether we could get a large enough audience. But with some effort we got around 30 people to join us, and they were good-quality attendants, mainly from the business community. After the seminar, we got a fair number of requests about the seminar's information. We were not optimistic beforehand that there would be that sort of interest in the seminar.

**Senator CHAPMAN**—Have you identified any particular impediments? You indicated in your presentation the initiatives that need to be taken and the opportunities that were there.

**Mr Zhou**—Yes.

**Senator CHAPMAN**—Are there particular impediments to expanding our trade generally with India, in particular in your area of interest, the agribusiness sector?

**Mr Zhou**—My knowledge of India is limited and I am still learning about India, but, to answer your question, there are two impediments I can mention in terms of doing business with India. One is the corruption in the system; if you do not bribe people, doing

things will be difficult. That is one thing. The other thing is that, culturally, Indian people are very slow. Their response to your requests can be very slow. Sometimes you do not know what they are thinking, and it can make things very disappointing and very difficult.

To overcome this in terms of the corruption issue, we have to have our own business moral standard, our business ethics. On the patience side, it is up to us whether we want to be patient to do business with them.

**Senator CHAPMAN**—Is this slowness and going around in circles linked to the Hindu culture at all?

**Mr Zhou**—In quite a few Asian countries that is the case, but in India I think it is particularly so.

**Mr HOLLIS**—Yes, but I am not sure that it isn't bureaucratic rather than slow. There are impediments there, and one of the things that have come out through this inquiry is some of the difficulties of doing business with India, and some of the different cultural norms. When we were taking evidence last week or the week before, some of the people—from the Australia India Business Council and Austrade, if I remember correctly—were saying that it is no good Australian business people going to India and thinking that the response will be the same as business in Australia.

You will have to get to know the people, you will have to get to know their culture and have an understanding. That is the same with doing business in China or doing business with Indonesia. I was on a parliamentary delegation to Indonesia, and people were saying, 'Well, Australian business people come up here and think they're in Australia,' but they are not in Australia but in Indonesia. I think it is very much the same in India. There is a different cultural norm there and what is accepted or expected in Australia might not be necessary.

You are very correct when you say that the decision that business people have to make is whether it is worth while investing in that. That is a decision they have made in many countries—for example, in Japan. That is why the Japanese language is so popular in Australia: people are learning it. People think they have to learn the language to do business in China. I think the big mistake people make is that everyone assumes that, because the Indians often speak English and it is basically an English-speaking society, in the business society it will be the same as here, which it is not.

**Mr Milston**—Mr Chair, just to put a flavour on it that is not national but more from the local viewpoint: the producers, the people at the local level, might need some assistance in learning some of those things that have been mentioned, some of those impediments. Part of what the Agribusiness Centre is trying to do in these sessions is to train people to get the message across that you are dealing with a different culture. It is being done on a shoestring budget, as you mentioned, and it is being done with a bottom-

up community development approach. But it is a struggle, and that struggle I think will lead in two directions.

Unless there is support—and there are the Austrade and the other trading areas that do provide support for the exporting industries—what can happen in Australia is, put simplistically, one of two things. Australia can position itself as a nation in the Indian market, and it will do that by taking some ownership of the product that is available and taking some ownership of the way that producers produce to the market, and by working in a cooperative and coordinated sense.

If we do not do that, then I think what will happen is that it will be taken over by large companies. We will have the likes of Coca-Cola, we will have the likes of the large international corporations, purchasing from the producers at a particular standard. While that standard is available at the right price, they will purchase Australian, but if they do not like that standard or they do not like that price they will go somewhere else. They won't have any affinity or loyalty to the Australian product that is being sold. Of course, the end result of that is that any value adding will go offshore.

We are at the stage where we are a very small minnow in a very large ocean. We were told, and you people would know, that there are something like 30 million or 40 million people in India who have the equivalent purchasing power of \$US600,000 per annum.

**Mr Zhou**—I think that the middle class is 300 million.

**Mr Milston**—It is an enormous middle-class population, and it is growing by the population of Australia every year. If we are going to be smart about the exercise, then we really need to pull together as a nation. That is just coming from a small regional producing area in New South Wales. We do not have the clout to do it ourselves.

**ACTING CHAIR**—Michael, you are the economics development officer for Orange City Council. When did they establish that position?

**Mr Milston**—The council itself has had a role in economic development over many years, but is now taking a more proactive role.

**ACTING CHAIR**—Most councils have begun to do the same relatively recently, over the last five years or so.

**Mr Milston**—Yes, and ours would be the same. It was left pretty much up to the market to do its own economic development until that point. We eventually realised that the market did not really care about one particular place over another, so you had to become more proactive. Our approach is not a matter of trying to buy industries in to Orange to shore it up. Our approach is to encourage the local producers and industries

themselves to grow by exposing them to information about such things as export markets, as well as local, regional, and capital city markets, and trying to develop their base and improve their size and their wealth.

It is a long road. We have not set any particular goals in a measurable sense of so many industries or jobs by certain times, because we think that is unrealistic. We do not have the control of the larger economies to be able to do that. But it is a progressive thing and it is an attitudinal thing. If we can change that within our regional community, then we have got to be in a better strategic position than if we do not do it.

**ACTING CHAIR**—How well are you supported by local government in your role there? Is it just a matter of informal networking with other confreres in other councils? Or is this an area that maybe at a national level we should be giving more attention to, and being able to channel ideas and maybe funds through?

**Mr Milston**—It is quite a new area for a number of local government authorities. It requires a change of understanding within the council, and the councillors are politicians—like yourselves—and they need results within 18 months, otherwise—

**ACTING CHAIR**—I am not sure whether that is a compliment, but just for the record we are taking it as a compliment.

**Mr Milston**—Political people need to see results in order to report to their electorate that they have had something. This is not a short-term program. It is a longer term program. We have just recently concluded work between some wine entrepreneurs and the University of Sydney Agricultural College in Orange to bring a winery to the area. That has taken four years from the inception of the idea through to the signing of the contracts. In those four years a number of local governments have been and gone. So it is a difficult one.

**ACTING CHAIR**—Thank you very much. I thank you on behalf of the chairman and the committee for coming today. We may have some additional questions. I hope we may be able to direct them to you.

Resolved (on motion by Mr Hollis, seconded by Senator Chapman):

That the subcommittee incorporates ‘The emerging tigers’ and ‘India means business’ and the accompanying overheads as exhibits to the inquiry into Australia’s trade relationship with India.

### **Luncheon adjournment**

[2.12 p.m.]

**MANN, Mr Michael Douglas, Chief Executive, Australia Television International Pty Ltd, 221 Pacific Highway, Gore Hill, New South Wales 2065**

**CHAIR**—I declare the hearing resumed. Michael, on behalf of us all I welcome you yet again. The nature of your operations has great support from all of us in the parliament, and I commend you for the way you have been able to survive and persuade Kerry Stokes that you are as good as we know you to be, and even worth money. Having said that, which I probably shouldn't have on the record, I do think that it is very helpful for us to get your perspective on what is happening in the Indian-Australian relationship. You know all about it being proceedings of parliament, so I won't repeat that. We have got a submission from you, which is ABC submission No. 22. Perhaps if you would like to make an opening statement, then we can proceed to questions.

**Mr Mann**—Thank you, Mr Chairman, for the invitation to appear here today before the trade subcommittee. You will have before you our submission which was dated 16 May. Since that time you will know that it has been announced that the ownership of Australia Television is being transferred from the ABC to the Seven Network. Final contracts should be completed within the next few days. The Seven Network, though, took effective control of Australia Television on 1 August 1997, and not long after that I became an employee of the Seven Network. So I appear before you today as a representative of the Seven Network and not the ABC.

India is already an important market for Australia Television and it is destined to become even more important. The satellite on which Australia Television is broadcast is the Palapa satellite, which is an Indonesian satellite, and only covers approximately the eastern half of India. Nevertheless, in cities such as Calcutta, Bangalore, Orissa, and Vidya Nagar, Australia Television is available on cable networks. Australia Television, in addition to being seen direct off satellite, is now available on 12 cable networks alone in 10½ million Indian households. Of great interest to Australia Television is the fact that a broadcasting bill is currently before the Indian parliament.

**CHAIR**—Just before you go on to that, have you got an idea how many households have television in India?

**Mr Mann**—I can get that information to you. I have got it in a book in the office, but I don't have it here.

**CHAIR**—It just seemed that that 10½ million in relation to that total figure might be worth while.

**Mr Mann**—Certainly. A broadcasting bill is currently before the Indian parliament. Broadcasting in India is currently administered under the 1888 Telegraph Act. The Indian legislators are attempting to lay down comprehensive legislation ranging, from

media ownership limits to technical specifications. This, as you will understand, is not only a mammoth task, but one which impacts on many vested interests. Australia Television submitted a written submission to the Lok Sabha committee of the Indian parliament examining the legislation, and I in fact appeared in person before that committee in New Delhi just a month ago to give evidence.

I feel that our submission and evidence were well received. I think it is worth noting here that in the Asia-Pacific region it is rare that organisations like Australia Television could have the opportunity to put its point of view direct to foreign legislators. I think the ability to do this in India is very encouraging and is a very positive aspect of the Indian democratic system.

Australia Television's main concern with the legislation as drafted is that it would effectively prevent Australia Television from being rebroadcast on cable networks in India. While the bill allows news channels such as CNN and BBC, sports channels such as ESPN, and information channels such as Discovery to be broadcast from outside India without any need for licensing, its definition excluded channels showing comprehensive broadcasting, such as Australia Television. Australia Television looks very similar to a domestic Australian television channel when you view it abroad, whereas most international channels actually have chosen a niche for their broadcasting. They are either news channels, sports channels, cartoon channels, or movie channels, where we are a comprehensive channel. The legislation as drafted did not cover us.

From discussions that I had with senior civil servants in India, it was clear to me that even if the legislation is passed as drafted, Australia Television would be able to receive permission by the broadcasting tribunal to be seen in India. The new legislation in fact creates a broadcasting tribunal. There is no such body at the present time. The civil servants who drafted the legislation certainly did not pay any attention to our programming genre when they were drafting. They specifically didn't try to set aside Australia Television from their broadcasting regime. What was of concern to me also, when talking to civil servants and to some politicians, is that some of them are enamoured with the idea of restrictive media practices, banning foreign influences, and promoting nationalistic agendas, and some of it could be seen to be bordering on xenophobia.

It was mentioned to me by a number of people in Delhi that it would be good to follow the Chinese or Malaysian models. I suggested that this was not in accordance with normal Indian democratic practice, and it would be better to have appropriate legislation with censorship based on cultural and religious values, rather than to restrict the foreign media outright. The Indian broadcasting legislation receives front page press every day in India. I was told that no other legislation in contemporary Indian history has received such press. It is expected that the committee examining the bill will be putting its recommendations to the lower house within several weeks, and the legislation debated and passed in December or January next, provided the current government remains in situ. The results will be very worth watching, but not only from a media perspective. I think this is a litmus test to see how Indian legislators are willing or not willing to open the door to

outsiders. I will be very happy to answer any questions.

**CHAIR**—Thanks very much indeed for that, Michael. I think you deserve to be commended if you have already won as big an audience as that in a place like India where there is a great deal of competition. As you would know from our earlier hearings, one of the criticisms of ATV has been the extent to which you provide the service for expatriates rather than indigenous people. Did you get any measure as to what degree ordinary Indians watch it?

**Mr Mann**—They are Indians of the middle and upper class that watch our programming. Not many expatriates in fact have access to our programming in India. I said we were available in 10½ million households in India, but what is a problem—and will remain a problem, I think, for probably at least a decade—is to tell you how many of those 10½ million households are actually watching. There is no research mechanism, no technology, such as we have in Australia with the electronic people meters to say who is watching at what time.

The first comprehensive survey of television broadcasting has just been undertaken in Asia. It excluded India; for one reason, I think it is just too big. The amount of money you would have to expend on a manual system to get the results out of research would be monumental. To give you an example of the costs of research to find out who is watching you, just for one country of the 33 countries we broadcast to we have to spend about \$US100,000 per country to find out what 300 households are watching in a year.

**CHAIR**—Can you not do it in a far more simple way? I would have thought, with a particular message and getting people to write in or to phone back on a—

**Mr Mann**—It is not that easy. The reason that most people do research in the commercial world is so you can show advertisers who is watching you at such-and-such a time. So not only do you have to show if they watched you yesterday, but at what time they watched you. The availability—and I think that both Vietnam and China, and maybe some other countries also in South-East Asia are good examples of this—Indonesia also—is that televisions are commonplace but telephones are not. Quite often we ask people to send faxes in, or e-mails, and that is difficult for them because they don't have access to the equipment.

**CHAIR**—They can write.

**Mr Mann**—Writing, though, is also in some countries frowned upon. I know that from one submission to the Senate inquiry into Radio Australia and Australia Television. The committee received a submission from Vietnam about Radio Australia and Australia Television. The man who wrote that said that he was risking imprisonment by writing. Even in Malaysia, if someone wrote to us and said that they were watching Australia Television in Malaysia, they could be prosecuted because it is illegal to have access to

satellite television in Malaysia. Yet we know most of the correspondence we receive is from Indonesia and the second-highest amount of correspondence we receive is from Malaysia, even though it is illegal to watch us there.

**CHAIR**—Michael, the other thing that struck me out of what you were just saying is that obviously this new broadcasting legislation has quite serious repercussions for ATV. What is the stage of the legislation? Has it followed somebody else's draft? Have you received a fairly sympathetic audience? And under what basis is the new broadcasting tribunal going to be able to allow you to continue to broadcast? They want a fair measure of discretion, do they?

**Mr Mann**—When talking to the civil servants that drafted the legislation, I was informed that they looked at a number of countries' legislations, including the United States, China, Malaysia. They didn't look at Australian legislation. I asked them that specifically. Their ideal is to ensure that Indian culture is not diluted by any external influences. I have a deal of sympathy with that point of view. I put an analogy to them that they should see Australia Television and other international networks of our ilk as a book in a library—an electronic book—and we should be available in Indian libraries so that if an Indian viewer wants to take us out and turn us on, they should be able to see us. We shouldn't be censored just because we are foreign. And there are many foreign books in Indian libraries.

They actually enjoyed that analogy and I believe that we received a very sympathetic hearing. Australia is held in high regard amongst bureaucrats and legislators in India. It was as much an oversight as anything that we were not defined in the legislation. The civil servants told us that the new tribunal would have a high degree of authority and that, even if we slipped through and were not covered in the legislation, a month or so later the tribunal would allow us to broadcast in India.

**CHAIR**—It does not sound as though they have too much authority, if they have already predetermined the outcome of their deliberations.

**Mr Mann**—It is interesting that, within the parliament, the extreme Right and the extreme Left—the communists—have a common point of view on restricting the international electronic media in India, and it's the Centre which actually is quite happy to allow foreign programming in.

**Senator CHAPMAN**—In terms of the orientation of your programming, will that change in any significant way as a result of Seven phasing out of—

**Mr Mann**—That is an excellent question. It will change slightly. ABC news and current affairs will remain the backbone of our news and current affairs coverage. We will add to that the *Sunrise* program, which is at 6 o'clock every morning on Channel 7 domestically, and also the *Witness* program, Paul Barry's program. We will also ensure



that there are more drama series and we intend to have a relaunch of our programming on 1 November. We are presently negotiating with Australian distributors to get programs such as *Blue Heelers*, *A Country Practice*, *Home and Away*, so it will look less like an ABC channel than a melange of an ABC and a commercial channel.

It is necessary, I believe, to attract advertising to have quite big-name drama series and movies. One of the benefits that the Seven Network brings to Australia Television is its equity in the MGM studios. We will for the first time ever be able to show movies on Australia Television. Funds would not allow that when we were in with the ABC.

**CHAIR**—What about Australian sport?

**Mr Mann**—Australian sport will continue—

**CHAIR**—Aussie Rules football is a Seven item.

**Mr Mann**—It certainly is. It will be shown throughout in its entirety, as well as other Australian sport. I don't know whether you are aware, but you may be interested to know that on the grand final day throughout Asia, very large functions were held in conjunction with Australia Television to celebrate the win of the Adelaide Crows. In Bangkok, for example, there was a function at the Royal Orchid Hotel with 900 people. We arranged to send many of the St Kilda players from the final to around Asia to be there with local supporters to watch the final. It was a joint venture between the AFL, ourselves and Ansett. It was very nice.

I think we underestimate the number of Australians who are in the area which is covered by our footprint. There are 40,000 Australians in Hong Kong. Many of those are Hong Kong residents who came to Australia—migrated and returned. But under the Palapa footprint we understand there are 100,000 Australians, most of whom are in the very high demographic group and, I should say, many of whom vote. And 100,000 is a lot of people in an Australian election.

**CHAIR**—Apart from news and current affairs and the sponsors' advertising, will there be any focus on business programs?

**Mr Mann**—We are looking, at the present time, at actually creating a business program and we have a number of proposals before us. I think we have something like six proposals for the business program, and I think that is something which is really lacking in Australian domestic television—good news business programs which show Australia's trade involvement, particularly with the Asia-Pacific region. Whilst there are elements of that on programs like *Business Sunday* and *Sunday*, you certainly do not get a feel that Australia is active. I think that the Australian population should be aware of what our business people are doing and the opportunities and pitfalls, and also some of the great success stories that we have.

**CHAIR**—Palapa, too, has got a footprint that is definable and you were going to move on to other satellites.

**Mr Mann**—Yes.

**CHAIR**—What is happening?

**Mr Mann**—The current Palapa satellite has a footprint which goes from Delhi to Beijing to Western Samoa and down to Australia. It covers 33 countries. I would certainly like to be on another satellite which would give us access to Japan and Korea, and also to the Middle East. I think they are areas where there are real markets. I know that Seven management are looking at possibilities, but the cost of that is expensive. It is about \$1 million to \$2 million a year for transmission on each satellite.

One of the points that I used to make, probably most unsuccessfully when I was at the ABC, is that Radio Australia's transmission was funded directly by the NTA, the National Transmission Authority, and did not go to the ABC. Yet Australia Television had to pay for its transmission directly from its own budget, from its own funding. If Australia Television had been funded on the same basis as Radio Australia, Australia Television would have been showing a profit when it was at the ABC. But we all know that the NTA has its problems.

**CHAIR**—With the present restrictions, are you able at this stage to start moving into advertising, now that you have increased—

**Mr Mann**—We certainly are. We certainly are into advertising. We had Ansett advertise strongly around the AFL grand final series. The sponsor of the Bathurst 1000, which was just last week, was Merpati Airlines from Indonesia, which is certainly a change. There are, I believe, great prospects for advertising and we have a team of people out there now selling it in the field, and people who are professionals and selling advertising.

**CHAIR**—Do you have problems because you have, in this instance, an Indonesian company and you are broadcasting that into India? Is that one of the factors that creates problems?

**Mr Mann**—No, not at all. The only problem with our broadcasting into India is that the satellite footprint of the Indonesian satellite does not cover all of India. We are not available, for example, in Bombay and Bombay would be a very big market for us, so that is why I want to move to another satellite to get into the Middle East and Bombay.

**CHAIR**—If you went into Bombay you would go to the Middle East and that could change your market considerably.

**Mr Mann**—Exactly, yes.

**CHAIR**—Michael, the other thing is that it has always seemed to me that the content of what you transmit is really the core of what you do.

**Mr Mann**—Yes, exactly.

**CHAIR**—You mentioned you are going to show films. You have got some from ABC. How do you assess what you see as culturally sensitive and not culturally sensitive, given that we have talked about problems with a recent case with Stuart Littlemore, for example? How do you combat that type of business?

**Mr Mann**—We have a set of guidelines which were drafted in the ABC, based on the experience of Radio Australia over 60 years. Radio Australia, of course, is not a visual medium so we had to look at the questions of nudity and kissing, which on radio is not a problem. I think we are conservative. When we choose our programming, we choose it to make sure that we are not going to have a program which would be offensive to people under our footprint. Programming which we actually do have problems with—and in fact there was a bit of concern even this week—is arts programming. The culturally sensitive people, when it comes to other nationalities, are not culturally sensitive.

**CHAIR**—In that regard.

**Mr Mann**—Yes, so it is dangerous. I was previewing yesterday a tape of a new music show which we are putting out as from 1 November, a program called *JAM*, 'Just Australian Music'. It is a half-hour of Australian music every day. There is a new song which is on the pop charts in Australia, by Australians, called *Buddha Baby*. I went, 'Hmm, not sure that's a good one.' I asked our programmers to check with some Buddhist clergy, to have a look at it, to see what they thought about it, because I certainly can't have all the cultural sensitivity in my body to say what is appropriate. You actually have to ask the people who might be offended by it.

There was a conference in Sydney two years ago which AAP sponsored, and the minister for information from Pakistan was there. I asked him a question about cultural sensitivity. The cartoon channel, TNT, which is owned by Ted Turner, banned showing *Porky Pig* in Asia because he did not want to upset Muslims. This was always a question in my mind. I put this to the minister and he actually used it in his keynote address. He said that I asked him this question and he said, 'No, Muslims are not allowed to eat pigs but they're allowed to laugh at them.' So somebody in the United States was being overly culturally sensitive about not allowing *Porky Pig* on the cartoon channel, and you have got to be careful of that.

I think people realise we are trying to do the right thing and, if people in the industry know that, you will not receive any complaints. In the four years that we have

been on air we have never received a complaint from any government about any of our content. It is a good record. I am not saying our record is perfect, but they know we are not going out there to upset them. We are trying just to do the opposite and trying to work with them and ask them questions about what is sensitive and what is not sensitive.

**CHAIR**—The other thing apropos of India that sort of strikes you as being an obvious way to go—but again because you are not allowed to broadcast in India you might have difficulties—India is a major film producing nation.

**Mr Mann**—Yes.

**CHAIR**—There are quite a few films from India that I suspect are of a kind that probably many Asians would enjoy. They are in Indian. If you broadcast something or transmit something do you put in English subtitles, or are you thinking of moving into other language-type—

**Mr Mann**—No. At this stage of our development we have decided to remain English language. There are a number of reasons for that, but one of the major reasons is that the product is available in English. You know what you are buying when you go out and buy English. If you buy foreign language product you really need those foreign language experts to be able to sit down and review the nuances, and I think this is somewhat of a problem that Radio Australia ran into in some of their foreign language services. People in management in Radio Australia were not always fluent in the languages which were going out, and that is an issue.

The technology is moving very quickly. I do not know whether you noticed, in the Bathurst 1000, that the technology is there now to change the billboards electronically as the cars go round the track. The example was, in fact, that we had an Australia Television poster up on one billboard. The billboard at the track was white, but when you saw it on television it was Australia Television. The next time the cars went round it was Volvo. You actually did it all electronically in background. This is going to be an issue when you go around the football fields, where you can actually cross out Coca-Cola and put in Pepsi, even on jumpers, et cetera. That technology is there now.

**CHAIR**—It is done on the screen, not at the location?

**Mr Mann**—Yes, so people at the location will just see what is there. Technology is moving along in television, and one of the things which the Scandinavians have worked on quite a lot is automatic dubbing. So the soundtrack will be English and it will automatically come up on the screen written in another language; the subtitles will come out automatically. It has a way to go, but within the next five years it will be there. So in the next century we will be able to broadcast English language programming, and that will be going into China in Chinese, into India in Hindi and into Indonesia in Bahasa.

**CHAIR**—We recognise that some of your arrangements in India depend on these broadcasting laws and what happens to the new broadcasting tribunal. You mentioned that you already transmit quite a bit of material by cable. Do you do this by contract with the cable company?

**Mr Mann**—Yes.

**CHAIR**—They have transferred to you under your new ownership?

**Mr Mann**—Yes. There was a complete transfer across from the ABC to the Seven Network. Our deal with cable operators is quite simple. We will give them our programming line-up free of charge and they can sell it. They can sell it for anything they can get for it, but that gives us added distribution and that gives us evidence, so that when City Cable, which is the biggest cable network in Calcutta, writes to us and says it has got another 100,000 subscribers, we can then tell Unilever in Australia, 'There you are, there's a document showing an extra 100,000 subscribers who can watch Australia Television.' Throughout Asia now we are on more than 400 cable operations.

**CHAIR**—Are they only in the area of your satellite footprint?

**Mr Mann**—Yes, not outside.

**CHAIR**—You haven't thought of extending your cover by selling them a package?

**Mr Mann**—No. We are restricted in doing that at present because when we buy the programming rights, the intellectual property of the programming, we buy them for the satellite footprint, and the satellite footprint excludes New Zealand and Japan at present. If we wanted to include New Zealand and Japan, we would have to pay more money to the owners of the copyright to extend it, but that will happen.

**CHAIR**—Are all your transmissions standard transmissions for the same hours or do you have different countries—

**Mr Mann**—A good question. There is a complaint from people in the Pacific Islands. We direct the programming around the time zone which includes the Philippines, Hong Kong, Taiwan, Indonesia, Thailand, Singapore, Malaysia, Burma and China. So I receive these faxes regularly from people in the Solomon Islands saying that they really like getting home from work at 7 o'clock at night, sitting down and watching *Here's Humphrey* after a hard day in the office. Because we are over 8½-hour time zones, they have to wait up till about 9.30 at night to watch the ABC 7 o'clock news out of Sydney. So that is a problem, but when you are on one satellite, what do you do?

We have to aim our programming to where the majority of our audience is. The Pacific Islands have taken up Australia Television with gusto, I must say, although this is

not the subject of your committee, but now Fiji TV, the national broadcaster, takes us for 9½ hours per day. They switch off Fiji TV and put us out terrestrially throughout Fiji. The director-general and chairman of Samoa TV is coming to talk to me next week about that. We are on Vanuatu terrestrial television. We are on Nauru terrestrial television 24 hours a day.

**CHAIR**—I suppose for them it means that they have got a service on which they can rely.

**Mr Mann**—That's right, at no cost.

**CHAIR**—At no cost.

**Mr Mann**—At no cost, and Seven Network has guaranteed to the Pacific Islands that it will provide all its programming free of charge for the next 4½ years. The former high commissioner to Nauru told me that the broadcasting of *Question Time* actually had an effect on parliamentary debate in Nauru.

**CHAIR**—It doesn't have too much effect on parliamentary debate in Australia!

**Mr Mann**—It was interesting. You could actually see the parliamentarians watching Australia Television, seeing what happened in *Question Time*, and going in and asking similar questions in the Nauru parliament, and for the first time, he said, they found out about accountability.

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

**Senator CHAPMAN**—You referred to the movie programming you are going to do, and your link with MGM. Does that mean that there are going to be a lot of American movies, rather than Australian movies, getting exposure?

**Mr Mann**—There will be American movies. I am a little bit schizophrenic about this. I have always seen Australian television as promoting Australia, but now, working for Seven, I see it has also got to make money in the real world. There are not many Australian movies around, and those movies that are around, and are of good quality, are extremely expensive. So you can buy two- or three-year-old American movies, which are quite well known, at a reasonable rate, and have a library of those for a year. So the answer is yes.

**Senator CHAPMAN**—So that is a commercial decision?

**Mr Mann**—A commercial decision, yes.

**Senator CHAPMAN**—Rather than a cultural one?

**Mr Mann**—Yes. Our viewers do want to watch movies. They do not just want a news and current affairs and sports channel.

**CHAIR**—There being no further questions, thanks very much indeed, Michael, for coming along again. I gather we have got a letter from you.

**Mr Mann**—There is a copy of the submission which we wrote to the Indian parliament.

**CHAIR**—We will adopt that as an exhibit in a moment. You will get a copy of the transcript, which you may correct for grammar and facts. I do thank you very much and commend you for survival in what you are doing. I must admit that all of us on this committee have been very concerned about what is happening to Radio Australia, and we are delighted that you at least have another life. I hope that it is able to thrive and grow, because in my view Australia's foreign policy is ill-served when we cut our ability to present ourselves, as you and Radio Australia enable us to do. Having been involved in it for a couple of years, I have seen far more beneficial results than the reverse. It is a great pity that we are not maintaining at least the cover that we had before. Indeed, I would like to see it significantly extended.

What annoys me more than anything is going overseas and having to watch CNN and BBC World News. You have got no idea what is happening in the real world, as far as I am concerned, and it is a major concern. But thank you very much for appearing, Michael.

Resolved (on motion by Senator Chapman, seconded Mr Hollis):

That the subcommittee incorporates the Australian Television submission to the Indian Parliament as an exhibit to the inquiry into Australia's trade relationship with India.

[2.55 p.m.]

**ANNING, Mr John Melville, Adviser, Telstra International Corporate Affairs, 231 Elizabeth Street, Sydney, New South Wales 2000**

**MATHIALAGAN, Mr Udhay, General Manager, Telstra Offshore Business Development and Support, 231 Elizabeth Street, Sydney, New South Wales 2000**

**PAUL, Mr Ashish, Group Manager, Telstra International Marketing, 231 Elizabeth Street, Sydney, New South Wales 2000**

**SEETO, Mr Tony, Manager Market Analysis, Telstra, 231 Elizabeth Street, Sydney, New South Wales 2000**

**CHAIR**—Welcome. Thank you very much for coming along to give us evidence today. As you would know, this is the Trade Subcommittee of the Joint Committee on Foreign Affairs Defence and Trade. We are inquiring into Australia's relations with South Asia, and in particular, at this first stage, our relations with India. We have had some 70-plus separate submissions and have interviewed quite a number of different witnesses. We are trying to catch up on just where we are going in our trade relationship. We value the fact that we will receive evidence from companies like Telstra South Asia, because you have obviously been major players in the area and can give us a different dimension on commercial relationships as seen by a major player in the Australian scene.

The nature of our proceedings is that they are parliamentary proceedings. While we do not require witnesses to give evidence on oath, the proceedings should be treated as a parliamentary hearing. If you wish at any stage to give some part of your evidence in confidence, then by all means request to do so; we will take account of that and allow you to do so, normally.

If, in presenting your evidence to us, you would like to make a statement and tell us just a little bit about your operations, that would be very helpful. Then perhaps we might ask a few questions about it, and try and expand our knowledge of how the market appears in India. The nature of our inquiry is really to help promote the Australian-Indian connection, to see where we are at this stage and see what can be done to expand that. Do you have any comments to make on the capacity in which you appear?

**Mr Mathialagan**—I am the general manager for our offshore business development and support group, based here in Sydney. My responsibilities cover supporting a number of our offshore activities, including India, and developing some other new activities outside some of our target key markets. I am here basically to provide you with an overview of our operations in India, and to answer questions as they come along.

**Mr Seeto**—I work for Udhay in the offshore business development and support



group. I am the manager of market analysis, which looks after the offshore markets for Telstra.

**Mr Anning**—I am the adviser, international corporate affairs. I have a government liaison role in regard to international issues.

**Mr Paul**—I am the director of international marketing for Telstra in Sydney. Earlier, I was working as the director of marketing and business development for Telstra Asia South in India.

**CHAIR**—Over to you. If you would like to make an opening statement, we will go from there.

**Mr Mathialagan**—What I might do is perhaps to take you through Telstra's activities in India over the last few years. Telstra opened its first office in India in 1994. Perhaps I can take one step back, to put India into context in our international strategy. Telstra has been pursuing growth opportunities in a number of Asian markets over the last several years. India, because of its large population base, and deregulation in particular over the last four or five years, has become more and more attractive. In 1994 we opened our first office to position ourselves to take advantage of certain licences and opportunities that were coming up.

The first business we started in India was a mobile telephone business, a licence to operate mobile telephone services in the city of Calcutta. It is a joint venture in which Telstra has a 49 per cent shareholding with a local partner, the Modi Group, and the company is called Modi Telstra. It has been operational for about a little more than two years now. We have in excess of 22,000 customers on that network at the moment. In fact, it was the first mobile network service to be launched in the whole country. That is one of our businesses in India.

**CHAIR**—Analog or digital?

**Mr Mathialagan**—It is a digital system, the GSM system, similar to the one here in Australia. The second business is another joint venture, called Telstra V-Comm. It is a joint venture with an Indian company called VSNL, which is the international telecommunications provider for India, and an investment bank called IL&FS. Telstra has a 40 per cent shareholding in this company. The primary aim of this business is to offer business customers in India satellite-based connections between and among the cities. It covers remote areas as well. That business has been operational for the last year and half. It is focused mainly on business customers, and it has a national scope of operations.

We also have a contract with the Department of Telecommunications. The Department of Telecommunications is basically the monopoly fixed network operator in India. We provided them with network management services on a contractual basis in the

city of Madras in the south. That has been going on for the last three years now. That is actually coming to a conclusion. Is that in the next month, Ashish?

**Mr Paul**—It has already concluded in July and it had funding.

**CHAIR**—It is AusAID? It is an aid program, is it?

**Mr Paul**—It was an aid program from AusAID and is now being expanded commercially from the Government of India.

**Mr Mathialagan**—So those are the three business activities in India. We managed the three within the same structure of Asia South. We have got a business called Mobitel, which is a joint venture with Sri Lanka Telecom. It operates a mobile service. It has about 30,000 customers. It is an analog system, not a digital system. That gives you a very quick overview in terms of the different businesses that we currently have. We have an office in New Delhi, which acts as the headquarters for our Asia South operations. We are, on a periodic basis, reviewing opportunities as they come along in terms of increasing our presence in the Indian marketplace.

**CHAIR**—Are there any major new telecommunication contracts out that you might be interested in? Obviously communications are relatively underdeveloped.

**Mr Mathialagan**—Yes.

**CHAIR**—What is happening in the field generally for the future?

**Mr Mathialagan**—Just going back about a year and a half, the Indian government opened up two sets of licences. One was for mobile phones, and the other one was for fixed networks. A large number of foreign players participated in that round of deregulation. Telstra bid for a couple of licences there as well. That mobile telephoning process has actually moved on, and people are building networks. Telstra was not successful in that particular attempt to secure a licence. We made a commercial decision that the prices some of the others paid was a bit on the high side. Our pricing was a bit different.

But to answer your question: the market is certainly developing rapidly. The method of entry is really one of examining different opportunities that come along. So it is not one particular big contract that is coming up, or a particular opening of licences, it is joint venturing and partnering with companies who have entered the marketplace, and helping them develop and build.

**CHAIR**—Radio Australia have just been telling us there is a new Broadcasting Act about to be introduced in the Indian Lok Sabha. Will that in any way impact on what you do? Or is it something that really you see as being a different field which will therefore in no way prejudice the Telstra-type operations that you have?

**Mr Mathialagan**—It will not directly impact on any of the businesses that we currently have. On the other hand, we do have a correspondent relationship with VSNL, the international carrier in India. At the moment the Broadcasting Act regulations state that only Indian companies are able to get signals up and down. If it is opened up more allow foreign companies to engage in uplinking of facilities, there might be other flow-on opportunities enabling us to deal with VSNL, or use one of our joint ventures to participate in that growth. I think with the growth of satellite TV and cable TV in India, there is an increasing pressure on the government to try and open it up a bit more to meet the demand. There should be some generic opportunities for telecommunications players, but there is nothing specific to the companies that we currently have.

**Mr Paul**—Add to that the fact that broadcasting and telecommunications are being looked at together. There are a lot of openings in terms of the spectrum management for the spectrum available for telecommunications. That would help Telstra V-Comm and other areas to get into more broadcast based activities for Telstra.

**CHAIR**—I presume the whole of the telecommunications system is controlled by the federal government, even though you did go into Calcutta first. It was because the federal government opened the licence.

**Mr Paul**—Yes.

**CHAIR**—It was not run by the local state government.

**Mr Paul**—Broadcasting is actually a central and state issue, but uplink, as I was saying to you, is a central government issue.

**CHAIR**—And in terms of running a telephone service?

**Mr Paul**—A central issue.

**Mr Mathialagan**—That is very much solely by the central government or federal government.

**Mr Paul**—Nobody is allowed to operate telecommunications without the central government approval.

**CHAIR**—Obviously we are looking at impediments and how we might be able to help promote Australian trade. In your industry have you particular impediments that you face? What are they? What is it that we might be able to recommend to government to perhaps overcome them?

**Mr Mathialagan**—I can probably answer that in two ways. I think some of them are generally infrastructure-type issues in India. I think Australian companies are used to

particular types of services being offered to them, or deadlines being met in a particular way. Certain things tend to take a longer period of time in India, but I guess that is a broad issue across the entire economy and infrastructure in India. That is something companies will have to learn to deal with and manage. That is a skill that you develop and build.

As far as telecommunications as an industry goes, I think there are certain issues in terms of, say, importation of capital goods, and the processing time it takes to get through certain hurdles, like getting it past Customs and into your facilities. Again, these are what I would call business infrastructure-type problems, as opposed to something specific to the telecommunications business. In terms of support, we have certainly found some of the trade missions and ministerial visits help build up the profile for Australian companies, and Telstra in particular. But probably unlike some of the smaller companies, we do have a presence in India. We manage to do a lot of our promotions and image building in the country, because it is an ongoing process, by ourselves. That would be the feedback I could offer on that front. We have certainly found the trade missions to be useful. They open up some new contacts. But I think we have crossed that point now, and we have started establishing a presence in the market.

**CHAIR**—Can you sell, for example, mobile phones, or Commander systems within your licence? Have you tried to do that?

**Mr Mathialagan**—The licence is really to operate an entire network and provide services, not to provide handsets. If we wanted to we could. We elected not to. We use international suppliers, be it the Ericssons or the Nokias, because that is a separate decision that the customer makes. It is a choice. The customer can go and buy a phone.

**Mr Paul**—PABXs, on the other hand, are a limited market. You have to get approval before you can sell any product like Commander. There are certain regulations and specifications that the government of India have already drawn up. So you have to meet those and get it approved by the regulatory authority before you can sell.

**Mr HOLLIS**—Will you be importing all your equipment?

**Mr Mathialagan**—Once again it will be a mixture. Initially, we were one of the first companies to start operations in India, so we had to import quite a lot of the equipment like switches and radio systems. What has happened in the Indian telecommunications market over the last three years is that a number of major, particularly American and European multinationals have come in and started manufacturing a lot of the equipment in India. The percentage of local components in any investment is going up with time, as local manufacturing is starting to take place. But we certainly import a wide variety of equipment for the business.

**Mr HOLLIS**—Are mobile phones popular in India?

**Mr Mathialagan**—They are getting popular. Mobile phones did not exist in India two years ago, in 1995. Now there are probably in excess of half a million phones within the two years. The estimate is for anywhere up to 10 million phones in the not too distant future. The growth curve is quite interesting in terms of how much take-up opportunity there is within the marketplace.

**Mr PRICE**—Perhaps a contributing factor of that would be the appalling existing system.

**Mr Mathialagan**—That certainly is one of the reasons, particularly in the large cities. You might have a telephone but it may not work for extended periods of time. There is a lot of business conducted particularly in the commercial centres like Bombay and Delhi, and we have found that the first segment of customers who come typically tend to be, not very large businesses, but the medium-sized businesses and people owning small business who need a communications tool.

**Mr Paul**—The advantage of the system becoming better applies to mobile as well, because call completion goes up. Currently calls on mobile to the fixed network do not go through because the fixed network is not good enough. Once it becomes good enough, the call completion rate goes up, so the revenue for the mobile company goes up. It helps both ways.

**Mr Seeto**—We have certainly seen some almost substitution with in fact people actually using their mobile as if it is their fixed phone, because the fixed system does not work quite well. They develop a habit of just using mobile, and they have almost forgotten about the fixed phone system.

**Mr Paul**—The good part is that Australia has a very good image in India, especially in the telecommunications area. A lot of training that takes place in the Indian environment, even for telecommunications, are based on Australia-type technology. Currently the DOT people learn from the books that are for Australian Telstra technology. So they are well trained, and it is well accepted that people look to Australia for providing a high technology-type environment, which is very good in terms of the overall initiative for Australian trade in India.

**Senator CHAPMAN**—Are you aware of the activities of any other Australian telecommunications companies in India, apart from your own?

**Mr Paul**—Exicom came in about two years ago. They are coming out with the handset and a PABX. There is also Stanilite. These are the two companies to date. Both did not do really too well.

**Senator CHAPMAN**—That is only the hardware side.

**Mr Paul**—The hardware side, yes.

**Senator CHAPMAN**—I recall seeing somewhere that Link Communications were getting involved in India.

**Mr Paul**—No.

**Senator CHAPMAN**—You are not aware of it?

**Mr Paul**—No.

**Mr Mathialagan**—There are a few I think on the hardware side. Datacraft is certainly in India. A lot of them have joint ventures. On the service front we have not seen many other service providers.

**Senator CHAPMAN**—Is the gradual opening up of the industry and the moving away from a regulated system to a market system happening quickly enough as far as Telstra is concerned? Will it enable you to slot in and be involved at a rate you would like?

**Mr Mathialagan**—I would have to answer that in two parts. Yes, on one side we have seen certain segments of the business opened up rather quickly, in fact, when compared with some of the other markets around the region. They made a decision to open up the mobile market two years ago, and now virtually the entire country has been licensed and wired up, and networks are going up all over the place. I do not think we could say that we are finding that process to be slow.

On the other hand, there was a plan to open up the fixed network as well to private operators. That has been stalled for a whole range of legal and other government-type reasons within India. I think the pace of change has been quite good. The only issue we had as an operator, probably going back a couple of years, was the lack of a clear regulatory structure. It was an interesting sequence of events. The regulatory authority was not in place when some of the licensing initially started, so the regulatory authority was almost a competitor as well for a while.

A body quite similar to Austel called the TRAI, or the Telecommunication Regulatory Authority of India, was established earlier this year. I think people are beginning to feel a bit more comfortable with the regulatory alignment. It is an evolving process.

Some of the challenges that the country faces are quite different from deregulating a developed market, because the big challenge is really one of meeting demand, and in the government the DOT is adding a significant number of lines. They have gone from, I think, 10 million lines to about 15 million lines just in the last year and a half—adding

4 million or 5 million lines a year, a massive capital expenditure and build-up. So their priorities are slightly different from just creating a competitive market. We understand the technology but specific to us there is a whole range of opportunities out there and nothing unique in terms of us trying to say they have to increase the pace of change.

**Senator CHAPMAN**—You have just mentioned the stalling of the deregulation of the fixed network. That seems to indicate that there is not a definite plan, a definite time frame laid down by the government that is immutable in terms of how the process is going to evolve. What difficulties does that create in terms of your own planning?

**Mr Mathialagan**—I think there are two other time lines which are worth discussing and considering. The Indian government is committed to look at the opening up the long-distance market for telecommunications in 1999, and the international—I would say this is in 2004. These topics, I guess, are subject to a lot of discussion, negotiation by international groups like the World Trade Organisation and other bodies as well. But from what we have seen in the past these time lines are not always met. There is an attempt to try and get there in India but processes do slip. Certainly from our perspective in terms of planning we need to take into account that it may not be exactly 1999—we might have to prepare for it—but it might take another year or two. So time horizons do get stretched quite a bit in India, and it does have an impact on our planning.

**CHAIR**—Do you have any problems in communicating from one system to the other? With your mobile system the American system and French system are totally different.

**Mr Mathialagan**—Yes.

**CHAIR**—There are a few variants around the world. Having put a system in, if you did it before regulation, can your system access every other system within India or are there other problems?

**Mr Mathialagan**—Yes, in the sense that a common system and standard was selected for the entire country. The GSM standard, which is most popular, I guess, in Europe and most parts of Asia, is what is used in India, so you can basically use the same telephone in most of these places. That being said, the government divided the country in an interesting sort of way where they licensed the four big cities first and then the remaining 22 states separately. So you have got about 50 networks across the country and there are technical and commercial arrangements that need to be in place for somebody to draw on from one city to another. So that is getting fixed up gradually, I should say, as Tony has seen over the last year or so. But from a technical point of view there is no difference.

**CHAIR**—There are no problems?

**Mr Mathialagan**—The phone in India can work in Singapore, it can work in Sydney. It should be the same, yes.

**Mr Seeto**—At the moment they still have these 40 or 50 networks; they are not quite all linked together. Each carrier, each operator is probably too small to have an agreement with the 150 countries around the world for international roaming. As you would know, Telstra roams about 50 countries in the world. You can take your mobile phone and go to the UK, anywhere in Europe, most of Asia; you can just turn on the phone and you can use it.

Telstra is actually doing that on behalf of our joint venture Modi Telstra as an interim arrangement. We give a SIM card to their customer so that when they go overseas they can actually use it, using our own MobileNet here as an interim arrangement. So the Indian customer can actually roam, for the time being, while they are still establishing their own links and so on with the various carriers in the world. That is an example of how we ourselves have helped our business over there as well.

**CHAIR**—Are there any satellites phones, or isn't there the facility in place to use the Indian satellites? They have got a few up there, I know.

**Mr Paul**—Satellites phones are available.

**CHAIR**—But you are not in that business.

**Mr Paul**—No, we are not yet in that position.

**Mr Mathialagan**—The Indian government do have a few satellites of their own but they are used mainly for television and a little bit for their own domestic communications.

**CHAIR**—Some of the business people that have spoken to us have spoken of the problems in currency exchange, that the rupee is not necessarily the best currency to be paid in. How do you get on in terms of being paid? Do you do all your contracts in US dollars or what? How do you get on with the exchange?

**Mr Mathialagan**—Our business is a bit different, in the sense that we do not sell equipment and look for payment immediately. It is mainly we are investing in business operations there. So there are certain techniques we have to use in terms of how we might manage our future dividends and cash flows. But we are not looking for straight contractual-type payments. It is not like we sell something and need to get \$5 million back or the equal amount of rupees back.

The way we approach it basically is that we see projects over a longer period of time, so we take a 10-year view of a project, and if we say it is going to become



profitable in a particular year and the profits need to be sent back to Australia, then we come up with certain techniques of taking a position of what value a rupee is going to be in four or five years and you use other banking techniques like hedging or buying forward if you can. But it is not a straightforward sort of contractual payment, one on one in US dollars.

**CHAIR**—So there is no impediment to your taking your capital out at some stage should you wish to do so?

**Mr Paul**—Mr Chairman, there are two issues. One is that, if you want to invest and take the money out, there is a process already defined in the Indian legislation which is the FIPB, the Foreign Investment Proposal Board. You can go to them, file your proposal there and tell them this is the kind of money you are going to invest and this is the kind of money you are going to take out. They give you permission and after that you do not have to go to anybody.

**CHAIR**—What do you take it out in, rupees?

**Mr Paul**—No, in dollars. You can go to the Reserve Bank of India and you can take the money out. There is already a well-defined legal procedure to do that. In case you are doing it more as an equity investment and then want to take equity to terms you find an Indian partner and do it with them. Again you take out appropriate approval and the Indian partner can pay you for technology, they can pay you for your brand, they can pay you for equity returns and dividends. Once you get approval it is ongoing. You do not have to ever go back again—you just go to the Reserve Bank of India, file the return and take your money away.

**CHAIR**—Is taxation a problem for you in India? You have to pay presumably in India for profits earned. Do you pay company tax, or how does that operate?

**Mr Paul**—India and Australia already have a double taxation agreement in place.

**CHAIR**—A double taxation infrastructure.

**Mr Paul**—In India now in terms of income tax the direct tax for income is pretty low, 30 per cent. For corporate tax it is down to 40, and that is something which the finance minister has promised will progressively come down over the years. So that is one area that could also be of help in terms of making sure the corporate tax structure keeps going down as per requirement.

**CHAIR**—Have the changes in excise and deregulation affected you at all? Do you still find difficulties because of the processes that seem to be in place or have been in place?

**Mr Paul**—What has happened in India has been on the positive side; it has always been lowered, so that has been helpful. I do not know how long that will go on, but currently it is progressively being—because there is a lot of guidelines from IMF and World Bank which are pushing India to bring down the customs duty and the GATT agreement and the WTO, they have to bring it down. So it is progressively being brought down. Since it is positive it is really helping the business rather than hurting it.

**CHAIR**—You mentioned that you had an office in New Delhi. New Delhi is a long way from each of the markets in which you are operating. Obviously that is because you want to be in contact with the government. Do you have a permanent establishment there with Australian based staff or do you employ Indian based staff and then service where necessary at an executive level the facilities in India from Australia?

**Mr Mathialagan**—As you mentioned, we have got an office in New Delhi where we have got a combination of both staff from Australia and local staff, and that is the headquarters of the Asia South operations. In the other cities or places of business we have an operating company. So in Calcutta we have got in excess of 100 people, basically running the business, the mobile—

**CHAIR**—Employed by Telstra?

**Mr Mathialagan**—It is the joint venture. It really varies from company to company but within the joint venture we would typically have anywhere between two and three people in each of these businesses. Typically we have the right to nominate either the chief executive officer or the chief financial officer. We will have a key position within these joint ventures. Across all of South Asia we have right now five people from Australia, Australian based people, who now live and work in India. We would have, if I counted all the joint ventures together, about 300 local.

**CHAIR**—That is quite a lot, isn't it?

**Mr Mathialagan**—It has grown quite a bit in the last—

**Mr Paul**—Progressively the level of expats has been coming down.

**CHAIR**—Do you offer training of any sort? With the technology, in an industry that has not really been in India before, you would have to start somewhere. Do you offer apprenticeships or some sort of trade training or professional training? How do you cope with that?

**Mr Mathialagan**—What we have done is that typically in the start-up phase we have sent people from Australia into this joint venture as people who train, develop local staff and then hand over, over a period of time. We have certainly used extensive training material and support from the Telstra learning organisations back here, in either delivering

courses right into India or just getting staff from India to come here. It is an ongoing program where we have people coming in, just like we do with our other ventures in Vietnam or Indonesia.

**CHAIR**—Do you give them a certificate of some sort so that they have got a qualification when they finish the training, or is that just an internal Telstra South Asia qualification they have got?

**Mr Mathialagan**—It is really a Telstra qualification from the Telstra Centre for Learning, but, as to the other type of training they get, they get a lot of training from some of the equipment suppliers as well. We might be buying equipment from Nokia or from some other American manufacturer and they really have to get trained in a number of things. So they go to training, not just in Australia, but also to Europe or America as required.

**Mr Paul**—Just to give an example, for the NMS, Network Management System project, we have trained the entire DOT, Department of Telecom, Southern Telecom Region in NMS. Their training centre, the ALLTC, which trains DOT staff has been trained by our people. It is a train the trainer kind of concept that has gone on.

**CHAIR**—Thank you very much for coming along and giving us evidence. It will be of great help to us. In due course you will be given a copy of your *Hansard* record and you can correct it in fact or in grammar if you wish and return it to us. Good luck in your project. It sounds as though it is going very well.

[3.30 p.m.]

**GANGULY, Mr Rana, Principal Consultant, Indus Consulting Pty Ltd, Suite No. 303, 66 Berry Street, North Sydney, New South Wales 2060**

**CHAIR**—Welcome, Mr Ganguly. Thank you indeed for agreeing to come in. I understand you have done so on relatively short notice. From our point of view it is very helpful because we have not had anybody in quite your category to come and give evidence to us.

As you would know, the committee is conducting an inquiry into Australia's trade relations with India. We are generally looking at the whole picture of the nature of business opportunities, impediments and what we in the parliament and the government might be able to do to make the trade a little easier than it has been, and to see whether there are areas on either the Indian side or our side where further action is needed.

The proceedings are normal proceedings of the parliament. While we do not require witnesses to give evidence on oath, it is appropriate that you understand that these are proceedings of the parliament. If you want to give any evidence on a confidential basis at any time, feel free to ask and the subcommittee will give consideration to your request.

To enable us to get a bit of an idea of how you see the contacts that you have with India, particularly the professional ones, it might be helpful if could make a statement to us. We can then have a few questions and work out just where we go.

**Mr Ganguly**—Good afternoon to everybody. It is indeed a pleasure to have been called here for a hearing. I was born in India and I have only recently arrived in Australia, last year. I work at Indus Consulting, which is a management consulting company based in Sydney and Canberra. My job mainly concerns India. Having worked in India for 15 years, the responsibility that I handle in Indus Consulting is promoting business between India and Australia.

First of all, as far as your terms of reference are concerned, my personal submission is yes, India definitely is a very attractive country to do business in, but it has its own pitfalls but which country does not have them. For instance, take a neighbouring country like Indonesia, Malaysia or even another country like Thailand, which have been Australia's focus countries hitherto: they are presently facing some economic crises which is known to everybody.

India is regarded as an elephant economy because of its sheer size and slow progress as compared to the Asian tigers, but I guess the elephant is also a rather solid, steady and stable creature, not given to the vagaries of temper and sudden changes. India is like that, and I do not say it because I come from there, but I have lived there and worked there and I still feel that India's potential is something which no country which does business with India can ignore.

The steady rate at which the gross domestic product has been growing is somewhere between six to seven per cent. That has been held steady for the last five to six years, ever since the economic liberalisation program started. Despite frequent political changes, changes in government, there has been an overwhelming mandate for the reforms process. It is an age of coalition politics and therefore that has in a way impeded the progress there would have been, had it been a strong government at the centre, a one-party government. Nevertheless the commitment to the reforms cuts across party lines.

If you look at certain sectors like financial services—a sector which should be very attractive to the major Australian financial services companies—you see that certain key sectors like insurance and pension funds are not being opened up by the government; not because the leading parties in the coalition are not in favour, but it is because it is to appease the other coalition members, mainly the left of centre parties. But again, the opening up of the sector is imminent, because they are under pressure from the WTO, the World Trade Organisation, to open up the sectors on a reciprocal basis to which India is committed. So it is only a matter of a little time, maybe four or five years, when these sectors are opened up.

I would rate financial services as one of the more attractive sectors for Australian entrepreneurs. The second sector would be infrastructure. India is a huge country of nearly one billion people and one of the main problems that has impeded to date the economic progress is the low quality or relatively low development in infrastructure areas, both in urban as well as in other areas like roads and railways. To service a country of that size one needs more funds and this is where they need expertise from abroad. Australia is one country which has state of the art in these areas. You have companies like Transfield, Pacific Power, Energy Australia, Powerlink and, in each and every sector of infrastructure, Australia has world-class expertise.

But the problem has been that hitherto these companies have been looking at opportunities within Australia, as well as countries that are nearby, maybe Papua New Guinea, Indonesia, Malaysia. That is because the geographical distance has been probably one of the dampers. But the size of the market again makes it more attractive, and, secondly, India also does not have sufficient knowledge about Australia. If you look at the Indian businessmen they have not received so many visits from Australian delegations. Their knowledge of Australia is limited to cricket, maybe hockey, and a little bit about places of tourist attractions like the Great Barrier Reef, and the Gold Coast.

I personally feel that Australia needs to sell itself a bit more to the Indian industry. There need to be more visits from the business councils, from the delegations, and invitations could also be extended to Indian business delegations on a reciprocal basis. What needs to be done is to get both countries closer through a feel for each other, through more programs like new horizons, at regular intervals of at least two years or three years, so that the tempo is not lost.

To come back to the sectors of interest: I mentioned financial services. Also I mentioned infrastructure, which would be power, roads, telecommunications. The third would be mining. Some people do include mining in infrastructure, but I would separate it. Mining is one sector where I think the Australian companies have been very aggressive. People like BHP and CRA have been there long before many others and have been able to impress their counterparts about their own expertise. I am afraid I cannot say the same thing about infrastructure areas, because most of the infrastructure companies here probably have their hands full at present.

Some of them are too busy with projects directed to the Olympics, and while they have been informed about the infrastructure opportunities in India, they have not been very euphoric about the opportunities. The reply has been, 'Until 2000 we have our hands full.' But after 2000, what then? Because then there is a likelihood that the opportunities within the country or in the neighbourhood may not sustain, in which case one has to look for opportunities in other markets which are steadily growing. That is where I think India, again, is an important country to cultivate right now.

Besides these three sectors, I would also select tourism and the hotel industry. This is where India has immense potential, but the infrastructure in this area is abysmally poor. Contrary to what people may think, in absolute numbers, the number of upper-class, upper middle-class or rich Indians is a few millions, and they love to travel the world. So Australia could attract Indians as tourists to Australia, and also involve themselves as a partner in the progress of India's tourism industry. The technology involved in the hotels, in actual tour operations, is quite mature in Australia, and this is something which their counterparts in India could do with.

Australia is already selling a lot of its educational expertise in the higher education areas like engineering and medical and other courses to India. This is definitely one of the attractive areas, and about this I have no complaints really. It is working out well. The other area that Australian entrepreneurs could look at would be agri-technologies or technologies directed to the agriculture and dairy area. In India, agriculture is one of the primary economic engines, and that is where India could do with a lot of technical input. Under the aegis of the government, there could be some programs on a bilateral cooperation mode, which has been seen. The Japanese, Dutch, British and American governments, under different aid programs, have extended technology to Indian farms and Indian agricultural cooperatives. This is where Australia definitely has state-of-the-art technology and this should be looked into, in my view.

Last but not least comes the area of food processing. India is a major agricultural country, but every year the wastage of food is a few hundred billions. That is again because of improper infrastructure facilities and the lack of ability to convert the agricultural produce into more sustainable or durable, let's say canned and frozen, products. So this is where there are opportunities for Australian firms to get involved.

India definitely is opening up. As part of the reform process, there are certain decelerations and accelerations along the way, and this is primarily motivated by political equations within the government. Nevertheless, for the last six or seven years it has been proved that there is no rolling back of the reforms program. So as far as the risks are concerned there is no possibility of a radical change in terms of a dictatorship or the military taking over. So from that point of view, Australian companies need not have any fear of any radical changes in that direction.

There are, of course, other problems like corruption and bureaucracy, but these are things which are being addressed. They will not vanish overnight, and these problems are not new to Australian companies because we know that such problems also exist in other Asia Pacific countries.

I would sum up saying that India definitely is a country with immense potential. What needs to be done is to sustain the tempo of relations that has been established with programs like new horizons, and things have to also work on a reciprocal basis. If I may be frank, I can tell you that Indians are very particular about protocol. Call it colonial heritage or whatever, but when Mr Howard drops out from leading a delegation, people there talk. They say, 'Look, if Australia really gives India importance, then the head of the country should have come.' Okay, Mr Fischer is definitely a very important man, the next in command, but these are the things to which Indians are sensitive; not only the bureaucracy or the cabinet members but also the general public, because they are very aware. So they notice these kind of things.

Even in the case of corporate relations, when a company wants to do business in India, it is more of a relationship-building exercise, more subjective than objective. The idea is to gauge each other before you get down to business. So the question is always: if the chairman of General Electric or Motorola or General Motors can come down here three times a year to do business and meet people and take things forward, why not the chairman or the managing director of AMP or why not the managing director or chairman of Pacific Power?

Looking at the flipside, things also go quicker and better when the top man is there because he is able to make decisions quickly; he does not have to refer back to others. I am just volunteering this information because this is how things work there. It is also important to understand the mentality of people. Having worked in the corporate sector and having a feel of India, I thought I should share this with you.

**CHAIR**—Thanks very much, Mr Ganguly. Mr Hollis has to go.

**Mr HOLLIS**—Yes. I am very well aware of protocol and very embarrassed, but I have an important function in my electorate at 6 o'clock which I have to go to. If you will excuse me—it is no discourtesy to you.

**Mr Ganguly**—Certainly. Thank you.

**Mr HOLLIS**—I thought you gave a very good overview. Interestingly, many of the points you have brought up have been brought out before.

**Mr Ganguly**—I am sure, yes, they might have been, but I would not have a clue what. I am sorry about the repetition.

**Mr HOLLIS**—It is interesting, though, that you have reconfirmed what many other people have said. There are certain themes emerging, not least the one you have mentioned about protocol, but also what you have touched on with tourism. I was particularly interested when you said how Australia is known, and you were the first one to include hockey. Ric Charlesworth always used to say he was better known in India and Pakistan than he ever was in Australia. Please excuse me.

**Senator CHAPMAN**—To follow on from the point you made there at the end, where you related it whether the Prime Minister and Deputy Prime Minister should have led the visit: you extended that to other companies and so on, saying that the senior person should be there, one factor being that they could make decisions. But isn't one of the problems that Australian business faces in doing business with India the slowness of decisions on the Indian side because of the bureaucracy and other factors? On the one hand you are saying that we should have our top person there so he can make decisions, but on the other hand the decision making seems to be pretty slow.

**Mr Ganguly**—I can explain that. The bureaucracy is a feature of anything to do with the government, but that is also improving. I am not saying this because I am an Indian but because I have also been on the other side, affected by the slowness and the bureaucracy, which is frustrating. But I can also see the changes that are happening. I won't say that they are radical but they are there. They are very clear as far as the private sector is concerned, because when we talk about doing business with India, it is mainly the private sector.

You are dealing mainly with the private sector, maybe some part of the public sector as well. The private sector is as professional as anywhere else in the world and unless they have something to do with the government in terms of getting permission for the business or permission to acquire land somewhere if it is in a such a project like roads or others, they are very fast. But they are also quite protocol conscious. That is a problem.

I thought I would share this. It was not meant as a complaint or a negative criticism but just to be shared, because it is important to understand the psyche of people you are targeting to do business with.

**Senator CHAPMAN**—I note that you have got here a fairly impressive list of clients that Indus Consulting has. Have you done any significant work for any of those



clients in relation to India?

**Mr Ganguly**—Yes. We are at present working with AMP, trying to do a preliminary entry strategy. We are about to finish that assignment. Hopefully we will be involved in the next stage as well for the launch. The other thing, I won't say that we have got the assignment but we are talking to some of the major energy companies in New South Wales, like Pacific Power and Energy Australia, who are interested in doing some big power projects in India with some of the Indian counterparts. So something is in the pipeline. We are also working with Macquarie Finance. They are actually undertaking a role in promoting a major infrastructure project in India with one of the leading Indian financial institutions.

We have barely begun a year ago the actual Indian activities, because I have been here for only about a year and I am spearheading the India related business. So we are new to this area. We are just about to complete a year. These are the activities we are involved in.

**Senator CHAPMAN**—Have you made any assessment of the relevance of existing Australian government programs as they apply to assisting Australian businesses to orient themselves to India and do business with India? Also, have you looked at the Mortimer recommendations in relation to government programs and how they might be relevant to specifically our relations with India?

**Mr Ganguly**—Not very exhaustively; collectively, yes. Let us take, for instance, the AusAID assistance programs for doing business in developing countries. India did figure in that list. There is a particular program called the private sector linkages program. The abbreviation is PSLP. That is what it is more commonly known as. India did figure in that list until recently. In fact some of our clients, like the Department of Public Works in New South Wales government and the Brisbane City Council, are looking at urban infrastructure projects like sewage disposal, solid waste management and water treatment for potable drinking water.

They are going to do it for the first time, so it really requires some kind of pre-feasibility analyses and some kind of a client survey which, until last year, they had some assistance schemes to subsidise by 50 per cent the initial expenses on these projects. I learned recently that that has been withdrawn, which I think is a pity because this is just the time when these kind of activities are beginning. People like BCC and DPWS are really interested and they have the capabilities. We have marketed their capabilities to municipal corporations in Bombay and Calcutta and we know that there is quite a bit of interest in that.

But this in a way is a setback because instead of giving an incentive to such companies working in areas which also have a very strong community development angle, the facility has been withdrawn. I had a very brief discussion with His Excellency Darren

Gribble, the ambassador to India, who said that he would try and do his bit to talk to AusAID about this, but I do not know of any developments.

As to the role that Austrade is playing, from what I know, having been in India, Australia is quite visible in India. They are doing a good job. They do undertake certain due diligence studies on certain projects or certain Indian parties in whom the Australian entrepreneurs would be interested, within their given resource framework. But I will say that some bilateral aid programs are tied up. For instance, the US government has certain programs, USAID programs, which are extended to needy enterprises in India but they have it tied up in the sense that they can get that aid, but all the equipment, all the technology, has to be sourced from the US. I think these kind of programs do give a fillip to the prospects of entrepreneurs in the US and similarly certain models of those kinds could be used in Australia.

**Senator CHAPMAN**—I noticed a number of the people in the firm have worked in India, including for a firm called Tata or the Tata Group.

**Mr Ganguly**—Yes, that is right.

**Senator CHAPMAN**—What is the range of activities in which the Tata Group is involved?

**Mr Ganguly**—This is a group which has a finger in every pie. They are almost \$US9 billion now. They are into steel. They are the largest private sector steel maker. They are also the largest private sector automobile company, making trucks, and now they have a joint venture with Daimler-Benz, making their E220 class of cars. They are into hotels, housing, financial services. You name it, they are into it. I am basically a mechanical engineer and I worked for two years with the Tata Automobile Co. After my business school, I was back to the group working as a backroom boy of the group chairman.

They have always been pioneers. They have always ventured into new areas where they felt like there was a need in the country—relatively uncharted areas where they felt that they could bring in something new and spearhead the effort within the country. They were the first people to go into textiles. The first textile mill in India, which was in the British period, was the Tata mill. They were the first steel manufacturers in India, much before the government of India started its steel plants in India with British and Russian technical aid.

The Taj group of hotels belongs to the Tata Group, so the hospitality industry, and they are also pioneers in that area in India. They are also the largest player in the computer software area. Tata Consultancy Services exports software to the US and Europe and even to Australia. So they are a conglomerate which has expertise in all these areas and they are also multinational in that they have operations in other countries as well. There are some operations in the US, some in Europe and some in the countries in the

South Asian region.

**CHAIR**—There are two areas, just before you finish, Mr Ganguly, that I would be interested in. We have heard from various people that it is unlikely—and you have repeated—that the general tariff and on-tariff barrier system in India will again be increased, although there seem to be odd exceptions. For example, we are told in pulses there has recently been an increase. Part of the problem seems to lie in the taxation system in India. I gather it is about to go through some process of change, because the state governments haven't got enough funds and if you are going to reduce your tariffs, then you are not going to get income for the central government. Where would you see India going in terms of tax reform?

**Mr Ganguly**—I would only expect further rationalisation. It is going in a positive direction. As I said, there would not be any rolling back. I would not be able to exactly pinpoint what further reforms would be enacted at this point in time, but I would say this much: the political establishment knows very well that there is a clamour from within the population—the working class—for better reforms. Definitely tax revenues are needed to run the government machinery, but that could be done through certain measures which are not a burden on the working classes, which are the majority in India.

**CHAIR**—Such as what—increasing corporate tax or increasing indirect taxes of some sort?

**Mr Ganguly**—No, I would not see any increase in the corporate taxes or even in the personal taxation area. The reforms would be more towards getting more people in the tax net. For instance, the agricultural entrepreneurs, people owning thousands of hectares of farmland, do not pay a single paisa—that is the Indian penny—in tax. They have been a much pampered lot. They have been having subsidised power, whereas industry pays much higher rates. The government has not been taxing them so far because they are a powerful lobby. They have a major clout. But there is an outcry or an uproar against it, because it is not an equitable way of treating people. So I think very shortly the bulk of this section who have been hitherto enjoying these advantages will come into the tax net. That is what the missionaries are trying to work at right now. That will bring more people into the tax net.

There are farmers who have four cars and swimming pools in their houses, whereas the labourers they hire are almost like bonded labourers in certain areas, who find it very difficult to eke out an existence. They are worried about their next meal. The government, irrespective of their political ideology, are aware of this. They do not want any social tensions. Sooner or later they have to come to terms with this. It is already happening. They are finding ways and means to get rid of this inequity.

For instance, there is one measure now where they are trying to tax people, or at least get the particulars of people who have a telephone, own a vehicle and a house. They

have to declare all their income, and as soon as it crosses a certain threshold they will have to pay tax, irrespective of their having agricultural income or otherwise. So when that happens they will definitely collect more revenue.

**CHAIR**—The other area we have had some comment on is the field of banks. We gather that the banking system in India is not terribly strong. Many Australians who are doing business with India have talked about the non-transferability of the rupee, and also the difficulty of getting letters of credit, and the problems there are because of the fragility of many of your banks. Where do you see that going? Is there likely to be some change in India to provide some strengthening of your banking process? What do you see happening in the monetary system generally?

**Mr Ganguly**—I foresee a consolidation, because there are too many banks right now in the public sector. Some of them are not really viable. At the same time the government has been nurturing them, because in remote areas you need a bank so that people can deposit or withdraw their money, but there may not be a sufficient number of people to make that a viable operation. To a certain extent, those operations are being taken care of by the post office, but they don't have the versatility or the capability of the banking network. The banks are heading for a consolidation whereby certain non-viable operations will be trimmed, and they will come under the umbrella of a bigger bank. Rather than having 50 different entities, it could be, at best, just six to eight major banks. This is something which Australia has already seen.

**CHAIR**—Is that happening now?

**Mr Ganguly**—It is in the process of happening. There have been some casualties. Certain smaller banks have failed or have been rendered unviable. With the advent of new technology, like EFT and paperless banking, you can have EFTPOS terminals or ATMs in certain locations, and people know where they are so they can just go and do their banking there. The proliferation of such measures actually will strengthen the banking institutions.

**CHAIR**—Thank you very much for coming along and giving us that. As Mr Hollis said, much of what you have said confirms evidence we have had before. Our problem is to try and touch those areas where we need to identify perhaps further stimulus, and you have certainly pointed out one in the follow-up to the new horizons program with better publicity regarding who we are and what we are.

We are aware, too, of the need for prime ministers to travel. Knowing a little of the Australian government, I think it might have been perhaps a bit too much for the Prime Minister to commit himself when he did, rather than to have saved his undertaking to go and then to have actually gone at a stage when he was certain of being available. We do take on board your suggestions and thank you for those.

Your *Hansard* record of evidence will be forwarded to you. You can correct it in grammar or in fact, should you wish to do so. Thank you very much for coming along and giving us evidence today.

**Mr Ganguly**—It was a pleasure.

Resolved (on motion by Senator Chapman):

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

**Subcommittee adjourned at 4.03 p.m.**