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(Trade Subcommittee)

Reference: Australia's trade and investment relationship with South America

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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE
Trade Subcommittee

Friday, 3 September 1999

Members: Senator Ferguson *(Chair)*, Senators Bourne, Brownhill, Calvert, Chapman, Cook, Gibbs, Harradine, O'Brien, Payne, Quirke and Schacht and Fran Bailey, Mr Baird, Mr Brereton, Mr Gareth Evans, Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Jull, Mrs De-Anne Kelly, Mr Lieberman, Mr Martin, Mrs Moylan, Mr Nugent, Mr O'Keefe, Mr Price, Mr Prosser, Mr Pyne, Mr Snowdon, Dr Southcott and Mr Andrew Thomson

Subcommittee members: Senator Brownhill *(Acting Chair)*, Mr Prosser *(Chair)*, Mr O'Keefe *(Deputy Chair)*, Senators Chapman, Cook, Ferguson and O'Brien and Fran Bailey, Mr Baird, Mr Hollis, Mrs De-Anne Kelly, Mrs Moylan and Mr Andrew Thomson

Senators and members in attendance: Senator Brownhill and Mr Hollis and Mr O'Keefe

Terms of reference for the inquiry:

To examine and report on Australia's expanding trade and investment relationship with the economies of South America, in particular:

. the nature of Australia's existing trade and investment relationships with the region;

. likely future trends in these relationships, including:

  . the possible impact of financial instability, particularly in Brazil, on Australia's trade and investment interests

  . likely sources of future business opportunities for Australian companies;

. the extent to which services such as transportation, banking and legal systems impact on further expansion of trade and investment linkages;

. the role of Government, particularly DFAT, Austrade and EFIC, in identifying and assisting Australian companies to capture opportunities in South America as they emerge.

WITNESSES

Subcommittee met at 9.32 a.m.

BLANCO, Mr Jose Avelino, General Manager, Sydney Representative Office, Banco Santander Central Hispano South America

CHAIR—Welcome. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private, you may apply to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. The subcommittee has a submission from Banco Santander Central Hispano SA, submission No. 11. I now invite you to make a short opening statement if you wish before we proceed to questions.

Mr Blanco—Thank you very much, Senator, and thank you to the committee members for this opportunity to appear before you. The submission raises most of the issues that I would like to put forward on behalf of the bank. I firmly believe that there are opportunities for Australian business in the markets of South America. In saying that, I am not advocating that the South American region will ever rival other regions that have higher priority for Australia, but I do believe that there is far greater potential than has been realised to date.

In terms of identifying specific areas, my attitude is that it is more a question of the level of commitment that Australian companies are prepared to make to the region because there are opportunities in almost any arena. We can see that simply by virtue of the investment and the trade that other markets do with those in South America. It would probably be best, rather than for me to try to expand on what is already stated, to invite you to address any questions you may have and to respond to those questions.

Mr O'KEEFE—I agree with the general thrust of your submission. We are focusing on this because that opportunity is there. It has been put to us at official levels that a lot of the problem is the perception of South American economies as banana republics, sort of thing, and why you would want to go there. Clearly, that is changing. I notice that the bank's presence here has been since 1990. Had the bank made a decision that Australia was an area that needed to focus on the opportunity over there and that the bank would take a proactive role in that or were you encouraged to come to Australia by some activity at our end?

Mr Blanco—I should explain that the bank happens to be in Australia in part because of my approach to it to come and establish a representative office. I have resided in Australia since 1962, when my family migrated to Australia from Spain. At the time the office was established, the bank's presence in Latin America was far less than it is today. Basically, it was confined to Chile and to representative offices in some of the other markets. Over the last almost 10 years we have continued to invest significantly in the region to the point where today our banking franchise would be one of the largest in that part of the world. That has coincided with a good growth in the number of Australian companies that have gone to set up operations in that part of the world. Therefore, there has been a flow of business to the bank which justifies having a presence in this market.

The amount of time that I am able to devote to promoting the development of closer relations between Australia and southern Latin America is in part a commitment that the bank is making to develop a market for its products and services. You grow the pie and hope that your share of that pie remains a healthy one. I think it has been more a coincidence than anything else.

Mr O'KEEFE—Is it now emerging into what you would call a focused business strategy?

Mr Blanco—It is focused only from the point of view of our very small office as a representative office. Our role is purely a liaison function to identify local companies that are active in that part of the world to ensure that those companies know who we are, what we can do for them and, ideally, that they make use of our services in that part of the world. So it is a very small niche, which to some extent is what makes it viable for us to be here. If there were a lot of other players chasing the same business I do not think there is sufficient substance to make it viable for everybody because, even though there has been good growth, the number of companies over there I think would still be less than 100. The range and quantity of services that they require is still relatively modest in the overall scheme of things.

Mr O'KEEFE—My observations so far are that the people who are leading the way out there are the ones that you would say in Australia have a traditional experience of moving into overseas operations, be they mining companies, agricultural exporters or companies associated with the global experience. Are you seeing any what we call 'niche opportunities' for the small to medium sized operator who is starting to understand export potential that is not just associated with servicing the bigger companies that are experienced at this sort of thing?

Mr Blanco—If there is evidence of that, it would be very minute at present. The big players obviously have the resources to go and do things on their own, and some have done it. The investment has been sector specific. Obviously, mining comes to mind as perhaps one of the more important areas of Australian investment. But then there are other players who have their niche. For example, Burns Philp has been in Argentina for quite a long time and has a very viable business in that country. Goodman Fielder is also in that part of the world and has been for over a decade. These companies saw a specific opportunity, went in there and stayed.

For small and medium sized Australian companies, the issue is one of consciousness. They do not have sufficient awareness of what is there to enable them to form a view as to whether they should be there or not. This is, for me, the crux of the issue that runs through almost all the submissions. People are talking about awareness, about education. You cannot commit to something if you do not know that it exists. Therefore, the role that has to be played is to create that awareness.

CHAIR—How can that be changed easily?

Mr Blanco—I do not know if it can be changed easily. The challenge is significant. I appreciate that it is not for government to tell business where to go and do business, but

there is a role for government to play in setting the agenda. To give you an example, these markets in South America from time to time receive visits from different countries. I recall on one occasion Prime Minister Mahathir leading a delegation to Chile and perhaps one other country. He took 200 businessmen with him. When the Canadians have gone down south, it is with the Prime Minister and something like 350 businessmen. That type of activity sends a message, which is that we should be taking a closer look. In my opinion, it is the role of government to show that leadership, to encourage Australian companies to go there and have a look. That is all that can be done.

I have not come across too many companies that, having visited the region, have not come back enthusiastic about what they have seen. It is hard to comprehend the dimensions of it. Somebody talks about the problems of high inflation, unemployment, social unrest, et cetera, but when a person lands in the airport of Sao Paulo and does a tour of that city he sees that we are talking about a population greater than that of Australia and a GDP of comparable dimension—all in one spot. Even if you say, 'I am going to discount'—take a figure—'60 per cent of the population as being impoverished' et cetera, that is still 40 per cent of 22 million consumers with the ability to buy many of the products that Australia sells.

The issue of trade is perhaps a little more difficult because there are a lot of economies in South America which we find as competitors on a global market. I am talking, obviously, about areas like Argentina, where we are talking about wool and meat, et cetera. But that is again a challenge. You can look at that country as a competitor and say, 'There is no point in going there because they do exactly the same thing we do,' or you can take an alternative approach, which is to say, 'By virtue of them doing what we do and by virtue of Australia in many respects having better technology and know-how et cetera, we should go there and make use of that technology and know-how because if we do not do it and benefit from it, other countries will ultimately fill that void and we will have missed the opportunity.'

The classic example is the type of investment structure that John Carlbitzer has, a significant investor in rural Australia and likewise in Argentina. The benefits of diversification of markets and sources of product and the exchange of technology know-how that perhaps is better in Australia can be applied in Argentina and vice versa. That type of approach should be encouraged in other companies, whether we are talking about AMP, which is also a substantial investor in rural Australia, or companies like Elders in its heyday, et cetera. So there are many ways to skin a cat. The trick is that you have to get people aware.

The problem at the moment is that if you come with a proposal and you pitch it to a company, you are in many instances pitching it into a vacuum because you cannot evaluate a proposal if you do not know the dimensions of what people are talking about. That is again the education process; it is the need to get businessmen from Australia talking to businessmen in South America because it is people who do business. When we get that conversation dialogue going, we are going to find that we are talking to people who are very similar to ourselves in terms of tracing our origins back to Western Europe. You need the business leaders from each of the regions to play golf together and do whatever businessmen do and you then get dialogue, you get ideas exchanged.

The other thing that has to be borne in mind is that this is a bit of a one-sided relationship. I say that because as far as investment is concerned it is unlikely that Australia will be able to attract significant investment flows from South America. Certainly, there are economic groups in Argentina, Chile and Brazil with the capability to invest significantly in Australia, but I think realistically they have enough on their plates in their home countries and in their home regions without coming here. There is a far greater incentive for Australia to be the investor in that part of the world. It is a bit like a courtship where you are very fond of the lady you are courting, but she perhaps does not reciprocate; so it is an added challenge.

Mr HOLLIS—Apart from this awareness that has been identified in many of the submissions, run us through some of the barriers or difficulties. Say I am an Australian business person and I do not speak Spanish or Portuguese, but I am looking at some investment. What sort of challenges will I face?

Mr Blanco—The first point to make is that we use the description 'South America' to describe an entire region but within that region each of the markets is different and allowance has to be made for that. Depending on the market you are contemplating targeting, you will find people qualified to different levels in terms of knowledge and use of English as a very important second language. We need to bear in mind that a lot of the business executives in that part of the world would have been educated in the United States, so they would be quite impressive in their grasp of English. I do not think language is a barrier because, if you look at the other markets where Australian companies have gone to invest, whether we look at Eastern Europe or at Asia many years ago, we did not have those language skills either. We acquired them. Until we acquired them we survived quite handsomely because there was money to be made and therefore we put in place the mechanisms needed to achieve it. I do not see language as a barrier.

The other aspect is the economic scenario in that part of the world. Obviously there is considerable volatility. There is perhaps not the same degree of sophistication in all of the markets, whether it be within the judicial system, the banking system, the overall regulatory system or the transparency of systems. But again, is that any different to scenarios that existed in Asia when we started our engagement with that region? Is it that different to some of the markets in Eastern Europe? I would argue that it is not. A company really needs to decide whether it wants to be in a market. If it decides that it does, it therefore makes the commitment. In making the commitment, it acquires the know-how to operate in that market and to make allowances for the individual characteristics of each market. So I do not see that as an obstacle.

Mr HOLLIS—Would you see it more as an investment rather than a trade opportunity?

Mr Blanco—It varies from market to market. I do see investment as perhaps being slightly more important for a number of reasons. First of all, investment tends to get publicity. If we look at some of the trade that is done today by those companies that are supplying products and services to, for example, the mining industry in that part of the world, I think a lot of it can be attributable to the success of the BHP owned Minera Escondida in Chile. It received enormous coverage, was profiled as one of the best copper

mines in the world and today is the largest. That encouraged companies to go and have a look at that part of the world. So investment has an important role to play there.

The other aspect is that there is a degree of competition in terms of what we can export to some of those markets. It then becomes a question of price. Our wage levels tend to be higher so we would not necessarily be that competitive. Investment at the right time in the right industry gives us a quantum leap, brings forward a lot of the gains that we can make in a marketplace. If you invest and you can establish a domestic base, you then manufacture locally to supply that market. If you then believe in Americo Sud viability, the regional market, and if you believe in the integration of the Americas, you are looking at positioning yourself to benefit from the future of South America and its relationship with North America. So yes, I do see investment as more important than trade in many instances.

Mr HOLLIS—But that would inevitably be limited, wouldn't it? Not everyone has the ready cash to invest in a telephone company or in a copper mine or something like that.

Mr Blanco—Yes and no. For example, if an Australian brewer were to go to South America and invest in either the acquisition of a local brewing company or set up a domestic facility to produce for that market, you then find a scenario where it needs to source its products—the glass bottles, the labels, the corks, et cetera. If it has a supplier in Australia that produces a good product at a good price who can then go into South America and do likewise, you are creating an environment whereby there is that flow-on effect. That has happened in the mining industry. It could happen in other industries. That is why I see investment as providing an environment to encourage and facilitate trade in certain areas.

Mr HOLLIS—I was pleased when you identified the fact that it is business people who do business rather than the government. I think I read in a submission—and I put this question to you with you wearing your other hat—that people were a little bit critical that nothing happened after the Senate inquiry of 1992, and they hoped that the results of this inquiry would bear more fruit than that inquiry. In the store of parliamentary inquiries, the report is gathering dust on a shelf. In many respects, we as a committee can only highlight and, by our recommendations, if you like, wave a flag for various things. We as a committee or as a government cannot really get involved in those issues. I think that is a point you raised quite rightly, and the report also raised it: that the government's role is perhaps to raise awareness, to highlight things and to create the right climate.

Mr Blanco—I need to explain that I made a distinction between the matters that I raised in the submission lodged on behalf of the bank and the submission lodged on behalf of the business council because, as an employee of the bank, I do not feel that I am authorised to make what might be termed 'critical comments' about issues sensitive to our activity in a foreign market like Australia. Whereas, when I am wearing my business council hat, I represent a different group, and I am more at liberty because that should not in any way have repercussions on the bank.

I think this inquiry is useful. It can make a contribution but—and now I am taking off my bank hat and I am putting on my business council hat—I do not think it is enough. It is well intentioned. You will wave your flag, but it is not whether you wave it or not, the

questions are: how big is it, where are you going to wave it, for how long are you going to wave it and who is going to pay attention to it? That really is the crux.

In the business council, the suggestion was the need for a Garnaut type report. That is not to detract from the work that the committee is doing. It is simply that you need positive discrimination in favour of South America because you are trying to redress an imbalance. You have to redress that imbalance sooner rather than later because you do not have that much time. I say that, having regard to what is the investment flow into South America.

For example, today if you were trying to encourage a lot of Australian companies to go to the region, you would find that many of the companies that you would want to take there are possibly arriving too late. I am thinking now of, for example, what the New Zealanders did through Fletcher Challenge and Carter Holt into forestry and into other sectors in Chile. If you went today to Fosters and said, 'Gentlemen, how about buying a brewery down there?' They would say, 'Well, it is not a bad idea, but we can't find one to buy.' The reason they cannot find one to buy is because all the local brewers tend to be already associated with international competitors of Fosters. Telecommunications is in a likewise position—that is, assuming that Telstra wanted to go there.

There is a window of opportunity, and that window is closing. The problem is that Australia is dawdling whilst others are racing, and there is no point in getting there after the party has finished. So that is why I think the government has a greater obligation than it has discharged to the present time. Again, as a member of the business council I personally believe that it is incumbent upon the Prime Minister to show leadership. Here we have received the visits of two Chilean presidents and an Argentine president and, to my knowledge, we have never reciprocated with a comparable visit.

CHAIR—The Deputy Prime Minister has.

Mr Blanco—I applaud the Deputy Prime Minister for going there.

Mr HOLLIS—Former Deputy Prime Minister.

Mr Blanco—No, let's call a spade a spade. There is a big gap between the Prime Minister and the Deputy Prime Minister.

CHAIR—And even the parliamentary secretary for trade.

Mr Blanco—Point taken. As I say, in the eyes of the South American countries that have extended those visits to us, I think there comes a time when you say, 'No more. I am not going to keep going and knocking on your door if you don't invite me back, or if you don't reciprocate these overtures I am making to you.' Those kinds of things send a message.

If you look at the Asian example—and it is a valid one—our engagement there just did not happen overnight. There is a process of evolution, and a lot of that evolution arises from the exchange of tourism. People do not know what is there. They go there as tourists. If you are a business person on a holiday, you do not go there without your business vision. You

are enjoying yourself and you are doing the nice things, but you are also saying, 'Good heavens, there is money here; there are consumers here; there are things that I can relate to, that I can identify with.' Your next trip back is more likely to be a business trip to follow up. That is why the issue of air services is fundamental. Hopefully, it will happen that Qantas will not withdraw from the route and that the current level of frequencies will be maintained, if not enhanced. The problem is you do not have that much time because so many other countries are becoming significant investors in the region. So we need to position our companies.

The other aspect is the argument to be made that there will be a return to economic strength or improvement in South America in the short term. It will then re-engage on a greater level with South-East Asia, and people from South America and South-East Asia will want to visit each other. The challenge for Australia is to ensure that, in doing that, South America and South-East Asia use Australia as the link. If you are in South-East Asia, you can go up to the US and down south. It is just as viable to go to Australia first and then go across—but, again, you have to position yourself. I think we are not doing enough in that arena.

Mr O'KEEFE—I think it would be true to say that, since we started this inquiry, Austrade in particular have moved very quickly to demonstrate to us the extent of this opportunity for Australia. The point has also been picked up that one of the reasons we seem to have so far survived the Asian meltdown, so to speak, is that a number of our companies did very quickly go and look at other opportunities, and a few of them actually saw it in South America. So the awareness factor and those issues you have been addressing are turning. I think this committee will go there. We will probably have a visit to the region early next year and we may have an opportunity to lift that focus to the level you are talking of. Certainly, my chief interest in it will be looking at those areas you are alluding to, where we have not yet missed the boat.

We have had quite a renaissance—I think that is the term used—in the Australian economy because lots of operators suddenly learned how to spell the word 'export'—and they were not the traditional big agricultural exporters. Some of them have been very innovative, as you say, in going into countries where they could not speak the language; they did not know the culture; they did not know who to do business with there. A lot of them gave up in despair in Asia but they came back. My own view about the strategy is that we ought to be identifying those areas where it is not too late or where there are emerging areas in these economies that are parallelling our own, particularly partnership opportunities to explore work into other trade areas in the world.

Mr Blanco—I will make a couple of observations. Australia has surprised many by the way in which it has survived what might be classified as the Asian downturn. It is interesting to note that part of the explanation given by some economists is the devaluation that occurred in the Australian dollar, which saw us go from almost 80c down to 55c. I think if you work it out, it is approximately a 20-something per cent devaluation, but it was controlled and it did not really attract as much attention. The Brazilians did a devaluation in January that got world headlines. There are differences, but let us not kid ourselves: we did much the same under a different scenario.

The next aspect is that, yes, when the Asian downturn happened, Australian business was confronted with a challenge of finding alternative destinations for their products, et cetera. That can be said to have opened a window of opportunity: some had a look at South America; some went to the Middle East; some went to Europe, et cetera. The danger that is arising now is that we are starting to see in the local media increasing reports about the recovery of Asia.

A lot of those people who looked at alternative markets have not yet established their footprints. My concern is that, because they read about the recovery in Asia, they are going to say, 'Aha! The good times, or the times that I knew in the markets that I knew, are coming back. I really have not made the progress here that I want; I am going back to what I know.' So that window then disappears, and that is another reason for the need for prompt action.

It is unfortunate that this window has opened at a time when the South American economies are not at their best. Again, my view always is not that the government is telling the companies where to go, but that the government is suggesting to companies that, in shaping their trade or investment strategy on a global scene, you should not do it without taking into consideration all the possibilities. So you have companies that have never visited South America shaping their international strategy. It could well be that if they had contemplated South America some—perhaps not all—would have said, 'Aha! It's more viable to go there because, for my product, for my service, there are more opportunities there than there are in Asia, than there are in Europe,' or whatever it is, and that is the tragedy.

Mr O'KEEFE—Part of the success in Asia has been a fairly significant exchange of young people fairly early, be they either in training in their university positions, in training in industry or, fairly early in their role with global companies, they have suddenly had a chance to go. My son, for instance, with Ericsson, spent six weeks in Sao Paulo when he was 20. So he is actually quite aware of what you opened up by saying to us. Do you see opportunities for us to try to embrace some of that early exchange of young people? Is there a learning or education opportunity, or a business executive exchange opportunity?

Mr Blanco—There is an education opportunity. I do not have the data, but I know that an increasing number of students from South America were coming to Australia, predominantly to study English as a second language. Whether you could then convince them to use our universities in preference to, say, the US universities remains to be seen. Just contemplate what is the global market and analyse the languages that are on offer in Australia at schools. You probably still encounter a very high level of French, Italian in some, Indonesian, perhaps Japanese. You then look at what is the ranking of languages spoken globally. You will find Spanish second or third, depending on what criteria you want to apply.

If you study Indonesian, you access Indonesia. If you study Spanish, you access Spain and a considerable portion of not only South America, but Latin America, and have a look at the incidence of Spanish speakers in the US market. You can go to a lot of the southern states, a lot of the major cities in the southern states of the US, and if you had to, you could survive on Spanish without English. So what is the value inherent in Australia promulgating the teaching of Spanish?

CHAIR—It is the second most spoken language, isn't it?

Mr Blanco—I believe it is.

CHAIR—Or is it the third most spoken language in the world?

Mr Blanco—Whether it is second or third, it is way ahead of most of the other languages that we are teaching here. Perhaps part of the reason is that we do not have the requisite number of teachers qualified to do it. Perhaps there is not the demand from the students themselves and their parents but, again, this reverts to the issue of leadership. It is not a case of telling people where to go to visit, but it is a case of preparing the business community, the Australian community, for the skills needed to survive in the global marketplace, and these are factors that I think need to be taken into consideration. So education is fundamental.

Mr O'KEEFE—There may be some point to a targeted strategy here. In the late eighties and early nineties, a number of our TAFE colleges and universities became quite focused quickly on Asia and very quickly learned how to develop exactly what you have called for. Some of the people who were successful in understanding and driving that might be the sort of people who should be brought together with, for instance, your business council for a discussion about having a look at repeating the experience but with the South Americas.

Mr Blanco—Again, most of these issues go more to the business council itself. The reality—and unfortunately things are never as good as one would like them to be—is the fragmentation that exists in dealing with South America. The business council labels itself the Latin American Business Council and I think there is a role for such an entity until such time as the Australian activity in the specific market grows to such a dimension that it can be self-sufficient. At the moment, if you separate Australia's relationship with each individual country in South America, you are talking about a relatively small dimension. It is only by putting it all together that you then get a more worthwhile dimension.

The difficulty is that when activity takes place, whether it be through seminars, through organising missions, et cetera, there is a preference to want to use the banner of the specific market, so that if the Chileans send a delegation here, they prefer to work through an entity which has the Chile name: 'This Latin America thing sounds a bit nebulous; it's not really my flag.' The same thing happens for each country. So you have the situation in Australia where you have the Australia-Latin America Business Council, you have the Australia-Chile Business and Investment Council and you have the Australia-Chile Chamber of Commerce. It is a very small market. At the end of the day, we are all chasing the same people and that in itself is a problem. It is one that business has to deal with and one that has not yet been resolved satisfactorily.

Mr O'KEEFE—Are you suggesting perhaps that the Australian government might take a lead here by establishing some sort of coordinating unit that drove a bit of this or do you leave it to Austrade to expand its operations? It is obviously lifting its priority for South America.

Mr Blanco—I do not know who has to come up with the right formula. Many of us have been searching for this elusive formula for some time. Anyone who can contribute to putting it in place is more than welcome to do so.

CHAIR—Austrade tells us that trade investment with the area has actually been inhibited because Australian financial institutions have limited experience in the market. Is that right or wrong?

Mr Blanco—I believe it is correct. The only Australian financial institution that had a toe in the region was the ANZ Bank through a number of representative offices that it had in Santiago, Buenos Aires, Sao Paulo and Rio de Janeiro. My understanding is that this year the bank took the decision to close those offices and to try to do that type of business out of its branch in New York. Effectively, there is no Australian banking financial presence in South America at present. In the case of Australian banks, for example, leaving to one side ANZ, I do not know that any of them have of late sent executives to visit South America. I think they rely purely on their correspondent banking relationships, and that is obviously not as good as Australian business would like it to be.

CHAIR—Is there a lack of finance generally to invest in Latin America? Is EFIC doing as good a job as it should?

Mr Blanco—I do not know that there is a shortage of finance. There was, since the Russian problem last year, a liquidity crunch in Latin America as a whole, so it is not peculiar to Australia. It was nervousness about the direction that the South American markets were taking; therefore money was being withdrawn. With the liquidity crunch, people were not able to finance a lot of the projects that they had.

Australian companies that have gone to the region and made investments have not had too big a problem in sourcing the money required. They have done it, in most instances, using their relationships with Australian banks and with international banks that they deal with in Australia. The ANZ, for example, was the lead arranger in a number of financing deals for Australian companies that went into South America. As to whether their withdrawal from those offices in the region will have a detrimental impact on that, it may be the case, but I do not know it to be a fact.

CHAIR—We have anecdotal evidence that says that EFIC has been slow in approvals of cover. Do you know anything about that?

Mr Blanco—Whether it has been slow or not depends on the people who are asking for the finance. Obviously, EFIC has a charter to comply with, so it is there to assist—but up to a certain point. It, too, does not want to finance a transaction which it sees as holding excessive risk. Undoubtedly, it could possibly be more lenient, shall we say, in terms of assessing applications and more expeditious in processing them but, again, you would have to look at it on a case-by-case basis. There may well be a very good justification for the way in which they have behaved.

CHAIR—Another area that Mr O'Keefe brought up was: if this committee could go to Latin America, would it be advantageous to go with a few business people?

Mr Blanco—It would never hurt. The frequency of visits by Australian ministers to the region is not that great that it is not feasible for them to try to take some businessmen with them. Some of the very big players from Australia, who do act on the global stage, obviously make these trips without any prompting or assistance. However, perhaps there are still enough high-level Australian executives that have not gone there but, with a degree of arm twisting by the government, would be prepared to accompany them and would benefit from doing so. The government is very useful in opening doors—particularly in markets such as those of South America—therefore, I would encourage it.

CHAIR—Of course, the Minister for Trade is there at the moment, and some of the reports that he is sending back are quite optimistic.

Mr Blanco—We are hopeful that the visit will convince the minister that South America is a region that warrants greater attention from his department and from the government generally. My understanding is that it is his first visit to the region, and that is why I say that part of the challenge is to get not only ministers and members of parliament to go there but also businessmen. When you go there, then you can form a view. If you have never been there, how can you do that? You are not basing it on sufficiently precise information.

CHAIR—I pick up your point. You say that, if Australian business does not get there very quickly, it is going to be more a north-south alliance with the Americas—and maybe with Europe—rather than moving west to Australia. However, there is some trade increasing into Asia, isn't there?

Mr Blanco—It is fair to say that the geographic realities dictate that there will always be a greater relationship between North America and South America, irrespective of how many overtures or the intensity of overtures that Europe, Asia or Australia make to South America. That said, we can be doing a lot more than we are doing today, and we look to those countries for support in areas such as the Cairns Group, et cetera. I have personally seen too many incidents where we talk about APEC with the 'A' for Asia, forgetting the 'P' for the Pacific part of it. It is a level of commitment on the part of Australia that can be intensified.

Mr O'KEEFE—Thank you for your submission.

CHAIR—Thank you very much for your attendance here today. If you have any further material which you might like to give the committee, we would appreciate that very much. Hopefully, we will see you again in your other hat of the Australian-Latin American Business Council.

Mr Blanco—I suspect I wore both hats today, but we will try to distinguish between them.

[10.15 a.m.]

CALDERWOOD, Mr Bill, Deputy Managing Director, Australian Tourist Commission

HUDSON, Ms Margaret, Manager, Corporate Strategy, Australian Tourist Commission

CHAIR—Welcome. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence under oath, I advise you that these hearings are legal proceedings of the parliament and, therefore, have the same standing as proceedings of the respective houses. The subcommittee has a submission from the Australian Tourist Commission, and that is submission No. 9. I now invite you to make a short opening statement, if you wish, before we proceed to questions.

Mr Calderwood—Thank you for the opportunity to appear this morning and to provide some information on our relationship in regard to South America. I would like to provide an update on some aspects of our submission. I would then, of course, be very happy to answer any questions that you have.

First of all, the Australian Tourist Commission is the federal government agency which is tasked with the promotion of Australia internationally as a tourist destination. We promote Australia through a range of marketing communications to consumers involving television, print advertising and, increasingly, the web and public relations. We also have a very strong relationship with the travel trade in the overseas markets in which we operate to ensure that they have not only the necessary material, information and knowledge but also the motivation to sell Australia as a destination.

When we talk about the South American region, we are primarily focusing on three markets: Argentina, Brazil and Chile. Those three markets, together with a fourth one of Mexico, if we add it in, account for in excess of 70 per cent of all arrivals into Australia in any typical year.

In our submission we highlighted that, for the year 1998, we had a growth of something like 9.8 per cent but I can give you some updated figures from the recent arrival statistics which indicate for the 12 months ending June 1999, the increase which we have achieved from South America is actually 19.5 per cent, which gives us a total for the year of close to 30,000 or just over 30,000 so it is a very encouraging progression and growth. We have also in recent times, as recently as 1 August, appointed a full-time representative in Sao Paulo who is responsible for servicing both the consumer and the trade, as well as PR activities. That new expansion of our presence in South America is in addition to a longstanding public relations representative in Buenos Aires and a new part-time representative in Buenos Aires as well who is primarily handling inquiry servicing.

One of the key areas which we have been able to use successfully in recent years to create more awareness for the destination has been public relations and it is a very cost-effective means by which we can build the awareness and the breadth of knowledge of Australia. In the fiscal year 1998-99, we invited 14 journalists from throughout the region to

come to Australia and they participated in a visiting journalists program. The outcome of those visits was media exposure to the value of something like $2.8 million.

But, of course, that is just one part of the activity. As I mentioned before, a key focus which we must have, particularly when we look at markets of this type which we would describe as emerging markets, is to ensure that we have a very strong relationship with the trade and to build the foundation there as a base before pushing strongly into consumer advertising. Therefore, a lot of the work and focus which we have is to ensure that we do have good distribution of product and good education and training programs in place for the trade. We do have some very effective cooperative joint tactical advertising campaigns.

Coming up in the next two weeks, as a matter of fact, is a good illustration of how we do that, in that we have a travel mission which is going to both Buenos Aires and Sao Paulo. There will be some 16 representatives from Australian companies who will be meeting with different members of the trade in both of those countries. That will be a four-day event primarily designed to educate and hopefully to write some business.

It is true to say that in the last 12 months the profile and awareness of Australia has certainly increased in both Argentina and Brazil. It is also true to say that we have a long way to go. There has been significant benefit obviously because of the Olympics exposure and we have been working with various Olympic broadcasters and sporting organisations to try and maximise the opportunity which the Olympics presents to us. Particularly that has relevance when we talk of Brazil which has a very strong interest in the Games activity.

One of the ways in which we will be looking in the future is to increasingly use the web as a source of information and motivation. We have planned for later this month to release a Spanish and a Portuguese language dedicated gateway which will make the web usage far more efficient in those two countries. At the present time, Brazil ranks as the 21st highest user of our international gateway.

One of the key factors which always impacts on our growth is the increase in air services. The introduction of the Qantas services late last year certainly has boosted our on-ground presence, as has the exposure from their advertising campaigns and that has certainly been encouraging. The fact that we now have four direct services is a big boost, which previously was not available to us. In summary, we view the region from a tourism perspective as one of key emerging markets, but we are focusing primarily on three markets at the present time and they are Argentina, Brazil and Chile.

The extent to which we maintain the growth pattern which we see and achieve some of the forecasts which we have set ourselves internally—and the internal forecast we are talking about is that by the year 2003 we expect to reach 53,000 arrivals from the region—is dependent very much on the continuation of the air services; the continuation of effective marketing spend; the overall economic stability of some of the key markets, particularly Brazil; and the maintenance of the ongoing development of simplifying the visa process for some of the visitors. Thank you very much indeed for the chance to update our submission and I am more than happy to answer any questions you have now.

CHAIR—Ms Hudson, would you like to add anything?

Ms Hudson—No, I will not be adding to the statement.

CHAIR—Before I ask Mr Hollis to ask you a couple of questions, could you give us the names of those people who are going on the mission? Is that possible? There is no need to declare them now if you can give us the names later.

Mr Calderwood—I have them with me today so I will table that.

CHAIR—Does Austrade help at all with any of the promotion costs or those sorts of things?

Mr Calderwood—No. We have—

CHAIR—Should they?

Mr Calderwood—Okay. Should they? We have had an association with Austrade over many years. In addition to the presence which we have on the ground, we have a dedicated manager who is based in Los Angeles and until recent times, when we have increased our ongoing presence, we have worked with Austrade in a variety of different ways. Up to two years ago they were the primary body which helped us to distribute the travellers guide which is the main information piece.

But we looked at the opportunity of increasing our presence and, while that association was right for the time, we felt there was a new arrangement which we had to put in place to make sure we had more penetration. We continued to have ongoing discussions with them to update one another in terms of what we see as being the trends and the issues. They are indeed involved in some of the ongoing missions which we will have, but more than that I think it is difficult to see where it would be justified for Austrade to be investing in some of our programs. Our budget at present is in the vicinity of something like $500,000.

CHAIR—The only reason why I bring that question up is because they point out that the direct flights of Qantas need to be promoted vigorously with the support of the Tourist Commission and—

Mr Calderwood—And Qantas said that too?

CHAIR—Have you got plans to try and incorporate them a little bit because they have got troops on the ground at the other end?

Mr Calderwood—Yes. We obviously work very closely with Qantas and a lot of the campaigns which I speak of are in conjunction with them. When we talk about the 14 journalists which we bring out to Australia, we do that in combination with Qantas. When we talk about the trade advertising we do that in conjunction with Qantas. Yes, they would probably like us to invest substantially more in the marketplace to help them sort of improve their success in the market but I guess we have to look at a broader issue in terms of the worldwide responsibilities which we have.

CHAIR—It is chicken and egg stuff, really, isn't it? Mr Blanco is saying that tourism and travel really are the spearhead and I think Mr O'Keefe mentioned that university training, for example, has been one of the helps to us in Asia, but it is chicken and egg stuff, I guess.

Mr Calderwood—It is chicken and egg. It is interesting. I was listening to the question you were asking the previous gentleman. About 3,000 students come to Australia each year, primarily for English language courses. That is one of the key segments which obviously we look to target and we certainly would be working with Austrade to try and target those. That is an ongoing cooperation which we have there.

The chicken and egg situation is one where we have doubled our investment in terms of this market in the last two years and we have tried to demonstrate support for Qantas in their endeavour to build this market. It is also true to say that Qantas look at this market as not just a feeder for Australia. They are looking at the market as using Australia as a hub to filter traffic from South America through to Asia and vice versa. While they have an agenda which is akin to ours, they have a slightly different agenda from time to time. It is in our interests to work closely with them but it is in our interests to make sure that levels of investment which we have are realistic and do not detract from other activities which we have on a worldwide basis.

Mr HOLLIS—At the end of your presentation you mentioned, almost in passing, the problem with business visas. Can you elaborate on that?

Mr Calderwood—The visa situation in Argentina works pretty well. Visas are issued in Buenos Aires, and there is easy access for consumers to get visas. None of the markets in South America has access at this stage to ETA, the electronic travel authority, which we are very supportive of. We certainly believe that the introduction of the ETA in some of these key countries would help us in that it would simplify the process in many ways, and there would also be some form of savings to the consumer.

In the case of Argentina, it is not such a great problem. But in the case of, say, Brazil, where the visa issuing opportunity is in Brasilia and the bulk of the traffic comes from Sao Paulo, there is an inconvenience there which can work against us. If you look at the other countries—Uruguay and Venezuela, for example—they have to make their applications through Santiago in Chile, and that is a further complication which we know can work against us. If you look at where the traffic flows are from these three markets, traditionally they are looking obviously north to America and also east to Europe for many good reasons.

We are the new world Johnnies-come-lately, but we have to make sure that we do not provide too many barriers for them to access the destination. There are increasing trends throughout the world for consumers to make decisions closer and closer to departure. One of the factors which can militate against a destination is if they cannot get access to visas quickly; it will cause them to make alternative choices.

Mr HOLLIS—Is that true? I do not know. I know that, when I have to get visas, I find it an irritant rather than a deterrent. If I am going somewhere, I will still go there, but I will complain greatly. If I get the run-around here with a country that does not have a mission in

this country, and I am suddenly told that I have to get a visa and that maybe it has to come from Tokyo or somewhere like that, I complain about it. I find that an irritant rather than a deterrent.

Mr Calderwood—I think you are right. I think it is more of an irritant than a deterrent. But it is a greater deterrent if we are looking at people who are looking to travel more for leisure purposes and who have a range of options which they are looking at and those decision time frames are getting increasingly shorter. That can then become an increasing deterrent. But I think we have to put the visa situation in perspective. There are other destinations in the world where we would say that the visa issue can have a greater deterrent than, say, in South America. It is certainly an irritant, and more so in that part of the world.

Mr HOLLIS—Another deterrent surely would be costs. Can we go through a comparison, say, of costs with airfares from, say, South America to Australia or to Europe? If you are there making a decision, it does not matter so much if you are a business person but, if you are a tourist and you are deciding where you are going to take your vacation, I suppose you would contrast the cost of fares to the States, or the North American state of Canada, with the cost of fares to Europe and to Australia. Are we greatly out of kilter with these other two popular destinations?

Mr Calderwood—I do not have the exact figures here, but we will obtain those for the committee and table them. Suffice it to say, the cost of a destination with regard to airfares is normally driven by the degree of supply. We are talking about four direct services, whereas the number of services which we would see going to North America or Europe are infinitely more. Therefore, traditionally, the airfare component of a holiday to both North America and Europe would be substantially less.

Having said that, the type of segments which we are going after are those segments which are traditionally high yield. While I would never be foolish enough to say that cost is never an issue with any consumer, it is perhaps less of an issue with some of the segments which we are going after at the present time.

Mr HOLLIS—I notice from your submission that you have said that, and then you have broken it down between family reunion, or family visits. I would imagine that, for someone coming from that part of the world, most of them would enter into a package which would include accommodation, airfares, internal travel and so on.

Mr Calderwood—Yes, the bulk of the travel arrangements from South America to Australia are still very much a package. But a package can take different forms nowadays. A package can simply be an airfare with one night's accommodation—and that qualifies as a package—as opposed to a 28-day complete tour. So we have to be careful in the way in which we define it. Yes, they are traditionally buying an airfare with arrangements. The bulk of them come to Sydney and disperse less to other parts of the east coast. In Sydney, they traditionally come and buy accommodation for X number of nights. One of the things we find—and sometimes these figures are distorted by the incidences of students who come for longer periods of time—is that the average stay for an arrival from South America is some 30 days, which is very high. Also, we talk about the high yield segment, and they tend to

travel in family groups. They use certain types of accommodation—for example, apartments or condominiums. They would then tend to buy them as part of an overall package situation.

Mr HOLLIS—I would imagine—and this is just a gut reaction that I have—that travel from that part of the world to Australia is different from travel from Australia to that part of the world. My gut reaction would be that the Australian going there would more likely be your younger backpacker, if you like, whereas the one coming from South America would more likely be your middle-class, well-to-do person. I do not know whether I am right in that; it is just a gut reaction.

Mr Calderwood—I think it is pretty true. If you said that there was a potential population of 500 million people in South America whom we could target, the reality is that about only three per cent of them would have the propensity to travel. They tend to be people from the upper socioeconomic groups, whereas in Australia I think the ability to travel is more evenly spread throughout the population. I am not an expert on the profile of the Australian traveller to South America, but the little I do know indicates that there is a combination of experiences which they go after. You can readily buy a package to South America between 3½ to 4½ thousand dollars, which is within the reach of a lot of people. Whereas, in the reverse, yes, you can probably buy a package, but they tend not to do the adventure type tour which Australians might be looking to do at Machu Picchu, et cetera. They will be looking to spend some time in Sydney and then move north to the Whitsundays or Cairns, et cetera, where the actual cost would be greater.

Mr HOLLIS—In order to get a feel for the situation, this committee would be interested—and this would be with the chairman's permission—in meeting, either in a formal or an informal manner, with groups of journalists or anyone like that who would be coming here. Would that be possible?

Mr Calderwood—Yes, it certainly would be possible. I am not sure what we have planned over the next number of months, but we will certainly take that on board and make sure that, if the opportunity does arise, we advise you so that a meeting can be arranged. We would facilitate that.

CHAIR—That has been extended on behalf of the committee with the concurrence of the deputy chairman, of course.

Ms Hudson—As you heard earlier, in the last financial year we had 14 people from the region coming on the program that we were talking about, being the visiting journalists program. That program is an ongoing one, so I do not see any problem in trying to facilitate that in the future.

Mr O'KEEFE—On the visa issue, what is the sort of criterion that gets a country into the ETA system? Is the problem here that the numbers just are not enough yet for immigration and customs to rope them into the system, or are the mechanics and the electronics of computer links and all of the rest of it in some of these countries not advanced enough to easily move into the system?

Mr Calderwood—The technology is there because the technology which we use is basically linked to the airline technology. So the technology is there. The question is the degree of investment which the Australian government has to put in to establish this, and that is a decision which DIMA obviously makes based on, among other things, the volume. However, the technology is there. The professionalism and the experience of the travel industry is certainly there to facilitate this process. There is no reason at all why it would not work there.

Another factor, of course, is the perceived level of overstay for a particular country and a perceived level of risk. That is a key factor which does militate against some destinations, but I would presume that the countries which we are talking about would not necessarily fall into the higher risk categories.

Mr O'KEEFE—I was about to ask you that question. You have not heard much informally about these countries presenting risks as we do in other areas?

Mr Calderwood—Not informally. There are some other countries obviously we are very conscious of, but in the case of those, no. DIMA has had a roll-up program in terms of where ETA will be introduced, and it has been gradually working that through. Yes, it has tended to be in those countries where we have had the largest number of arrivals and the risk is perceived as the lowest. But we have not heard any definite time frame for South America. Margaret, have you heard anything?

Ms Hudson—That is correct. We have not heard that formally they have a program to implement these areas into the ETA program. DIMA, I might also add, have, however, been talking to us in an ongoing way about some of the issues. Where we are coming from, of course, is trying to make visa facilitation as easy as possible so that we can maximise the number of visitors coming to Australia from the region. In recent weeks DIMA have in fact spoken to me about trying to get agency arrangements. Argentina was the first country they were looking at that for, whereby they are asking us to supply as input to that process the names of reputable agents which we have long-term associations with that we would recommend to be in a program—not for ETA at this stage but for direct agency arrangements—so that it would mean that the visitor walking in could actually obtain their visa through the travel agent rather than through the Australian consulate or embassy.

Mr Calderwood—And that is an interim measure which we have actually used very successfully in other countries, even before ETA came in. It is an advance which certainly can help. It certainly speeds up the process and can obviously overcome some of the problems I mentioned in some of the Brazilian experiences.

Mr O'KEEFE—Another question I have that is semi-related is that there is a common practice in the travel industry to provide study tours or quick visits of people working in the industry to different countries if there is emerging an interest. 'Educationals', I think they call them.

Mr Calderwood—Yes.

Mr O'KEEFE—Are you noticing any emergence of cross-visitation in the travel industry, and is there any potential here for us to encourage the travel industry to send some staff on some of the educationals between the two regions?

Mr Calderwood—Educationals are an institution in the travel industry and are sometimes used for the wrong reasons. In the case of South America, there has been quite a history of educationals going back, probably, four or five years. We worked with Air New Zealand three years ago to bring out some 100 of the industry from South America who were focusing on the incentive and convention business. Qantas in recent times has been running some educationals to bring out more of the wholesalers and retailers that are concentrating on the leisure business. Yes, that is an ongoing program which works extremely well—and it is a two-way flow as well. Qantas are currently looking at putting together some additional educationals to what they have planned already to take Australian industry across there.

So yes, it is a process which is ongoing. It is a process which we work on in conjunction with the airlines, and also the state tourism bureaus. In addition to that we have the major trade show called the Australian Tourism Exchange which we run every year in either May or June. We invite some 700 of the international trade to come to Australia as our guests. We have a fairly sizeable delegation come each year from South America. We take the chance to bring them across for a week and for them to spend a week of fixed appointments doing business. Then many of them take a chance to add—either pre or post—the opportunity to see different parts of Australia so they can improve their product knowledge. It is a key part, particularly in a new emerging market, of the marketing activity.

Mr O'KEEFE—What is your experience with both airlines at this point? Are their passenger loads roughly even both ways, or is there an imbalance? Are they flying back here empty or going over there empty?

Mr Calderwood—I am not familiar with the load factors for Aerolineas Argentinas at the present time. Qantas's load factors would probably be stronger coming from South America to Australia than the reverse. However, one of the strategies which they have, and I discussed it with them as recently as two weeks ago, is to increasingly promote the South American route out of the Japanese and also the Asian markets, and to try and change the mind-set which says, 'When you go to South America you go via Los Angeles'. There is no reason at all why that cannot be done successfully because it is price competitive and the time frame is not much different, but the comfort of travelling is far superior in that the first part of the journey is still within the same time zone, basically, as the source markets, and the time frame of the connection works extremely well. I think that will be a way in which Qantas will look to build two-way traffic, particularly to fill up the loads.

We have four flights a week. If you do a rough piece of mathematics we have about 60,000 seats a year, which is twice what we need at the present time. So there are an awful lot of empty seats which need to be filled up by what is sometimes termed as thrift freedom—either bringing people through from Europe through South America to Australia and then up to Asia, or the reverse. They are the options which Qantas are particularly looking at. It positions Australia in a slightly different way. We are seen more as a hub rather than the end destination. But, for our objective, if we get people coming through the

hub but extending some of their stay here we are happy as well, so we are looking at two different opportunities there.

Mr O'KEEFE—That is what I was about to ask you. Is that Asia-Sydney-South America trip comparable, say, to going virtually non-stop to Europe, maybe hanging around Hong Kong airport for two hours, or is it a trip where the sensible traveller will take at least a day or a night in Sydney?

Mr Calderwood—I think the way the time schedules would work would encourage people to actually have a stopover. You could go straight through but it is not the ideal way of doing it.

Mr O'KEEFE—Sure.

CHAIR—Could I just ask you this: what effect has the crisis in Brazil and the downturn in parts of Latin America and Argentina had? Has it had a dramatic effect or just a slight effect or will have it have a long-term effect or what?

Mr Calderwood—We obviously looked at the situation 12 to 18 months ago and we thought that perhaps it would slow down some of the traffic, and we saw a bit of weakening in the traffic. However, with the introduction of the Qantas services, with the increased presence in the market, that helped to offset and more that phenomenon. So the growth that was seen in the last financial year of 19.5 per cent is very healthy, very good, and we are anticipating that over the next five years growth will be ranging between 15 per cent and 20 per cent per annum—coming off a small base but a good consistent growth. We are talking small numbers. The reality is the impact of the economic situation in Brazil was not really badly felt in Australia. We were far more conscious about the economic impact of some of our source markets up in Asia than South America.

CHAIR—Does Qantas—and I guess we will pick this up later on in the inquiry—give a good package? If I want to get on the plane in BA, for example, and come to Australia for a fortnight's holiday, do they subsidise some of those internal routes in Australia with Qantas so that they can be really competitive? One of the big inhibitors to Australian tourism is the cost of getting from Sydney to Port Douglas, or from Sydney to Alice Springs, and that sort of thing.

Mr Calderwood—It is an inhibitor. In the past there were some good attractive deals, domestic add-ons to international fares, but they are not as readily available nowadays. A consistent concern and complaint which we get from different markets, out of Japan, out of Asia, is that that does inhibit dispersal beyond the gateways. It is driven in many ways by the way the two Australian airlines have separate profit centres for both international and domestic. Sometimes, you do not get the cooperation between them which maximises the bigger picture because each of them have their own separate bottom line.

We would certainly like to see the reintroduction of some of the more attractive add-on domestic air fares similar to what you see in America, where you have the VUSA fares, the visit USA fares, which are intended to do exactly that—to move people beyond the gateways

and to get them to disperse as widely as possible. It is a topic of discussion which we frequently have with airlines, but it is a topic which we have not won on yet.

CHAIR—What about other inhibitors like bed tax in Australia? Is that a problem?

Mr Calderwood—The bed tax was a particular issue for the Japanese market. There has been an impact on the length of stay, the bed nights, which Sydney as a destination has achieved from Japan because of that. When the bed tax was introduced the Japanese operators changed their itineraries such that they reduced the term in Sydney. In some cases they simply brought the customers into Sydney in the morning and took them out in the evening before they had to spend any time in Sydney. More often than not, it is psychological rather than financial. The reality is that Australia as a destination is still extremely affordable, extremely good value. If you look at the affordability of the destination because of our currency, it is fantastic out of the long haul markets of North America and Europe. So it is up here, rather than the cold hard cash, but it is a barrier which sometimes you find hard to shake.

The GST is another issue which obviously is exercising a lot of attention and imagination at present. On Monday we have a forum in Sydney, at which there will be close to 300 people, looking specifically at ways in which we can make sure we maximise the opportunity for Australia in 2000 and beyond which arises from the Olympics. But there are some challenges on the horizon in that there is a whole series of perceived increases in the cost of the destination through the introduction of GST, question marks about whether the bed tax will finally be removed, the situation about availability and the pricing because of the Olympics. The other factor is the perception that the Australian dollar will strengthen over the next nine to 12 months.

So all of those factors are there. The purpose of this forum will be to extract what the reality is and to share that with industry and to then in turn make sure that the overseas industry understands that. So sometimes these factors are more myth than reality. It is more a psychological impact than a real economic barrier, but they are certainly things which we will have to be conscious of. The extent to which they affect the business is mainly anecdotal. There is no cold hard evidence to sort of say, 'This is the true impact.'

Mr HOLLIS—I was going to reinforce what you just said. It is more psychological. I do not know about the GST but on the bed tax, some of my colleagues are fairly frequent travellers to Europe. The thing that always amazes me is just how cheap good, middle range hotels are in Australia and the service you get from them compared to many parts of the world. It is unbelievable. Try and get a night in London, Paris or Amsterdam for what you pay in Australia. It is like airport taxes; it is in the mind. For the Japanese to complain about the cost of hotels in Australia is a joke.

Mr Calderwood—Sometimes a discussion is based on emotion rather than on reality. The challenge we have is to try and put the reality on the table and keep pushing that message very strongly. We are certainly an affordable destination. We will certainly see an increase in the cost of coming to the destination over the next 12 months. We still believe we will be able to deliver a very good value for money destination, but we have some challenges.

CHAIR—You have elaborated a bit already on your PR in Latin America. That is where it all starts if I am living in Brazil or Argentina and I am trying to decide where I am going for a holiday. Could you elaborate more on how that will increase? That is why I asked the question earlier about Austrade. Every available Australian source—it is a part of trade—should be raising the awareness that it is a great place to go, especially with the Olympics coming up. Then they can go on to do a bit of business and maybe get a tax deduction when they come through Sydney. They are coming for the Olympics but are doing some trade work as well. Are you a part of that? Has there been good consultation between you and Austrade on that issue?

Mr Calderwood—There certainly has been consultation with us. We have cooperated in a couple of areas. I mentioned before that Austrade are involved with us in an upcoming workshop which we have in Buenos Aires on 24 September. That is one indication of our cooperation, where we work together, where it makes sense for both of us to try and build our presence. The VJP program, which I mentioned before, where we brought out 14 different print or broadcast journalists last year, was done in conjunction primarily with the airlines in the States. These people would come out to have a look at different aspects of Australia, not just the tourism aspects. In some cases we would combine with Austrade to provide some access to different aspects of industry for some of these journalists because they were writing on a whole range of topics. That is also a focus we had—to try and ensure that there is added dimension to the destination. But in the end these journalists, in the majority of cases, write for publications which do have a focus on travel and leisure experiences. That is what the consumer is looking for and that is what we have to try and deliver to them. That is where the majority of the focus is.

CHAIR—What do they look for? Maybe people come from other parts and want to do the three Rs. Or do they want to do the three Os here—the Opera House, the Ocean and something else?

Mr Calderwood—The traditional icons which everyone would be looking for tend to be the aspects of Australia which are best known. Most people would know about the Opera House, the reef, the rock. They will come and take the opportunity to see those. But the other aspects of the experience which are not as readily known excite them more often than not. You can get tremendous value from a good piece of journalism where they bring the destination to life, where they can get behind the scenes and explore different parts of Australia—

CHAIR—The outback is the other O.

Mr Calderwood—The outback is certainly part of it. The people are a very important part of it, and the food, the wine, the lifestyle, the sporting opportunities, the soft adventure, et cetera. It is putting some meat on the bone of Australia. We are a large land mass and we are well known for a couple of things, but there is so much more to it. If we can communicate that story it starts to make people believe there is something here for them, an experience which they want.

The youth market is an interesting one. We have been able to use selected journalists to help position Australia as being a very fashionable destination for youth. There is a great

awareness in Brazil, in particular, about the youth culture of surfing and some of the fashion brands we have and the lifestyle, et cetera. It becomes very much a case of saying, 'We have different segments.' Through research and discussions with industry we know the type of experiences they are looking for. It is then a case of trying to match up what they are looking for with what we can deliver here. That is where the journalists can help us—far more effectively than in broad-based brand advertising.

Ms Hudson—As a part of the visiting journalists program which we have talked about today we will also sometimes have particular theme tours. For instance, of the 14 that we mentioned last year two of those were particular theme tours. In line with Bill's comment about looking at a particular segment of the market, we might believe there is strong interest in Australia's nature based tourism product. One of those tours, for example, may have focused on the theme of experiencing Australia's outback or environmental tourism, that type of thing. Hence that is combining all parts of the marketing mix to make sure that we direct the public relations at the things we know particular segments of the market are most interested in.

CHAIR—Are you looking forward to seeing a lot more from tourists from Latin America? Where is the big growth into Australia going to be in the next little while and where does Latin America rate in that?

Mr Calderwood—Latin America accounts for 0.7 per cent of the arrivals into Australia, so it is still a very small market, but we should not assess that market on the basis of numbers; we should look at it on the basis of yield. It is a very good yielding market for us. So that is where the focus has to be. We will continue to concentrate our activities on targeting those high yielding segments. It will, as I mentioned before, over the next five years be delivering a growth of between 15 and 20 per cent. That is a very good growth, albeit coming off a small base. So we will get to numbers of 53,000 in quite a few years time.

But if you compare it with other parts of the world, the fastest emerging market for us we would obviously be China. We have four key parts of the world we describe as emerging markets—South America, South Africa, the Middle East and China. If I had to rank South America alongside those other three they would probably rank equal third best in terms of the potential for us, but one which can give us a good return on investment if we maintain our investment at current levels.

Mr O'KEEFE—You made a comment, Bill, about trying to capitalise on the post-Olympic awareness of Australia. A strategic area that we have put quite a bit of work into in the last 10 years has been sport tourism and I guess what you would call media, television, film-making associated work. Are there common interests with South America? Is it a golfing country, for instance? Mick Doohan is the world champion 500cc rider. Are there areas of sport apart from soccer emerging in these countries that provide sport potential as well?

Mr Calderwood—There are probably three sports you can identify very readily in addition to soccer, which is so dominant. One is surfing, with the youth market. Two is polo, but it is a very small market. The third is motor racing. There are some synergies in each of

those areas. The two which have been most successfully linked up in recent times are the surfing aspect of Australia as a destination and the awareness which the Melbourne Grand Prix and, prior to that, the Adelaide Grand Prix have created for Australia. That has certainly worked. Of course, we have the Brazilian soccer team here in November. That always helps—we will get a number of Brazilians who will come across for that game—but that is not a long-term issue for us.

CHAIR—Thank you very much for your attendance here today. If you have been asked to provide additional material, could you please forward it to the secretary. On behalf of the committee, I thank you very much for appearing this morning.

Mr Calderwood—Thank you for the opportunity.

[11.13 a.m.]

MILLNER, Mr Ian Peter, President, Australia-Brazil Chamber of Commerce

SHORT, Mr Geoffrey John, Member and Immediate Past Vice-President, Australia-Brazil Chamber of Commerce

CHAIR—Welcome. The subcommittee prefers that all evidence be given in public but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses.

The subcommittee has a submission from the Australia-Brazil Chamber of Commerce. That submission is No. 15. I now invite you to make a short opening statement, if you wish, and to let us know if there are any alterations you want to make to that submission, before we proceed to questions.

Mr Millner—Thank you, Senator. With regard to the submission, the message the chamber is trying to get through to this committee is to ensure that the government realises the importance of the service industry as a player in developing our exports from Australia. That is one of the key messages, and that is exemplified by the majority of the members in the chamber being service organisations. There is a need to create a framework with the government instrumentalities to support the SMEs in two ways: firstly, to try to promote Australia as a global partner and, secondly, to actually get the message to the SMEs that there is a market outside.

I will exemplify the rationale behind our submission by pointing to the submission by Austrade: it is quite detailed and has a lot of really good information but, in most cases, some of the information would not be something that an SME would ever really be excited about. Once you understand international trades and you are involved in it, yes, there is a relevance. But we have to try and find new ways to get the SMEs excited about it. That is what we are trying to put forward here as ideas. I will let Geoff add to that.

Mr Short—That is probably sufficient by way of introductory comments. We are prepared to embellish some of the comments that are made in the submission. Perhaps if there are any questions from the subcommittee we would be better placed to answer those initially and then come back to some further discussion.

CHAIR—Okay. Mr O'Keefe.

Mr O'KEEFE—I personally like the thrust of what you are saying. In fact, it has been put to us already this morning, and earlier, that some of the big opportunities may already be very difficult but that at the SME level it appears there are opportunities. In terms of service providers, I pick up your definition here of sellers of tangible products versus sellers of service products. Are you saying that SMEs in the tangible product field do not have that many opportunities and that it really is a service focus we ought to be putting our attention

on and looking at how we get SMEs aware of the opportunities—that they are not all banana republics there, that planes fly there and that it is worth doing business there? Are you saying focus on service, or do you think there are plenty of opportunities for small manufacturers and small product makers if the awareness can be built?

Mr Millner—From the point of view of the tangible product SME, I would say it is a much more difficult sector to be able to establish yourself because you then have to understand the cost of running a business of that kind in an overseas location. Whilst it is possible to find niche markets and export—and I would never discourage that and, wherever possible, would promote it—the difficulty is the investment required and the support infrastructures that is usually required to be able to provide a tangible product.

On the other hand, on the service side, the product itself is an individual who is going to provide that service, therefore that is easier to replicate or to move to different locations throughout Latin America, for example. That is what my company currently does in South America—we train not only in Brazil but in Bolivia, Peru, wherever we are required, and that is very easy to move. We have no limitations. We have no manufacturing plant. We simply move from location to location, based on the requirements. That is why we see services being much more effective as a beachhead. Furthermore, the risk that exists in launching services is much lower. That is, if the business does not take off, you do not have investments in manufacturing plant or you have not actually invested in capital equipment for increased production here, for example, or overseas. That is why I tend to see services as being much more effective.

Also, when you get into Latin America it is a big market; therefore small manufacturing is not necessarily something that they need. Bear in mind that Brazil, in particular, is a fully industrialised country with manufacturing capabilities. Where we can help is in providing services to improve their manufacturing capabilities, to assist them in making the transition from their current manufacturing practices and industrial relation practices and other such deterrents to increased productivity. That is where we can assist very effectively and provide that technology change for them to be able to go into doing smaller runs and being more competitive as well. So I see that as more beneficial than the tangible side.

Where we can help is actually providing services to improve their manufacturing capabilities, to assist them in making the transition from their current manufacturing practices and industrial relation practices and other such deterrents, to improve and increase productivity. That is where we can assist very, very effectively and provide that technology change for them to be able to go into doing smaller runs and being more competitive as well. So I see that as more beneficial than actually the tangible side.

Mr Short—If I could just add to those comments, Mr O'Keefe, I think the whole premise of the submission is based on a couple of truisms, I suppose. The future for Australia depends very much on exporting. Australia's future export earnings I think depend very much on services—and in these comments there is not an either/or situation. We are not saying, clearly, that we stop supporting and promoting our resources and agricultural products and our small or large manufacturing capabilities. But the really untapped potential is in services, and that is where Australia has developed quite a reputation globally for being the clever country, and governments of all flavours have tried to promote that concept.

Undoubtedly Australia has great intellectual resources. One of the comments we make in the submission is that clearly that is an infinite resource, our intellectual resource. It seems to us that the greatest gains to be made in the future are by really promoting and supporting the export of services from Australia.

The next truism, if you like, is that in many regards those services are provided mostly by SMEs. Working through the logic of that, it seems to us that there is potentially a more immediate and direct return to the Australian economy by having those SMEs become increasingly involved in exporting their services. They are many, they are spread fairly uniformly throughout the country state by state and, to the extent that each of those becomes involved in exporting, then there is, we say, a more direct return to the Australian economy.

Our observations, I suppose, over the last series of years—and bear in mind this is primarily from the perspective of a bilateral chamber, the Australia-Brazil Chamber of Commerce—are that the promotion efforts have tended to be at the other end of the scale. They have tended to be in respect of resources, infrastructure, some of the major production facilities and some of the major companies in Australia. That we applaud, and we think that in many ways one might say that was a logical starting point for really promoting Australia's trade—and we would encourage that to continue, undoubtedly. But we think the time has come for there to be a refocus and a considerably increased effort into identifying Australia's services industries, identifying the opportunities for those in markets such as Brazil, and promoting those, really trying to match the demand in Brazil with the supply in Australia.

Your earlier point or question, I think, can also be answered by saying that there are undoubtedly extraordinary opportunities for manufacturers in Australia as well, and some of our members of our chamber are manufacturers. A few months ago we, as a chamber, promoted a seminar which we ran in Sydney and in Melbourne. It was asking a rhetorical question, 'Brazil: business as usual?' We had a number of people contribute to that seminar. Both were very successful and were well attended in both cities, and in Melbourne we were honoured by the presence of the Brazilian ambassador based in Canberra. After the seminar we toured a number of institutions and manufacturers in the northern Melbourne region. One of those is a manufacturer of electric motors and is highly successful in Australia, but a company which has really, I guess, reached the ceiling in terms of the potential market for its products in Australia and logically is, therefore, looking for potential markets overseas.

In the short, half-hour conversation we had with them, it was apparent that Brazil, because of its tremendous population, its increasing consumerism and its increasing industrialisation, has a demand in many fields for this single product that this company produces. That is the sort of opportunity that I think can be uncovered with relatively little effort. I think it would be very profitable for that company to engage in the Brazilian market.

The point that I think Mr Millner alluded to briefly was that those manufacturers will always confront a number of barriers to their exporting trade. One of them cannot be changed, and that is just the tyranny of distance. If we are talking about shipping product from Australia to an overseas destination that is halfway around the world, there are inherent costs in that. The other is the actual tariff and non-tariff trade barriers that those export destinations might put up. Services, on the other hand, do not confront those tangible barriers. They are much more able to be delivered without those sorts of impediments.

Mr O'KEEFE—I understand the logic, too, is that if you can get those kinds of people in there from the SME level who are thinkers, describers, communicators and activators in one way or another, they will generate their own cross-flows. There was a discussion before you arrived this morning on the fact that traditionally our beachhead has been the companies experienced in global operations and exporting operations. Our SME sector is still learning how to do it. But having learned how to do it in Asia and having learned how to do it in some of the places where the perception was that there was not much trade to be done, the experience should be equally as productive in the South Americas. You are saying the same thing.

Mr Millner—From the chamber's perspective, in actual fact, doing business in Brazil is relatively simple now. I say 'relatively' because there is a predominance of the same cultural background for both Brazil and Australia. It is predominantly European based. It facilitates that entry point. There are some challenges. I personally have not come across any impediments to trade. I have heard stories, but I have never personally had to actually do anything that is outside the normal course of business to establish a business and run it.

It is an easy place to do business. The enthusiasm of the Brazilians is also very high. Also, the acceptance of Australians is extremely high, and that is something we cannot get away from. When you say you are an Australian company, it is actually an advantage because you are not seen as being involved in any sort of trade-type activities around the world which are oppressive. Obviously, the bigger the economy is, the higher the potential of having a bad story about you. Australia is either not known at all or, if known, it is well regarded. It is actually easy to do business. When it is known, it is known for the level of expertise. When it is not known, it can be demonstrated that we actually have a very high level of expertise and that we are incredibly successful.

When you go to Brazil and you start to make them realise that we are a country of 18 million people and have a GDP which is very significant, then suddenly for them it is, 'Hang on, how have you achieved this? How can a country of that size achieve what you've done, given that Brazil is a country of equal size, equal resources'—in actual fact, probably more resources. You do not worry about water in the majority of Brazil because water is always there whereas here water is a problem. In essence, they have got even greater access to resources, yet they have not been able to capitalise. So they have suddenly realised, 'Hang on, we really should start looking at what the Australians have done.'

Also, in Australia the bureaucratic side is wonderful. It has created a certain framework for business to develop right from training through to all the legal infrastructure requirements. In Brazil, while some of the bureaucracy is there, in certain areas such as training and standardisation it does not exist. Therefore, again we are seen as being very much leaders because we participate in the global village from the point of view of having input to international standards organisations. There is real potential.

The biggest problem is that no organisation, neither the chamber nor Austrade nor the Department of Foreign Affairs and Trade nor anyone else can recognise the opportunities that the individual SME can actually recognise. That is why it is imperative that we get the SMEs excited to go there, visit, look and understand.

Mr Short and I travelled to Brazil two years ago. It was my third trip and Mr Short's first trip. At the completion of that trip we both came to the same conclusion—the opportunities were there. What you have to do now is put blinkers on to make sure that you do not get caught up in following every single opportunity but rather focus on the one that you are aiming at. That is actually a difficulty in itself because people who run SMEs get excited by an opportunity. If you can turn a quick buck then it sounds like a good idea. The reality is that you have to be focused. There is a discipline required. The only people who can actually realise the opportunities or discover that they are there are the SME people themselves, the individuals.

Mr HOLLIS—Tell us about the challenges. You hinted that there might be a challenge that you have not actually had to approach but you have heard about?

Mr Millner—If you are talking about tangible goods, getting through customs can be a challenge at times. I have no personal experience of it so I cannot speak from personal experience, but that can require assisting or facilitating the movement of goods and services. I cannot give you an example because I have never actually lived through that.

Mr HOLLIS—What about the transport links between the countries? I think shipping is a monthly service.

Mr Millner—It is.

Mr Short—There are a number of lines that are participating in the route. It is a typical chicken and egg situation: if there were the volume of trade then the services would match it but the problem there will not be the volume of trade until the carrying capacity is there. Indeed, that is the same dilemma that the airlines have had to deal with. The development of the direct link by Qantas into Buenos Aires and then in future the connection into Sao Paulo or Rio is a fantastic fillip to not only tourism but what necessarily inevitably follows from tourism, which is trade.

Mr HOLLIS—You are critical in your submission about some aspects of Austrade, especially the cost recovery aspect. Do you want to elaborate on that?

Mr Short—It flows from the premise that as a chamber we see the future as being with SMEs. It also flows from the comment Mr Millner made that one of the challenges is to find a mechanism for really identifying the opportunities and reporting those back to Australian SMEs so that they become excited and prepared to commit resources to go and look at these types of markets and investigate them themselves. But the user pays or cost recovery constraint that Austrade works under at the moment really is a significant brake on the enthusiasm of SMEs to investigate those markets. The point we made was once again relatively self-evident, that the larger companies that engage Austrade's services are well able to afford those costs. However, the smaller SMEs are not so able to afford those costs and yet it is right at that initial exposure stage that things need to be made easy for Australian SMEs to investigate the next step and to commit some resources.

A simple and quite small example, but one that affected me personally, concerned my initial foray into Brazil. I am the managing director of a trade consultancy and my initial

foray was intended to establish contact with 12 industry organisations in Brazil, but I was confronted with the language barrier—I did not speak Portuguese.

I had identified the 12 organisations in Sao Paulo and my request to Austrade was to make the initial contact, from the Sao Paulo office, to those 12 organisations and to identify an English speaking person within each of those who I could then develop a rapport with. It was not to set up meetings or to develop a schedule of meetings, it was just to get the name of somebody who could speak to me in English. Austrade said the cost to my organisation for Austrade to do that would have been $50 per approach, an up-front cost of $600.

One might say that is a relatively small amount and that if you are serious about exporting then you have to be prepared to meet some costs. Indeed, we were, but from a government entity, from a government trade promotional arm, we considered that was an unhelpful approach. Ultimately it dissuaded me from engaging Austrade to do that, which in a way was a pity. Nevertheless, I was able to make the same approaches through the Chamber of Commerce, which was happy to do it free of charge.

Mr HOLLIS—I am just trying to contrast what Austrade does with what another country would do, say, Canada or New Zealand. Do they run a similar sort of thing as Austrade? Are the restrictions there the same? Through your contacts and discussions, do you know of any other countries that do that?

Mr Short—I am afraid I do not, but it is an interesting question and it might be one that we, as a chamber, might make some inquiries about. But I do not have any first-hand knowledge of that.

Mr HOLLIS—If you did make an inquiry, we would be interested in the result, and we might even make a few inquiries ourselves. But if you, from a chamber perspective, make some inquiries or get some feedback, we would be interested in that. There may be a Canadian chamber or a New Zealand chamber. We would be interested in any results that you got there.

Mr Short—Yes, we would be happy to do that. Some of the comments that are made in the Austrade submission to the inquiry are very well made. There is a quite indicative and revealing table at the end of it about the resources that are currently in Brazil and Latin America compared with the resources of some of our competitors such as Canada and the United States. In many ways we are, as a country, unrepresented there. I hope that will change because the market has tremendous potential.

Mr HOLLIS—Our first witness this morning made the point that when the Malaysian Prime Minister went there he went with something like 200 business people, and when the Canadians went there they had 300 or 400 people. The Canadians seem to travel with that many business people. The point he was making was that the impact that made on the respective countries, and the message that was sent, contrasted with the Australian approach. Although the Deputy Prime Minister has been there he made the point that the Prime Minister had not been there and we had not had a big trade delegation there for some time, if ever.

Mr Short—That is a very valid point, and it can never be underestimated. There are a couple of examples. I think there is a real contrast between the way South America has been promoted compared to the way Asia was promoted as an export destination. When the government was promoting Asia, it was very much a case of the government going into the region and, if you like, planting the flag and encouraging Australian businesses to go there, and there was a tremendous amount of ministerial activity in Asia to raise the awareness of Australians about Asia. But, equally, as you rightly point out, it raises the awareness in the target export destination of Australia once the ministers and the Prime Minister go there.

That should be contrasted with South America, where I think it has tended to be more a matter of Australian companies going there and doing things on their own account, scoping the lay of the land by themselves, and then reaching back to the Australian government by saying, 'Please come and support us over here.' One small anecdote exemplifies that. I am on a number of bilateral chambers of commerce, including AmCham, the American Chamber of Commerce, and I sit on its international trade committee. At a dinner featuring a former Prime Minister, one of the members at my table was saying that he had been trying to do some business in an Asian country for four or five years to secure some contracts, and they had been doggedly pursuing work prospects over there but with very little reward.

When the then Prime Minister went to that country and was very warmly greeted by the head of state of that country, with full ceremonial honours, and was warmly embraced in a televised meeting, the attitude of the people whom this person had been dealing with in that country changed immediately. It was a very intangible event, in the sense that it was not directly related to this company's efforts or its merits, but as soon as the potential Asian partner saw how our Prime Minister was warmly greeted, it changed their demeanour entirely and a deal was consummated within a matter of weeks after that. So it is very true that the presence of ministers, and the Prime Minister in particular, in these sorts of jurisdictions would do tremendous good for the cause.

Mr Millner—In actual fact, in 1991, there was a trade mission headed by the Hon. Alan Griffiths, which was very successful from the point of view of opening doors which you normally just do not have opened. I have just come back from a trade mission to Israel with Senator Alston and, again, the reception was such that it facilitated the initial contact with organisations you normally would not be able to have access to, and that is imperative.

In South America, in Latin America, it has to be stepped up, because of the size of the market. Whilst we are competing, we are competing against North America. There is an underlying principle in that everyone says, 'Really, South America just belongs to North America.' It is something that people feel. If you talk to people in Australia, especially other SMEs that are not dealing with South America, they say, 'Obviously, the States would be taking care of that market.' In actual fact, they are not necessarily taking care of that market, because it is a niche they are not even aware of, and that is the issue. To go there and open those doors, it is vital to have someone from government leading a trade mission and providing that support.

CHAIR—It has happened in the last year or two. A bit more than a year ago I led the PEC delegation to Santiago, and that had representatives of all the top Australian businesses, plus SMEs as well. So I think it has been ongoing. What are the chambers of commerce

doing in order to do some of these things themselves? For example, we have not got Austrade people everywhere.

I have just come back from southern Africa, for example, and there are not heaps of people there because we have not got a lot of trade there. It is increasing, in a way which is similar to what is occurring with respect to trade with Latin America. But, really, it is only a matter of opening doors. We are talking about sending ministers or the Prime Minister to open the doors. That is just a one-off which gets a bit of publicity. But it really is the troops on the ground that do it. Are our chambers of commerce doing enough? I would like to think we could do a little bit more, actually, as chambers of commerce. Austrade could do more; everyone could do more. It is a big world out there. We have to take account of our limited resources and our responsibility to the taxpayers. I just wonder how much more we can do as chambers of commerce. And that is not pointing the finger at the Australia-Brazil Chamber of Commerce; it is pointing the finger at all chambers of commerce.

Mr Millner—For chambers of commerce to become more active, one of the issues is to try to portray an image of the importance. The reason I say that is because, if you are a member of a chamber of commerce, for example, in Brazil, being a member of the Brazil-Australia Chamber of Commerce is actually quite a prestigious position. Obviously, if you are a member of the management committee, it is also very well regarded.

For example, being the President of the Australia-Brazil Chamber of Commerce, when I go there, I am very well received. The opposite does not happen. In Australia, we tend to be much more blase about it: 'So you're in the chamber of commerce, so you're the president; well, good on you, it's great, have a pat on the back, keep on going.' The problem that the chamber has is in raising sufficient revenue through its membership drive, because we have membership fees which are relatively low in comparison to Brazil. Here, the chamber charges about $150 a year for membership. In Brazil, it is 50 reals a month, so it is significantly higher. Therefore, they have more resources and are much more active, so any inquiries which arrive at their doorstep can be handled. Somehow, in conjunction with Austrade, we need to develop a way of encouraging people to join chambers of commerce to create that level of importance. Until we do that, it is always going to be a struggle.

As a chamber of commerce, we are currently working closer and closer with our sister chamber in Brazil. We are trying to improve the flows of communication. I have to admit that the infamous Internet has assisted that because there is a lot of two-way communication taking place now. We are trying to incorporate the newsletters to make them into one newsletter so that we are going to a larger audience. At the same time we are trying to encourage both government and private organisations to sponsor speakers to come out here—and vice versa—and ultimately mount a trade mission. That is what we are doing as a chamber, and that is why we need the support of organisations such as Austrade and other organisations, because of the revenue required to mount a successful trade mission.

CHAIR—Do they come out here—your counterpart in Brazil?

Mr Millner—Yes. In actual fact, the last person was here a month ago.

Mr Short—A month ago.

CHAIR—What do they do when they come here?

Mr Millner—This was his initial visit and we organised an itinerary for him to meet people from Austrade and the Business Council. It was predominantly a visit to Sydney this time—it was a first visit. On previous occasions we have had visits by the president. The president has been involved in tourism—a roadshow that has been conducted in the last two years from Brazil to Australia.

CHAIR—Do they get an invitation to meet the Joint Foreign Affairs, Defence and Trade Committee—the trade subcommittee?

Mr Millner—No.

Mr Short—No, I do not believe so.

CHAIR—The Minister for Trade?

Mr Short—I do not believe so.

CHAIR—What I am trying to develop is the fact that trade does not happen because of one visit by a Prime Minister or half a dozen Austrade people. They have got to identify markets, obviously, and try to get them back through the system here. In the last couple of years, in my position as Parliamentary Secretary to the Minister for Trade, I did 30 trade roundtables around Australia, to try to get more awareness amongst people in Australia about what the markets were like out there, if they wanted to get out to them.

They were all SMEs and there were about 1,500 people, I think, who were contacted—potential and existing small exporters. But everyone is playing a part. I am trying to elaborate the argument, if you like, to say, 'How can we do more as members of this committee? How can you do more as a chamber of commerce? How can the business councils do more and does the overlapping Australia-Latin American Business Council take away from you or does it add to you?'

Mr Millner—The Australia-Latin American Business Council act very much cooperatively. They have got a seminar happening in November. We will have a seminar in March so as not to be targeting the same audience because the difficulty with Latin America tends to be that we address the same audience in this particular point of time.

Mr O'KEEFE—I can sense a little bit of the frustration that you are expressing in this. From our point of view, this is an emerging field for Australia. We call ourselves a great exporting nation because 80 per cent of our agriculture and mining is exported. For 100 years, that has been all. The vast majority of Australian businesses virtually had no export experience whatsoever until the last decade. Our major focus went originally to Europe, then it went to Asia. Now the South Americas are suddenly appearing on the map from this national policy perspective.

CHAIR—In 1996 we said: Asia, but not only Asia.

Mr O'KEEFE—Yes, so it is very recent. Your message that the real opportunities are in the SME area is a very timely one. You are signalling that services in particular are well regarded and easier to do to form the beachhead. You have now put another perspective on that and that is that, in the culture of countries such as Brazil, the chambers of commerce, for instance, hold quite a lot of standing, whereas we have had an experience with our small businesses that they find it impossible to work together. They see each other as competitors; they do not share information. You cannot even get them together in a local chamber of commerce in a town to cooperate. You are saying that they need to understand that overseas these organisations are seen as very significant. Through this work, maybe that will be one of the things that we need to get Austrade to help us with. The roundtable work that the chairman is doing is part of it.

I guess what I am trying to say is, 'Do not be too frustrated.' From the point of view of national politicians, we get frustrated at the fact that the currency devaluates by 20 per cent and two years later people are still wondering whether we should take a business activity to trade off the back of that. Is it really going to stay that way? No, let us wait another five years and then see if it was a real opportunity. Australia is becoming more dynamic, so I think the views that you are putting will help that dynamism quite a bit.

I have got a small manufacturer with only 60 employees in my electorate who have just surprised themselves at their capacity to go overseas when the textile industry collapsed in Australia. They sell into the top value-add end and the margin is so good that it even pays for just-in-time airfreight delivery. I am quite sure they would never have even thought of the high income end of South America, yet it can be a high yield market. I will suggest that they have a look.

Mr Short—That is absolutely right and I think that is another point that is very well made in the Austrade submission. One of the greatest difficulties for us all is mutual ignorance: they do not appreciate us sufficiently as a supplier and we do not appreciate them sufficiently as a source of demand. That is where our collective efforts should be directed and, as a chamber, we would be absolutely delighted if we can foster a deeper relationship with your subcommittee and with Austrade, because it gives us all the capacity to accelerate the pace at which these things are happening.

To come back to the chairman's question about the chamber, it has to be remembered that the board of the chamber works on an entirely voluntary basis. We do not have any staff effectively and, coming largely from SMEs, people are giving up the time dedicated to their business to attend to the affairs of the chamber so there are necessarily finite resources we can draw on. The real goal of the chamber, I suppose, is to provide a vehicle for people who do have an interest in bilateral trade between the two countries to share those experiences so they can do more easily what they want to do, they can avoid some of the mistakes of those who have gone before them and they can get the contacts at a well qualified level. It has been doing that through a number of ways. I have mentioned that we have run some seminars. We ran two seminars in 1997. We ran two seminars again this year all of which have been very well attended but we need, as a chamber, to continue to do that on a regular and a more frequent basis than we have in the past. We would be delighted to have some support from the government agencies such as DFAT and Austrade in promoting and supporting those by way of speakers, financially if possible, and topics that can be discussed.

We want to engage in an ongoing relationship with your committee as well. I think it would be very helpful to the cause.

CHAIR—Can I just make the point there that chambers of commerce, and not yours necessarily, are very hard to get membership lists from. I know because it was my area of responsibility. Quite often I had trouble from some chambers even getting a membership list. I wanted to put them completely in the loop to send all trade material plus a newsletter to. Do you freely give your membership list to the minister for trade or to Austrade and say, 'Look, these are our members. Please give us any information pertaining to Brazil'?

Mr Short—Absolutely. We, like you, have been surprised at how some other chambers seem to have some sort of proprietary interest in the list of members. The Australia-Brazil Chamber of Commerce on the contrary is delighted to broadcast the names of those members because it is in the interests of the members to do that. In fact, we had a debate—we now have a web site for the chamber—originally about whether access to the web site should be password coded just for the members so that the public would not be able to get access to it. On one view it would be an additional benefit to membership that you would have access to the web site and the information on it. Ultimately we resolved that was self-defeating because what we all want is to promote the services and products of the individual members. We decided to make it publicly available and if a non-member chose to contact one of our members because they have accessed the web site that is cause for celebration. We would be delighted to share the list of members and their contact details with the committee.

Mr O'KEEFE—One opportunity that seems to be coming out of our discussions today and earlier is the Olympic Games and the post Olympic-pre Olympic period. For a chamber of commerce is there potential, for instance, to encourage people to come a month earlier and give them home stays or accommodate them with members or vice versa? I am trying to think of some way that we can make more business opportunity out of this huge tourism event.

Mr Millner—One of the members of our chamber is the Brazilian National Olympic Committee. We have been obviously trying to encourage or maintain a dialogue. It can be quite a challenge in itself because they are obviously very busy getting themselves organised. The other thing though is that the president of the Brazil-Australia chamber is actually in tourism so he has obviously been pushing as many people as possible to come and visit Australia. The idea of having home stays is something we can definitely look at promoting. We were trying to make sure that we have ties with both the national Olympic committee and the sister chamber to try and promote people to come out here and discover what is going to take place.

The problem we have is actually going beyond the immediate membership, because there is a cost. When we did the seminars at the beginning of this year we put an ad in the *Financial Review*. That was $1,700. For a chamber that is a big chunk of money. The returns were great, but the problem if we are to go into tourism is that the market becomes larger and larger. Whilst I think it is a good idea, how to execute it is the only thing I would have difficulties with.

When you ask what chambers can do, on the other hand, one of the things we have looked at—and, as Mr Short said, we are all volunteering our time—is creating a document that can be handed out to people who want to go and do business in Brazil. It would be: tick these boxes before you leave the shores of Australia; if you have not ticked all these boxes, do not leave. The reason we have talked about that is because we have had people from Brazil turn up here with catalogues and bags and all sorts of wonderful goodies, but totally and completely unprepared. What we have done is sat them down, structured and put some sort of formality into their presentation and then sent them away to talk to organisations. One lady was successful.

I should mention that we support trade, completely and entirely, both ways—it does not matter which way, we will promote it. Our interest is to get trade because the way we look at it is that as long as trade is taking place there is a greater opportunity that we will get more trade out of it. So that is something we would like to do and it is something that we could probably do in conjunction with Austrade, the Department of Foreign Affairs and Trade and you, and we would make it generic to ensure that people cover all these areas before they leave the shores.

The other thing is to try and simplify how you approach government or government instrumentalities. The reason I am saying that is because you have Austrade and the Department of Foreign Affairs and Trade and, in essence, sometimes you feel as though there is competition there. It could be totally a perceptional issue but there seems to be competition. Whether Austrade should be a more encompassing body I do not know—I am talking simply off the top of my head.

Mr HOLLIS—You make the point in your submission that Austrade and Foreign Affairs should be separate entities.

Mr Millner—The reason is that in this submission we are talking about moving Austrade out of this cost recovery model and saying, 'Let's make it a promotional agency.' It is the Australian Tourist Commission, except it is the Australian Trade Commission when it is out there going to every single function that they can possibly get to in Brazil saying, 'Before you make the next decision about who you want to partner in this global village, remember Australia is there.' That is what we are saying, not try and identify the opportunity, because it is very hard for any one individual to identify the opportunities that I or Mr Short or anyone else in this room will identify when we actually are there.

The idea is to at least get the Brazilians to realise—and people from any other country, by the way—that before they make a decision, they should at least contact this Austrade organisation that will, if nothing else, pass the information back through the bilateral chambers, or by any other means, to Australian SMEs or any other organisation. I am not restricting it to SMEs. We focus on SMEs because we feel that SMEs are such a large part of the Australian economy that we have to get that message across to them, but it could be any organisation that could be involved in trade. So we see Austrade moved out completely from that environment.

Also, from the experiences we have had in Brazil, we see Austrade and the Department of Foreign Affairs and Trade as having become one in the sense that you have a consul-

general and the trade commissioner being one and the same person. That is a very difficult role. On one side you are a diplomat, and in Brazil a consul is someone of great importance. In Australia there is the tall poppy syndrome and we say everyone is equal so it does not really matter. But over there it is very important—if you are a consul-general you must have a particular standing in the community. There is even an expectation of how you behave, and not just you but anyone related to you. As a trade commissioner it is different—we are now talking about business. Business is a bit more hard nosed, more to do with reality: let us get down to the facts and the truths. Therefore, you cannot actually combine the two because, in a sense, on one side you are potentially insulting people when you are really looking at trade and on the other side you are not doing the right job because you are not being hard-nosed enough about business. That was the idea behind that.

I should mention that I was born in Chile and I lived for 12 years there in an environment where there are very distinct positions and where your title is very important. It is something that is very significant in Latin America in general. If you meet Latin Americans, anyone who is well-to-do is either an engineer or a solicitor and then they hold positions, and you do not get an electrician who holds a position. Whereas here in Australia it does not matter what your background is, if you are capable of doing the job you can get the job and make a go of it. That is why you have to separate it to an extent, to work into the cultural requirements of the country.

Mr HOLLIS—There is one thing I want to throw in, as a bit of a devil's advocate type of argument, and Mr O'Keefe has also mentioned it. What you are saying to us today has been said to me and all members of parliament about many parts of the world. For many years I have had an interest in South Africa and I chaired a committee looking at trade possibilities with South Africa a couple of years ago. Always we were being told that Australia is too thin on the ground, and we are not doing this and not doing that. Last year I was in Estonia and various other places and people were putting that to me. I remember someone from the mission in Stockholm was there with me and they said, 'Look at all this potential. We're losing business.' While I was there they signed some vegetable oil import deal and they said, 'If we had only had people on the ground here—look at the potential that we are losing.' I accept all that. But Australia is a country of 18 million people. Can we expect to be effective in all parts of the world or should we just select niches? That is, in effect, what we have done with Asia—we have gone in there and, as you said, waved the flag and developed it, more and more people are learning Asian languages, and business people now are more adapt at dealing with the Asian culture.

Are we whistling in the wind in respect of South America—and, again, I hasten to say I am being a devil's advocate—or is it worth all the effort we are putting in? I would not expect you to say, 'Yes, we are whistling in the wind.' It is a bit of a rhetorical question. But it is an issue that we have to face all the time because when we go to various parts of the world or talk with the embassy people here in Canberra or overseas or with our business people, this is the one thing that is always put to us. If, say, you talk to a business person doing trade in Scandinavia, they will keep saying that they lost opportunities of trade with Finland or Sweden because we have not got those people on the ground. Having said that, we had a seminar last week where we had Professor Helen Hughes before us and she told us that we were just wasting our time and the bureaucrats' time, that what we should be doing

is closing down embassies, getting all the bureaucrats out, because they have absolutely no money for Australia, and leaving it entirely to the private sector.

Mr Millner—I would strongly disagree with that view, by the way.

Mr O'KEEFE—That was more to do with the impoverished countries that are in debt.

Mr Millner—In answer to your question about whistling in the wind, it is sometimes not a bad idea to whistle in the wind because someone might hear you. It is a really good way of describing it because, yes, you and I can whistle and, ultimately, someone will hear.

The issue is—you are right—we are thin on the ground. I totally agree: it is impossible to actually go to every country and have Austrade and trade missions in every single country. It is not logical. But you can have a trade mission with a good core of people that then tour the countries and get away from this cost recovery issue. I can understand that, if you have got a cost recovery model, what you have got to do is focus on demonstrating that you are actually recovering the costs of doing the business. Unfortunately, I think that that then automatically stifles the ability of promoting the country. I realise private enterprise has to do that. That is what I do every day. If we do not recover the costs, very simply, we are out of business.

From my point of view we have to do a bit of whistling in the wind, and we have to continuously be doing it and move around from country to country promoting and making sure that people are aware that we exist because in one of those rounds people will start to realise Australia is a serious player in the international market. You cannot be in Stockholm and at the same time be in Brussels and in every other part of the world. The visits might vary from country to country. I would say it is quite logical to have a mission in Brazil or Argentina and some presence in Chile because they are becoming significant players. But then you have Peru and Bolivia which require at least visits on a regular basis to try and ensure that people are aware that we actually do exist and what we provide.

Mr HOLLIS—We have actually recently announced that we are re-opening Peru as a trade commission. We closed it down some years ago. It was only in the last couple of weeks that the minister announced re-opening three missions somewhere. I think Lima was going to be re-opened as a trade commission.

Mr O'KEEFE—I am not asking you to give me an answer to this question now, but you might as a chamber discuss this and put a view to us on particularly this issue of encouraging SMEs. We have had a policy-budget process over the last decade of working out what is the best way to do it. Nationally we tended to push the Department of Foreign Affairs and Trade into more trade awareness and developing their trade expertise as trade commissioners. Austrade has become much more expert at this job than when it started 15 years ago.

At the same time, there has been that question of should companies go and do their own thing and get some financial assistance to do that—for instance, via the Export Market Development Grants Scheme—or do we alternatively put more resources into paying Australians to be on the ground. Then there is the issue of people like yourself, Mr Millner,

who have cultural or ethnic backgrounds that give us the opportunity to retain people like yourself with skills and language in both countries. We have had to work out what is the best way to do it.

With the SMEs in particular becoming active in these areas, is it giving Austrade, for instance, more resources? Is it using some of the funds to maybe assist your organisation to employ more people to do more things, or is it better to continue to reshape the EMDGS so that it is just as attractive for a service providing business as it is for a marketing product provider or a mining or small emerging company? If we are going to say, 'You cannot throw any more money at it,' you might say to Austrade, 'We want you to focus more on South America than Estonia, but there is no more money in the overall budget.' Is there some case to say it is better to do it via EMDGS or it is better to pull a bit of money out of EMDGS and do it by more specific representation because the culture is that chambers of commerce, for instance, are very effective? That is what I am trying to ask.

Mr Short—I think in an ideal world our view would be that Austrade should definitely be given more resources but, as I said before, I think that the cost recovery procedures that they labour under at the moment really are a brake on their effectiveness and on Australia's success in exporting. I think that if the additional resources were given to Austrade the dividend, in terms of being successful in getting SMEs and continuing to do the larger corporates' exports as well, would far outweigh the costs of providing those resources to Austrade.

I think an essential part of assisting Austrade in that regard is to give them the capacity to bring their people from the posts back to the Australian community on a regular basis, and have them reporting back and reaching out to the Australian exporting community—potential exporters, as well as existing exporters. That is where there is a tremendous role for a cooperative effort between Austrade, Foreign Affairs and Trade and chambers of commerce. We have the natural constituency, and to be able to have regular reports back by Austrade and DFAT I think would be very, very helpful. In recent years, DFAT were bringing back their people and presenting briefings here in Sydney in William Street headquarters. They were well attended and very helpful. For reasons that I do not quite understand, the frequency of those seems to have fallen off lately. But it is developing that dialogue with the community here in Australia that I think is very important.

The EMDG Scheme I am a little ambivalent about. In many ways, I think, for an exporting venture to be successful it should be able to be successful without resort to the EMDG process. In other words, an entrepreneur should be able to make a go of an exporting venture without having to rely upon a grants scheme. If a grants scheme is there, then my personal view is that is a little cream on top of the cake, if you like, to ameliorate some of their costs. I think it is a little difficult to use the EMDG Scheme as the primary rationale for becoming involved in exporting and, if it is viewed in that way, I think it is never really going to be successful.

Having said that, I think it is unfortunate that at the moment it does not lend itself to supporting exports of services as well as it should. Its history has really been that the administrators have been able to make judgments about whether an application is valid or not by looking at a box that is tangible, and they can count the number of boxes that are

being exported, they can count the costs of the overseas promotion and they can easily record the income that is earned—the export earnings. By definition, services are intangible, they are less easy to monitor, and I think the administration that looks after the EMDG Scheme still has some work to do to become au fait with how the export of services actually works and to be able to recognise the value of those exporter services. That is a continuing plea on our behalf, I suppose, that the charter that Austrade works under really should have a focus on upskilling on services, getting to know how the services market works, and the dividend of that would be in being able to not only recognise opportunities overseas but also recognise the value of EMDG applications that relate to services.

CHAIR—Might I suggest we are going to cut out all Mr Millner's time for his suggestions on Milcom if we keep on any further with the chamber of commerce. I was trying to keep them both together, and obviously I think Mr Millner has mentioned a lot of things that he will not need to mention again anyway. Could I thank you very much for your attendance here today as a chamber. If you have been asked to provide additional material, could you please forward it to the secretary. I cannot remember that there was any additional material we really asked for. You will be sent a copy of the transcript and you will be able to make corrections of grammar or fact.

Mr HOLLIS—You mentioned the web site. Do you have a newsletter or anything?

Mr Short—Yes, we do.

Mr HOLLIS—Could we be put on the mailing list?

Mr Millner—It would be an absolute pleasure.

Mr Short—It is issued monthly, so we would be delighted to forward a copy.

Mr HOLLIS—I think that, if the secretary receives it, it could be sent around.

Mr Short—Thank you for the opportunity.

[12.20 p.m.]

MILLNER, Mr Ian Peter, Managing Director, Milcom Communications

CHAIR—On behalf of the trade subcommittee, I welcome you as the representative of Milcom Communications Pty Ltd. We would prefer all evidence to be given in public, but should you at any stage wish to give your evidence in private, you may ask to do so and the subcommittee will give it consideration.

Although the subcommittee does not require you to give evidence on oath, I should advise you that the hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have your submission from Milcom Communications Pty Ltd; that is submission No. 3. I now invite you to make a short opening statement if you wish, and then we will proceed to questions. Obviously, you do not need to repeat a lot of the things you have said already.

Mr Millner—I appreciate that. Thank you very much for the opportunity. If you do not mind, it is a carry-on, because there were a lot of lead-up questions, and I have tried to avoid going into both for that reason.

Firstly, on the EMDG, as an organisation we know exactly what Mr Short said. It has been cream. When we put the plan together to go overseas, it was never calculated; it was left completely outside. It was of no consequence from the point of view that it would not have influenced my decision to go or not go. If you are going to base a decision on an EMDG, you really should not be doing trade overseas; you should be a self-sustaining business.

CHAIR—I do not want to interrupt, but there will be a review of the EMDG scheme by Austrade. When the last export market development grants bill went through the parliament, that was agreed to.

Mr Millner—I think it is a great idea to review it and I also think it is a great idea to maybe move those funds towards getting Austrade to have a greater flexibility in the tourist promotion arm of Trade.

Mr O'KEEFE—That is really the answer to the question I was asking you. You are suggesting that it would be more effective dealing with the South Americas anyway, and that, if you had to find the money from somewhere, your priority would be removing cost recovery and giving Austrade more resources to do the task as a promotional arm, rather than virtually as a consultancy arm?

Mr Millner—Correct. With regards to Milcom in general, the success, or establishment, of Milcom in Brazil, which we actually now have, is due to the chamber of commerce. I had this need in me that said I had to go and establish overseas business. I had the drive internally; it did not have to be sold to me. I think there are a lot of people who have to have that message sold to them to make them realise that, in actual fact, it is not so difficult to go overseas as long as they have the right infrastructure and the right company structure within Australia. That is one issue which not all SMEs deal with. You have got to be able to

be away from your organisation for significant periods of time, and your organisation has to be able to fund and sustain a cash flow situation regardless of whether you are overseas or not.

I joined the chamber of commerce, and from there I actually developed knowledge on Brazil—an in-depth knowledge. I am Chilean by birth, but I can assure you that I knew nothing about Brazil. It is chalk and cheese from that point of view—very different economies; very different ways of doing business. Since then, I have been to Brazil. At the time, there was a trade show, and Austrade had organised to participate in the trade show, so we decided to join in with them because of the services they were going to provide.

From there we did some additional research and discovered that there was a market. The market we discovered was not something that Austrade was aware of. This is why we get back to the issue of how you can discover someone else's market. We are currently providing training services in Brazil. During my first visit giving the trade show, the then trade commissioner stated, 'You are not going to succeed in Brazil because the Americans are just going to come in here and simply do it themselves. They are closer and more highly regarded so, in summary, you are not going to succeed.' Today we employ 10 people in Brazil, and we have an estimated revenue of about half a million dollars. We have revised our budgets. We are not as high as we expected but the business is up and running. I do not call that a failure. Why? Because we identified a part of the market that they were not aware of. It comes back to this issue of who can best identify the opportunities. We did. We went there, and that is the key. How do we get people to go over there? I am not going to give you the answer because I wish I had it. That is why there is a need to promote the environment over there.

CHAIR—I guess that is where the export market normally grants to shops.

Mr Millner—Yes and no. From a cash flow point of view, if you do not have the money up front, forget about it. By the time I get the money and by the time I do the grant—in fact Milcom Communications missed it altogether for the first year because it was the year they brought in that registration form. I got news of it two days after the closing date, so the first year was wiped out—and that was $100,000. That is it! That has not hit the business one bit. Yes, it was annoying, because I was going to get part of it back, and frustrating, but the thing is that we never counted on it. If you do, it is like organising your business around not paying tax. Some people have that sort of mentality. If you cannot run your business by paying all the taxes, wages, workers compensation and everything, then you should not be running it. Therefore, the EMDG is the cream.

On the other hand, if someone sells me the idea that Brazil is potentially a very big market and I need to go and look at it, that is a good idea. Why? Because when I got there, I found that the training area we are involved in is trade training. We are doing the same thing here in Australia that is being done in Brazil. But the Brazilians had not been doing it properly. They were providing training but it was totally inadequate to the requirements of the information technology area that we are moving into. Right now, if training is not provided effectively, the investment made in infrastructure and telecommunications and information technology is wasted. Therefore, we have recognised that, and we have now established a range of courses with the largest cable manufacturing company in Brazil. They

are our partners. They promote the course in conjunction with us, and we are now starting to see the results. But that is all because we sold the expertise we have as a training organisation. It was the way we presented the fact that here in Australia we are a registered training organisation and are providing training to the cabling industry, because there is a licensing requirement. Therefore people have a level of skill to be able to do a job, and the training is competency based. The story goes on. We now have an established business, and we are developing from that. The key message is that you have to be there because Austrade cannot do it for you.

Mr O'KEEFE—They can identify the opportunity and they can help open the door for you, but you have got to be there yourself. You are also saying that the regulatory structure in Australia and the licensing regimes give substance to what you have to offer elsewhere because it is in a respected environment.

Mr Millner—You are absolutely right. With regard to the regulatory environment here, it has been instrumental because they have recognised the benefit of that. We are up and running and we are now getting very fierce competition from the States in the last six months. But the people are not anywhere near us yet, because they do not have the same infrastructure, the same methodology, that has been developed in Australia in the educational environment. Therefore we are simply deploying that and always staying ahead of them.

That is what I am getting at about service organisations here. There is an incredible amount of skill. I can give you my example, but what frustrates me is that there are probably all sorts of other SMEs in the same position that could be doing the same thing. The thing is that they are not aware that a market even exists in South America, and it is a big market. The current estimate of the number of staff required in the IT industry in Brazil is 200,000 people. To train 200,000 people is a huge task. If we could pick up 10 per cent of that, I would be very happy.

Getting back to Austrade, the only thing that Austrade did was give me information on the deregulation of the telecommunications industry. They never recognised the opportunity. That has to be done by you. They cannot. They just provide the overall generic information that is normally provided. It did not add any more than I can get from buying reports from different organisations. One of the problems I found with the initial visit was that they did not actually provide additional information which was specific to my organisation, yet we provided all the information on the services we provided. In actual fact, it was a year later, when doing a presentation, that someone from Austrade said, 'Oh, now I know what you do.' To me that was rather disappointing. Firstly, I am told that I am going to fail. Then a year later they discover what I actually do—and they have had the material all along.

Mr O'KEEFE—The message we have been picking up from you this morning is that, if we consider these countries as very similar economies to the ones we found in the original Cairns Group structuring and with globalisation all moving in much the same direction—expanding the base of the economy and moving into higher value adds and service industries and not just agricultural products—the very same opportunities that businesses have discovered in Australia, for instance in training and IT, also exist in South American countries. Where we are ahead of the game here, we have the potential to be ahead of the game there. Does that summarise what you are saying?

Mr Millner—That is absolutely right, yes, and we are. That is why I mentioned in the submission that there are probably opportunities in IR and in productivity of manufacturing only because we have an office which is overstaffed, but that is part of the way you do business over there. At the moment it is not an issue, but as Brazil grows into the economic powerhouse that it potentially can be, it will obviously need to rationalise those services. We have gone through that. We have been rationalising the utilisation of our resources in one way or another for the last 15 years now. So we have expertise that they require and, again, it is very well regarded. It is held in high regard because of the fact that it is not from the north. That is a plus for us.

Mr O'KEEFE—It may be that, as a result of what you are telling us, we can give some focus to Austrade which, until now, has looked at the way the big companies go in and looked at the big things they do. You are saying that there is a whole range of services—be it occupational health and safety, corporates, communities or the environment—that have gone on here in the last 10 years, call centres are classic cases, to create the burgeoning service industry that is happening there. All the little niches are there, and we ought to be identifying those as opportunities in the same way that you might say a copper mine was an opportunity.

Mr Millner—And much more accessible to an SME.

Mr O'KEEFE—Yes.

Mr Millner—That is, in summary, what I hope I have managed to communicate.

Mr O'KEEFE—You have certainly got it through.

CHAIR—Thank you very much for your attendance here today.

Proceedings suspended from 12.35 p.m. to 1.45 p.m.

HILL, Mr Bruce Vickery, President, Australia-Uruguay Chamber of Commerce

IGLESIAS, Mrs Carmen, Secretary, Australia-Uruguay Chamber of Commerce

QUAGLIA, Mr Carlos, Vice-President, Australia-Uruguay Chamber of Commerce

CHAIR—On behalf of the trade subcommittee I welcome representatives from the Australian-Uruguay Chamber of Commerce. The subcommittee prefers that all evidence be given in public but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence under oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses.

The subcommittee has a submission from the Australia-Uruguay Chamber of Commerce, submission No. 26. Are there any changes you want to make to the submission? If not, I now invite you to make a short opening statement before we proceed to questions.

Mr Hill—Mr Chairman, there are no changes to the submission. I propose to make an introductory comment or two and my colleagues will do the same. We will quite brief in the introduction.

It is a pleasure for us to be here and we all have a very strong interest in Australia-South America relations be they commercial, economic or cultural, and we have particular interests in relations between Australia and Uruguay. Both Carmen and Carlos were born in Uruguay, coming to Australia in the 1970s, and they return to Uruguay frequently so that they are quite up to date with the situation there. I was born and raised in Canberra and from 1988 until 1993 I lived in Uruguay with my family. I was managing director of a multinational company's operations there, so I am quite familiar with Uruguay as well.

The chamber has presented you with a written submission and the Ambassador for Uruguay, Pablo Sader, has appeared before you in Canberra. Therefore, by now you will be familiar with a country which at the turn of the century, with Australia and Argentina, was one of the richest in the world on a per capita basis. Since then, comparative advantage in agriculture has fed us all well but not maintained our wealth relative to industrialised economies. However, like Australia Uruguay has diversified its activities and now has a broad based economy.

In our submission we list areas we believe provide opportunities for growth in trade between Australia and Uruguay. I will give a general overview of that and then Carmen and Carlos will expand on a couple of particular issues. We would like then to answer any questions you might have.

CHAIR—Thank you.

Mr Hill—Firstly, we see Uruguay as the gateway to the Mercosur, this new, vibrant customs union of 200 million people in Brazil, Argentina, Paraguay and Uruguay. A circle

with a radius of 1,600 kilometres centred in Uruguay encompasses all of the major cities of the Mercosur, and 85 per cent of its gross domestic product. Secondly, we believe there are opportunities related to the development of small business and financial planning. Carmen will elaborate on this.

Thirdly, in housing, building, timber and engineering projects we see niche markets where Australian know-how and expertise could be used to advantage, as Carlos will explain. Fourthly, with our similar agricultural basis, agribusiness offers opportunities. These have been listed in more detail and, in particular, in Ambassador Sader's address.

Fifthly, in education, in English and Spanish studies, there are opportunities which must be grasped, as they have in other regions. Although travel has been a problem in this area in the past, there are now increased flights between the continents, and the fact that we have the same seasonal educational timetables should facilitate this market. Spanish must be given the appropriate profile in our schools as it is a language which will be more widely spoken than English in a few years.

Sixthly, tourism and travel must be encouraged as precursors to trade. In this area we must take the lead and reduce impediments such as visas and their associated charges. Finally, our seventh point, we hop on the bandwagon of many submissions and we request a stronger official Australian presence in the region. The return will be well worth the investment.

Mr Chairman and members of the subcommittee, I encourage you to do what I did—visit the region, get to know it, and understand the people and the economies of the countries. We and they have a lot to gain from a closer relationships. I would now like Carmen and Carlos to expand on a couple of the points mentioned.

Mrs Iglesias—Mr Chairman and members of the subcommittee, thank you for giving us this opportunity today. As our president has said, we have a very strong interest in Australia-South American relations, particularly with Uruguay. My contribution today will be related to my field of expertise, which is finance and investments.

During the past months of December and January I was in Uruguay on a holiday/business trip and had the opportunity to meet with various government officials who are relevant to Australia-Uruguay relations at a business level. One of my meetings took place at the foreign affairs department where I was introduced to the Minister Counsellor and Director of Commercial Programming who, amongst other things, offered to work together with our chamber by way of channelling all our inquiries through his office. He also suggested the idea of an official trade mission to Australia led by the Minister for Foreign Affairs.

I was also invited to meet with two directors of LATU, the Laboratory of Technology of Uruguay, where as recently as last week one of the deputy directors of the CSIRO attended a summit of science and technology. The two directors of LATU pledged their support to the objectives of our chamber and agreed to work closely to develop and nurture commercial relations between the two countries.

In my field of work I can see huge potential for Australian companies to establish themselves as pioneers in the small business and financial services industry since this industry in Uruguay is in its embryonic stages. The type of services that could be provided range from basics like serviced offices—which we take for granted in Australia but which are not only non-existent but not yet conceived in Uruguay—to financial planning, pensions and annuities. Bank introducers and loans brokers have never been heard of. The success of Australian companies exporting services to Asia is well known, so why not South America? I wish to make my knowledge and understanding of the Uruguayan culture available to this subcommittee and necessary government bodies for the further development of relations between the two countries.

To end my presentation I would like to allude to the historical links between Colonia—a small city on the banks of the River Plate—and Sydney. Both cities were, at different points in time, run as colonies of English prisoners under the authority of Captain Arthur Phillip. In 1988, the Australian Ambassador presented the city of Colonia with a plaque of recognition which is proudly displayed in the Municipal Museum amongst some of Captain Arthur Phillip's personal belongings.

Mr Chairman and members of the subcommittee, Australia has a wealth of knowledge in the finance and investment strategies field and Uruguay has an urgent need for that knowledge. We must not waste this opportunity because somebody else pretty soon is going to grab it. Thank you.

CHAIR—Thank you.

Mr Quaglia—Thank you Mr Chairman for this opportunity. I am going to discuss business opportunities with and via Uruguay in the building related industries and professions. I would like to expand on our president's remark that Uruguay offers not just a local market but a potential gateway to Mercosur. My particular emphasis is within the fields of building, construction and engineering, where Australia has opportunities in the expanding South American market.

These opportunities appear in building related industries. They include building products that can be developed in South America using Australian know-how; building systems that can be developed in Australia that can find a good market in South America; and building proprietary equipment that Australia is so good at producing and developing.

Opportunities also exist in building related professions, particularly in technology transfer of the know-how of the Australian professions; joint project management of large projects that could happen in any part of the world, and this is an area that personally I am in the process of becoming involved in; and the provision of highly specialised professional services from Australian engineers.

During my visit to Uruguay in February 1999, I spoke to major builders and local project managers who are currently handling local and overseas projects. Australian know-how is very much in demand, particularly in specialised fields such as the application of performance based regulations and standards—a subject in which Australia leads the rest of the world at the moment. For example, I have visited project-management professionals from

Uruguay who were handling building projects located not just in Uruguay but also in other parts of the world. Memorandums of understanding for mutual cooperation between our companies have been prepared. Another example in Uruguay is the increasing production of Eucalyptus logs for export. By introducing appropriate Australian technology in the processing of wood products, the value of the product can increase. Potential benefit for those countries exists in this field.

In summary, whatever opportunities have existed for our building industry to expand into the Asian market are also evident in the South American market.

CHAIR—Can I just say that you have been very much on the world stage since the Uruguay Round of the WTO. Let us hope that, in the next six months, things will come to the benefit of both Uruguay and Australia, because a breakthrough in agricultural trade distorting tariffs around the world would be a great help to both countries. I have been to meetings of the Cairns Group. Where do you think we can use the group to better effect—to help trade between ourselves and to push things further out through the envelope?

Mr Hill—I am certainly not an expert on the Cairns Group. That is quite a specialised area in agriculture. I do not think I can really help you on that. I think that, through the ambassador, we could help you. He would certainly be better informed than I am.

Mr Quaglia—Yes. I was also thinking that perhaps the question could be raised through our chamber for the right answer to your question. I imagine at this moment that our embassy would be one of our ports of call.

Mr Hill—I suspect the work being done with the Cairns Group is more likely to help both countries with respect to other countries, rather than between the two countries. Although, as mentioned in our submission, we have strong agricultural sectors in both economies and there are agribusinesses which can be traded between the two.

CHAIR—And agribusiness know-how is a fact that you mentioned a moment ago.

Mr Hill—Yes.

Mr HOLLIS—When the ambassador appeared before the committee some time last month, he mentioned that something like a hundred farmers came out here on a special trip last year. Was the chamber involved at all in that? Are you involved in any of the trips that come out?

Mr Hill—No. We know that trips take place and they are a regular feature. They happen every year. There is quite a flow of people coming from Uruguay, and there is a specialist supplier of these services in organising the tours. We do not get involved. Sometimes we meet the people. They normally spend only a day or so in Sydney, and they head off straightaway to the agricultural places they are going to inspect. Our thrust, I guess, is not so much in agricultural areas but more in terms of industrialised areas. We are a city based organisation, although it certainly does not mean to say that we do not cover agriculture.

Mr HOLLIS—The only reason I raised that was because it is a specialised field and I thought you might have been interested in it. When you mentioned the builders in your submission, what were you talking about there? Was it about the know-how in the building industry?

Mr Quaglia—There have been cases of Australian building systems that were applied in Uruguay.

Mr HOLLIS—Project management and things like that?

Mr Quaglia—Yes—but more the technology. The technology of building in Uruguay is very different to that in Australia. It is handcrafted, brick-and-mortar type of work that happens back home, whereas here, the construction of residential buildings is much more mechanised and industrialised, and a lot of carpentry work takes place. Putting all that together, a house in Australia can be built in three to six months; in Uruguay, it takes about a year and a half to build—if you are lucky.

I think it was through the Victorian department of housing—I may be wrong as to the name of the organisation—that a building project was put together, in which the Australian know-how was of great benefit in providing very affordable and easy-to-build housing in Uruguay. That is one example and there is potential for that. At the moment, Uruguay has a sudden shortage of housing, and the expensive way that they build houses could be improved by bringing in Australian know-how. That is one potential example that I can see as a building professional.

Mr Hill—As an example, the roofs of Uruguayan houses are generally made of something like 10 centimetres of concrete, covered by tiles—a very solid construction. Plasterboard walls are virtually unheard of. You will also have to go through a cultural change to get people to accept different materials. In this project that Carlos mentioned, they were building houses which had lightweight roofs—what we would call normal roofs, either with tiles or a corrugated iron roof—which to them was something very flimsy. There is no problem from the point of view of earthquake damage or anything like that; it is a very similar situation to Australia in terms of building conditions. The people looking at a house like that would tend to say, 'Gee whiz! How long is that going to stay up?' We do not think twice about it—we have plaster walls. I do not think I saw a plaster wall in Uruguay.

Mr Quaglia—Another technical difference between houses in Uruguay and houses in Australia is the control of moisture. Given the method of construction of the Uruguayan houses, moisture is always a problem. As an engineer, I have learnt a lot from the Australian way of building.

Mr HOLLIS—Why is moisture a problem? Climatically, it is not—

Mr O'KEEFE—Is it rising damp?

Mr Quaglia—Because there is rising damp. The damp rises from the ground.

Mr HOLLIS—Is that because of the foundations?

Mr Quaglia—Yes, it is the foundations—how the floor is put together. In Uruguay, you will not have a slab on the ground with a plastic barrier and all those features which ensure that damp does not rise in a typical Australian house. They need technological advances which could make building more efficient, cheaper and more amenable. There is an opportunity for Australian technology to be introduced for our mutual benefit.

Mr HOLLIS—Tell me about the investment. Is there much investment from Australia there?

Mrs Iglesias—That is what I do for a living. Let me give you an example. There are many banks in Uruguay, but the way we do things in Australia are foreign to Uruguayan people. There is a huge potential for people like me—who are in the same business—to site themselves in Uruguay and to try to educate the people there on how to go about loans or, for instance, retirement. They have not got anything there that is similar to our superannuation system, or annuities or things like that. Retirement is just non-existent.

The way they plan their retirement is to contribute 10 per cent of their wages to a government fund. At the end of their years of work, they have to apply for a pension. It is a long process and you have to have connections. It is a very complicated process, and what you receive is a very small amount, which is very hard to live on. I have been trying to do something about this for a long time. One of my ideas is to get involved in something like that—some type of private fund where you can develop assistance similar to our superannuation. Maybe we could allow people from Uruguay to bring that money into Australia and invest it in our superannuation system, which is pretty secure and probably one of the best in the world. That is just one of the points.

There are other things, like investment, for instance. I had a lot of inquiries from people in Uruguay about loans from Australia. Interest rates are pretty high there and, like I said before, the banking system is very archaic. It is very inflexible.

Mr HOLLIS—Are there restrictions on the financial industry there?

Mrs Iglesias—Yes. I do not know whether there are government restrictions—probably, because some people have not been educated. We have here wonderful courses at universities where you can learn financial planning and things like that. There is nothing like that there. That is something else that can be exported. We export education to Asia; it is actually the same thing. They have never heard of wealth creation strategies. There is so much to do there and so much that we can do.

Mr HOLLIS—How difficult is it, in general, to do business in Uruguay? Say I want to set up a firm there. What sorts of hassles will I run into? Will I run into bureaucratic obstruction? Are there forms? Are there restrictions on money coming in or can I repatriate my money?

Mr Hill—Money is very easily transferable, in and out. Uruguay has a very open banking system. There are some of the problems that Carmen just mentioned in terms of internal bank operations but you can send money in and out. Uruguay was known as the Switzerland of South America—it is very free and very relaxed. The problems associated

with setting up a business would not be very different to the problems you would have in Australia—things like finding good people on the ground to run the business. You would have to learn, as you would in any other country, to adapt to the country. You do not go in as an Australian and set up an Australian operation—it would be guaranteed to collapse. If you take into account the local environment, local people, local demand and local ways of doing things, it is a very easy country in which to set up a business.

Mr Quaglia—Also, with the ownership of property in Uruguay, there is no difference between being a foreigner or a national.

Mr Hill—There are none of the restrictions which many countries, including Australia at certain levels, impose on people trying to buy into the place.

CHAIR—I have just read the transcript of when the Uruguayan ambassador appeared before the committee. One of the things I noticed was the fact that New Zealand has done very well as far as fencing material is concerned—electric fences or stockades and that sort of thing. Why were they successful and Australia has not been so successful in getting products in?

Mr Hill—There is quite a relationship between New Zealand and Uruguay for a variety of reasons. It is a little bit closer. The countries are very similar in size and population—three million people.

CHAIR—A little bit closer but—

Mr Hill—Marginally closer. Perhaps it is not the closeness but the size of the population which could create a different mentality. I think you will find that there are Australian things there, too. It really just depends on the contacts which are made.

I think the products which come from New Zealand probably do not represent huge amounts of money, but New Zealand salesmen might be a lot keener than the Australians. The Australians have tended to go north. We are hardly going to sell things associated with sheep out of the country, but our salesmen in general have tended to go up to Asia for the last few years, whereas I remember seeing many salesmen from New Zealand touring around South America. They have very much an agricultural culture, I guess you could say. It is nothing for them to go and talk to other people in the agriculture area.

There are some other notable things which Australians have done. There was one case where at great expense a sheep shearing shed was put in and they forgot to take into account that we use a lot of sheepdogs in Australia. In Uruguay they tend not to, so the shed is oriented to the sun. Whereas in Australia the dog gets the sheep in and out, in Uruguay you need the sun to do the same things, so this was a monumental blunder. That set us back a little bit in our relationship in that sector. People did not have very much confidence in Australian design after that. They had forgotten about the sheepdog element.

CHAIR—I would like to explore a bit further though. This always made me feel a little bit inadequate until last Saturday night when Australia beat the All Blacks. They seem to actually get out and get into markets a little bit better. An example is dairying. In Asia,

whenever you are having breakfast somewhere, it is always a little bit of dairy product from New Zealand. You have given me a couple of reasons; it is closer, but only closer in size and population. I think that is what you are talking about. We are actually a much bigger wool producing country than anywhere, with good quality wool. It is a wonder some of our techniques and skills have not been interpreted into Uruguay more than any other country. Obviously we have lacked something there. I am trying to get to the bottom of where we have failed, if you like—if you use the word 'failed' objectively, rather than subjectively.

Mr Quaglia—When you say 'we' you should not include the government. It goes down to the level of the particular businessmen and their attitude. To be a businessman in Australia may be different from being a businessman in New Zealand because the size of the economy under which you are operating is much different. The difference between Uruguay and Argentina could be in some way made comparable to the difference between Australia and New Zealand. In New Zealand, you are the underdog to Australia. In Uruguay, you are the underdog to Argentina. Since you mentioned sport, I was at the stadium to see the All Blacks and the Wallabies.

CHAIR—You were one of the other 107,000, were you?

Mr Quaglia—Yes, I was there.

CHAIR—Were you happy with the result?

Mr Quaglia—Yes, of course I am. What I am trying to say is that there is a certain mentality in the people that is also reflected in the sports. I think the tenacity with which a businessman from a small economy will try and gather markets will, by nature, have to be much stronger than that of one from a large country.

I was born, bred and educated up to the age of 21 in Uruguay and I am now a professional businessman educated in Australia. Living in a large economy is much easier than living in a small economy. That probably has something to do with it.

CHAIR—I have visited Montevideo and the surrounds in Uruguay and I found the people very compatible with Australia. I guess the New Zealanders would feel the same way. I am not competing with the New Zealanders when I talk about this. I am always trying to work out why sometimes we do not do as well as we should do. I would have thought in agriculture and with machinery, for example, there must be openings for more trade.

Mr Quaglia—If you go to a department store and try to buy a washing machine, you will find that you can buy a Fisher and Paykel made in New Zealand just as easy as buying an Australian one. Try to do the same thing in New Zealand and you will see the difference. There is a certain difference in the way things are done. Somehow they defend their markets very strongly.

CHAIR—You also say that we are competitors—and I think all of Latin America can say we are competitors—but we are compatible competitors. For example, in the wool industry, we are compatible competitors trying to get more wool out into export markets and that sort of thing, I guess. I think Mr O'Keefe might like to ask a question.

Mr O'KEEFE—I apologise for coming late. I will pick up where you guys are following on in a minute.

CHAIR—What effect is Mercosur going to have on Australian trade? Beneficial, I would imagine.

Mr Hill—Definitely, yes. The Mercosur has opened up trade within South America significantly, obviously, particularly amongst the four countries involved. I would think that the possibilities for Australia in a much larger trade union like the Mercosur are good. It is finding the right products, making sure the prices are right and all of the things associated with trade, but it has got to be a lot easier to be dealing with a market of $200 million than dealing with the four separate markets.

CHAIR—What about locating in Uruguay and going out to the third market in Latin America?

Mr Hill—Outside the Mercosur?

CHAIR—Going into the Mercosur by being located in Uruguay, rather than being located in, let us just say, Argentina or Chile?

Mr Hill—Uruguay is probably one of the nicest places in South America to live and one of the safest places in South America. Not that the rest of the countries are not safe, but it is a place, as you have mentioned, where people are very similar to Australians. Australians fit in very easily. I and my family found that and it provides all of the things that you need to do business. It is a place where a lot of people speak English. Language can be a problem if you are trying to set up new markets, at least in the early days when people have not been able to master a foreign language. It is a very friendly place in that sense to establish a base.

As I said in the presentation, within 1,600 kilometres radius around Uruguay you have got 85 per cent of the gross national product of the region. There are enormous cities. You have got Sao Paulo with its 17 million people within that distance. You have got Buenos Aires, which has also 10 million, 12 million people, 14 million people. There are huge markets and they are not poor markets. These are markets where there is a lot of money and a lot of buying potential. If you go to Punte del Este—I do not know if you went there on your stay, Senator—it is a resort the like of which one will not see in Australia. It is just an incredible place. There is a tremendous amount of money invested in that place for two months of the year effectively. The whole region is a rich region and potentially richer.

In Argentina, the pampas have something like four or five metres of topsoil. Canada has probable 10 centimetres and a lot of it blows away every time there is a dust storm. They are potentially very rich countries. Perhaps in the past they have not achieved all the potential but eventually they will and it would be good if we could be there to help them do that.

CHAIR—But you say in your submission about tourism—or you have said earlier today—that tourism is not really a big thing, but why? I found a beautiful city in Montevideo, for example, with resorts, the countryside and the people. Is it too far off the loop—is

that the problem? Tourism I always think leads to trade or vice versa. Or is it because it is off the beaten track and you have to get there without direct flights and that sort of thing?

Mr Hill—I think that is being improved now with the new flights that Qantas has started.

CHAIR—Yes, or Australia's fast ferry.

Mr Hill—There is a problem associated with visas and the cost of a visa. Because Australia imposes visa restrictions and charges, some other countries impose reciprocal charges. I am not sure of the actual value but it is $70 or $80 I think for a visa to go into Uruguay. If Uruguay is going to be given one or two days in a tour around South America, you are unlikely to want to fork out $70 or $80 just to get there and back. But if we were to drop our charges and restrictions here, that would presumably be dropped too and make it easier.

Uruguay is unlikely to be on the tour. If you have two weeks and this is the one and only time you are only going to see South America, there are other natural beauty spots which are probably going to be higher up the list that the travel agents will give you. Uruguay is for the discerning tourist, and you probably need more than that two weeks. On the second time around, people will definitely go to Uruguay and find things that they could not have imagined existed there. But the first time it is probably going to be Buenos Aires, Rio, the falls of Iguassu, Machu Picchu, the known delights of South America, but the second time, certainly. There is tremendous potential for tourism.

CHAIR—That is true of the whole of Latin America, I know. You only have to go down through the high lakes down to Puerto Montt from Argentina. It was a highlight of my life. But getting back to Uruguay, what about educational exports? Is that really going to be the key and the area with the biggest potential? I am just trying to get from you what you think is the biggest potential area for us to get more exports into Uruguay?

Mr Hill—I do not know if I would pick a biggest. I think there are a lot of small areas that we have indicated in our presentation and our submission. Of those, in numerical terms, I do not know whether I could name which would be potentially the biggest. The educational one, I think, is a good one. It has the difficulties of east-west travel as compared to north-south, which is always much easier, but we do have a school term which is the same and so that should facilitate it. We are a lot further away psychologically from Uruguay than the United States, for instance, another English speaking country. There are, I guess, much closer ties with the United States from an educational point of view. Australia is really unknown in this area, but it certainly has potential. I do not know whether my colleagues can add to that?

Mr Quaglia—I think you summarised it very well.

Mrs Iglesias—That is my feeling on that, exactly. There is a huge potential there for education. One of the main things should be exporting services in education to South America.

CHAIR—Mr Hollis brought up earlier the point about people visiting there when we were talking to another chamber of commerce earlier today. Do you think we do enough as a government to help the chambers of commerce? Do you think the chambers of commerce should be working with Austrade and in a much closer partnership than what we have had in the past? There are three links there—government, Austrade and the chambers of commerce?

Mr Hill—Austrade contributes where it is asked. I would not say it is not doing its best. The problem is we do not have a great presence in South America. If we can increase that presence, both diplomatic and Austrade, it is going to make a tremendous difference. If you have people on the ground who know the country, who are working to try to increase trade, things will happen. If you do not have those sorts of people there then it makes it very difficult for your first introduction to the country. It might be don't go because you are a bit cautious about going into a place where you just have not got an initial contact.

I think that the return to Australia by having more people on the ground there, spread through a continent which is huge, would reap enormous benefits to Australia. We have tended to draw back and regard South America as one of the areas where we have a few people. I do not think we can afford to do that. I think we have to expand, we have to see it as a growth area.

CHAIR—What about the chambers of commerce working closer? For example, if people come out here, do you let any members of parliament know that there is a Uruguayan group here as guests of the chamber of commerce, or that the chamber of commerce is hosting?

Mr Hill—No. I guess we would on an informal basis, but we do not have a mechanism for doing that.

CHAIR—Do you think you should?

Mr Hill—Yes. I think it would be an—

CHAIR—I think you should, whether it be the Minister for Trade who might only just roughly know they are coming, or even a committee like this. You could tell us that there is a delegation in Australia and maybe they could come before the committee or whatever.

Mr Hill—Part of the problem with a chamber like ours is that we have a very low level of resources. The members are the ones who do the work. We do not have a secretariat.

CHAIR—This would not require anything, it would just require lifting a telephone.

Mr Hill—I am sure we can do more. It really boils down to resources and contacts.

Mr O'KEEFE—Concerning the recommendations you make in particular industry segments such as agribusiness, housing, building and construction, where you saying the opportunities exist, what do you think is the best way for us to try to get some focus on that? The traditional way is for Austrade, for instance, to identify opportunities and then perhaps try and draw them to the attention of our SMEs or whatever. Another way is to send a trade delegation over so people see for themselves. Are there any lateral thinking ideas that

you might have that might speed up the normal process, that might get a few people thinking about these opportunities, that may mean a different way of doing it?

Mr Quaglia—It is a very important question. It is something that I have asked myself. I am afraid I do not have the answer right now, but I would like to explore that. The manner in which I was personally handling my own professional business of getting to join project management teams to be able to provide my expert services in jobs elsewhere, in other words, my own quest for work, was to simply go and do it. However, it would be nice to get support or some assistance from a government institution that is available there, such as Austrade or someone. I will think about this. I am sorry that I have not got the answer now, and I wish I did.

Mr O'KEEFE—Could you do some thinking about it—

Mr Quaglia—Absolutely.

Mr O'KEEFE—and if something comes to mind that you think is worth us recommending, as a lateral solution to rapidly generating interest in these opportunities, we would appreciate it.

The other question I had was in relation to the downturn in the Brazilian economy. Is that sending an international signal that all the South American countries are not worth focusing on at the moment, or are you able to keep your own position out there in perspective as distinct from how the others are performing from one year to another?

Mr Quaglia—I will give my personal view. In February I visited Uruguay. The economy of Uruguay gave signs of a lot of effects from the Brazilian crisis. Many manufacturers that had 50 to 60 per cent of their markets in Brazil were suffering badly because of that downturn, or the sudden decrease in the local currency.

However, from Uruguay I went straight to Sao Paulo. I spent a week in Sao Paulo doing work and giving lectures on engineering. I was able to look around the place and there was no talk there about the financial crisis. From there I gathered that the Brazilians were able to manage that problem very well and that very soon we will not be worried about that issue. But that is only my personal view of the problem.

Mr Hill—There is no doubt that Brazil has an amazing effect on the other economies. If something happens in Brazil, the other economies do suffer. That does not mean to say that there are not products which cannot still be sold into Brazil, and particularly in the other economies. In Uruguay there are products and services which are not affected by any downturn in Brazil. So I think that the market is still open. Doors should be still open for the sorts of things that we can do with them.

Mr O'KEEFE—The reason for this inquiry has stemmed from the fact that Australia, having had so many eggs in the Asian basket, suddenly discovered we had to look elsewhere, and all of a sudden we have discovered South America and realised that the potential has not been seen by policy makers in Australia. The focus is on us to try and do something about that, so we are really looking for the lessons that can be learned from these

experiences. That is a good one, that just because their economy is down does not mean there are not a lot of opportunities there, and that their neighbours are not necessarily down as well.

Mr Hill—The key to a lot of these things in opening up trade is the thing that Senator Brownhill mentioned—getting more tourism, more travel, getting people more comfortable with being in South America. In the past it has not had a good reputation. People are now finding that that is not the case, that it is a great place to travel, a very safe place to travel and a very interesting place to travel, that the people are fabulous—all of the sorts of things that we look for in tourism. Once people become comfortable with that, trade just naturally follows. These restrictions on trade—the visas, the costs of the visas and things like that—have a very high restrictive effect on what happens afterwards. Once you have been there two or three times, then you say, 'Well, why don't we set up a business here?' Those sorts of things do not happen if you do not get there the first time.

CHAIR—As there are no further questions, thank you very much for your attendance here today.

Mr Hill—Thank you very much for the inquiry. It is a great contribution towards the opening up of trade.

Proceedings suspended from 2.32 p.m. to 2.41 p.m.

[2.41 p.m.]

FLOWERS, Mr Karl, General Manager, Policy and Research, Tourism Task Force

CHAIR—Welcome. The subcommittee prefers all evidence to be given in public but should you at any stage wish to give your evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. The subcommittee has the submission from the Tourism Task Force, known as submission No. 13. I now invite you to make a short opening statement if you wish before we proceed to questions, or do you want to change your submission in any way?

Mr Flowers—No. If I can make a short opening statement I will outline our recommendations in more detail and with a practical focus. The Tourism Task Force is delighted to be here to give evidence. We congratulated the then minister, Tim Fischer, on this initiative. We believe that the South American market is a highly prospective growth market for the Australian tourism industry and, indeed, Australian Airlines. It has been unnecessarily constrained by some fairly minor policy matters. We note that recent progress by Qantas in tourism exports to South America has been assisted by the then Deputy Prime Minister, who has subsequently indicated his intention to enter the tourism business when he leaves parliament. Unfortunately, under the current immigration policy settings, it is implausible to suggest that regional New South Wales is at risk of reaping the potential tourism dividend from South American visitors that is otherwise within reach.

I want to make a quick couple of comments on tourism's contribution. Tourism is the largest single source of export revenue to Australia. It is worth recalling, and it is insufficiently appreciated by the public, that tourism exports in 1997-98 were greater than either the combined sum of export revenue from the wool, beef, dairy, sugar and cotton industries or, if you are a miner, the combined sum of export revenue from commodity exports of iron ore, alumina, aluminium, crude oil, iron and steel, liquefied natural gas and nickel. Again, the combined sum of those industries does not equal the total of tourism exports.

Australia's trade dependence has radically shifted since 1983. Unfortunately, our policy making infrastructure has not kept pace. For the South American market for outbound tourism to Australia the major constraint to growth of export revenue is homemade by our Department of Immigration for comparatively trivial reasons.

Who is the Tourism Task Force? We are a lobby group comprising the chief executives of the 150 largest companies in tourism, transport and leisure, and providers of infrastructure to these sectors. In some senses the Tourism Task Force is a more specialised version of the Business Council of Australia. We do not have membership dominated by other associations as per the traditional peak industry association model. Normally the chief executive would provide this evidence but, in view of a conflicting appointment and our evidence being as specific and technical in nature as it is, he asked me to deputise for this role.

My background is far less political than our chief executive, with experience of 15 years in the federal bureaucracy, from the federal Treasury to the Bureau of Industry Economics and the departments of aviation and tourism. With masters degrees in economics and business administration, I am afraid you are getting the bureaucratic geek at this session rather than a political lobbyist or a legal professional.

Why do we think minor immigration reforms should be a committee priority? In 1998 tourism exports to South America were in the vicinity of $150 million, or about a third of the value of goods exported. By redressing the barriers to growth in tourism exports by minor reforms to immigration department policies, tourism exports from South America could reasonably be expected to triple, rather than the ATC's expectation of a doubling, over the next five years. An incremental $150 million in export earnings and an associated 2,500 extra jobs in Australia is many times the level necessary to justify the four minor reforms to department of immigration policies that I will outline.

So the focus of this evidence is a call for a better national interest balance in immigration department policies. We appreciate that you have received other submissions from witnesses more expert in some areas we will discuss, such as Qantas Airways, the ATC and the Department of Industry, Science and Resources. We would urge you to give due weight to the comments from these groups. But one thing the committee should realise—and I am sure you do—is that, like the trade bureaucracy itself, it is often very difficult for these other agencies to be critical of the department of immigration away from behind closed doors.

In criticising the current immigration system in this forum it is important for the committee to realise that we are not calling for radical reforms such as the abolition of visas or the abolition of the discriminatory and much hated $60 visa application charge. Specifically we call for urgent action with four minor changes. The first is an extension of the ETA system immediately on a trial basis to Argentina and Brazil for two years and, pending a successful evaluation of this trial in late 2001 by the Productivity Commission, further ETA trials to Chile and other South American countries that have a proven low risk of overstaying in Australia.

Our second recommendation is the temporary creation of a new special visa class for non-accredited media coming during the Olympic period with journalists to apply to the Australian Tourist Commission, in association with Tourism New South Wales, for accreditation to receive this complementary visa.

The third recommendation is the abolition of the requirement for a transit visa for South Americans transiting through Australia. This would greatly assist the development of critical mass on the South America-Australia aviation route and is vital to improved awareness of Australia in South America.

The final recommendation is the implementation of a refund system for visa application fees when the visa is refused. The justification for the fee was visa compliance costs. It is damaging to our image as a tourist destination and business partner, and frankly un-Australian to the hundred thousand or so visa applications refused each year not to refund their wasted application fee.

We understand that none of these measures requires legislative reform. However, we understand that if the ETA system is to be extended on a trial basis to Argentina and Brazil, as we suggest, this would need to go back to cabinet, given an earlier decision of cabinet not to extend the availability of the ETA system beyond current markets.

If implemented, these reforms are expected to generate an extra 5,000 visitors in 2000 and 10,000 visitors in 2001. The cost to government visa revenue is trivial, given the expected export boost. The four recommended measures should be implemented as soon as possible. I would welcome any questions from committee members, particularly on issues related to the four recommendations for practical and achievable reform that I have just outlined.

CHAIR—What are you expecting to happen from that part of the world into Australia pre-Olympics and what do you think we can do to make sure that we maintain the momentum we may gain during that period after the Olympics?

Mr Flowers—In terms of the pre-Olympics we are seeing a steady build-up in awareness of Australia in South America. Qantas's efforts are slowly bearing fruit, despite the visa barriers. The Olympics themselves are not necessarily all that important to the South American countries, although I understand Brazil may be an exception. However, the Olympic soccer tournament, or football, is very serious business indeed. It is basically the under-23 World Cup. It will be followed 'religiously'—that is probably the wrong word, but it might be the right word in South America. The nature of that soccer tournament being in not just Sydney but Melbourne, Brisbane and Canberra will expose South American audiences to a much wider array of Australia as the soccer teams visit various centres.

CHAIR—Then you have the television being transmitted.

Mr Flowers—It is the television. Too many people think of the Olympics as a sporting event. From the tourism industry's viewpoint it is a documentary showing Australian tourism. The great benefit of the Olympics is in the post-Olympic period, due to the media coverage. The media coverage will not just be television; it will be the non-accredited media, who are not going to be writing about sport but race relations, immigration procedures, education systems, health systems, our business and investment climate. Those are the people we most want to influence. Unfortunately, as outlined in our submission, those are the very people we are most likely to offend, given current immigration policies. Post-Olympics, we have an excellent opportunity if we make some fairly small reforms. We are not talking about changing the world, just a couple of small changes to immigration regulations.

Mr HOLLIS—I have no argument with the visa recommendation. On page 159 you list the seven steps you have to go through if you want to come to Australia. You would wonder why anyone would ever want to come here again. Every witness who has appeared before this committee—and it is early days yet—has drawn attention to the visa problem and the high level of rejection. I particularly liked it when you said that when you had met all these seven steps, you probably had a one in four chance of having your visa rejected. We have to do something about that.

Mr Flowers—We are shooting ourselves in both feet. At the very least, it is not Australian that you pay a $60 visa charge, you go through all this paperwork, the immigration officials then refuse your visa—perhaps because of an understandable risk of overstay—but you do not get your $60 back. We think that is very damaging. We think it is stupid policy. The cost to the government revenue is trivial, compared to the cost to our reputation around the world.

Our top three tourism growth markets in the next decade will be China, India and South America. Immigration policies are crippling each of those markets in their own way. That is why there is a tourism focus in this committee which, probably, a lot of the public would find surprising.

Mr O'KEEFE—In my copy of your submission, the third of your four recommendations has not come out in the printing. As I recall, it was when you were going through the transit visa. Could you explain what you mean by that?

Mr Flowers—That is something we have added since the submission. In reviewing other people's submissions, we think it is a good idea. I understand Qantas are yet to appear before you. We would like to see a transit visa available for South Americans transiting through Australia. So that is additional.

Mr O'KEEFE—Is the concept here like the 24-hour visa or the 48-hour visa?

Mr Flowers—Yes. Australia is—I am tempted to say—at the far end of the universe. In terms of the nature of our air links, we really are at the end of the road. The potential traffic from South America to Asia is the single exception, where we could have a hubbing role in world aviation. Sydney could be well placed to satisfy that role. That could be very significant in terms of investment links. So they come to Australia and then they face the humidity in Singapore and they think again.

Mr O'KEEFE—You have mentioned a couple of times the potential of non-accredited media. Let me understand this. Journalists are officially being allowed in without visa requirements if they are there to report on the Olympic Games. Are you saying there is going to be a swag of other journalists as well and we should take account of their potential?

Mr Flowers—The accredited journalists are those who are travelling with people inside the Olympic tent—the NBCs, et cetera, from the US. When ABC or CBS want to send media, those are non-accredited journalists. To some extent, they are the people who are most critical because they have not got the self-interest of making the games a success. They do not tend to be the sports journalists as much. They can be, obviously, but they are often people who are commenting on the lifestyles of the people here. Australia has a reputation for being a friendly, safe and welcoming destination. We are hoping that the Olympics will get that to a much wider audience. We could be looking at 15,000 non-accredited journalists. As is the case with 15,000 lawyers, you will get a court case; with 15,000 non-accredited journalists, you will get a bad news story. If, of those 15,000 who apply for visas, 500 to 1,000 are refused before they even get here, it is not a good start.

We do not like the non-ETA visa application form, the form 48R. We think it is archaic. It comprises six pages of fairly intrusive questions about your income and bank statements; your employer is asked to write a letter saying that you have got a job to come back to. You are asked: 'Are you leaving any family members?' It is sort of Gulag like. We would like to see it modernised.

The urgency in terms of the Olympics, in terms of Australia's return, is that we get the same courtesy extended to the non-accredited journalists, who are more important for our economic outcomes, as is occurring for the accredited journalists for whom SOCOG will provide complimentary special purposes visas. We are arguing for a special purpose visa.

Mr O'KEEFE—That is what I am thinking of: the special purpose visa is where you want to go. You are saying that they should be recognised as media and treated appropriately, so it is a special purpose visa for non-accredited Olympic media.

Mr Flowers—Yes.

Mr O'KEEFE—I do not have any questions on anything else. I think it is all eminently sensible, Chairman.

CHAIR—With regard to TTF's comments on the 'unfriendliness' of form 48R, which you have just mentioned, DIMA made two points. Their comments appear in the *Hansard* of 13 August. Firstly, the score was a high satisfaction rate on the last Bureau of Tourism study where views of business about Australia's visa requirements were surveyed. Secondly, the questions asked in the visa visitor application forms were essentially parallel with competitor countries. I did not attend that inquiry, so I do not know whether I have asked the question in the way it should have been asked.

Mr Flowers—The Immigration officials perhaps could have been slightly more straightforward in acknowledging that the question on visa satisfaction in the international visitors survey was eliminated in the 1996 survey prior to the implementation of the visa charge. They could perhaps have acknowledged that in a full and frank way.

You have got a slight problem in a methodological sense. You are asking people who are departing the country about the quality of the visa system that let them in. I would like to know about those people who were introduced to the form and said, 'Bugger this, I'm off to the Bahamas,' or applied, sent their fee off, maybe never saw their passport again because of the mail systems and the limited number of places where they can send it, or perhaps neglected to put it in a self-addressed, paid envelope and whose visa applications were rejected. The department has used a partial response in their evidence. I did not hear it; I was not there, either. That would be my comment on the survey result.

CHAIR—Were you there then?

Mr O'KEEFE—No.

Mr HOLLIS—What was that for?

CHAIR—That was DIMA's comment that it was not as bad as—

Mr HOLLIS—They always say that. That is a typical bureaucratic response.

Mr Flowers—I think there is a cultural issue within the department. In wartime, we have a Department of War. In peacetime, we have a Department of Defence. To some extent, Immigration is fighting the last war and the priority in its arrangements is immigration. It is controlling permanent long-term residents and, obviously, the overstay problem. We acknowledge that that exists. We think that the minister has done a good job in terms of allaying some of the media hysteria about boats landing. We would love to see the department of immigration renamed as the 'welcome to Australia department'. We think that perhaps would be a step into this century.

CHAIR—You want it named WTAD?

Mr Flowers—It would be lovely. I think there are some major cultural issues in the department of immigration. I think their responsibility as a front-line ambassador for Australia is insufficiently recognised in their structure. That is why, in my introduction, I said that, where our trade dependence radically has shifted, our policy making infrastructure really has not kept pace. It really is that sort of structural issue within the bureaucracy.

Mr O'KEEFE—It has been my experience in every country I have visited that our people at the customs barrier are the nicest I have struck anywhere in the world.

Mr Flowers—You are talking about Customs officers—fine and upstanding gentlemen, normally, that they are.

Mr O'KEEFE—The ones who stamp your passport, look at your declaration and say, 'Good morning. Nice to see you here.' But I also agree that it is absurd in the modern world that people even have to fill out all this junk. Computerising it off the airline schedules is what we should be doing with all these countries, and the same with the visa applications. Your point has been made by several people, and that is accepted, I think, by us.

Mr Flowers—I guess what we are trying to do is to go a step further.

Mr O'KEEFE—The one big issue is overstays. What I would ask the task force to do is this: there is an opportunity, between now and when we bring down the report, to do a bit of lateral thinking on how we might deal with drawing the distinction between a genuine tourist and a potential overstay and becoming proactive for tourism in that way. I do not know whether we are proactive enough or whether we are thinking laterally enough about it, but there might be some ideas.

Mr Flowers—There was an internal departmental inquiry within the department of immigration on the issue of illegal workers. We put in a submission to that. You can imagine how well this was received. Included in it was that we thought a zero-based budgeting review of the department was overdue. We suggested, in line with your thoughts, in terms of a lateral suggestion, that a contracting-out model might be more appropriate.

Australia, as do all countries, have significant powers to regulate bilateral aviation. We suggested that if the airlines were appropriately reimbursed for additional costs, including the set-up costs, why couldn't a system be designed where all visa terms are logged as a shadow electronic file in the issue of air tickets to Australia to non-residents. This proposal could have as features return tickets not issued if they breach visa terms, one-way tickets not available for particular visa categories, high cancellation charges for non-use of return tickets within visa terms, except in established medical emergencies, immediate notification to the Australian Taxation Office and DFAT of a breach of entry conditions, and cost savings within the department of immigration of perhaps $50 million per annum, given claimed cost recovery, to more than offset funding to the airlines of perhaps $15 million to implement the system and $5 million per annum to ensure its maintenance. We think that the airlines are best placed to do this. We quite like the electronic visa system, the ETA system. Our concern is that it has gone to 31 countries and it is, as my chief executive says, very geographically discriminatory.

CHAIR—You just said 31?

Mr Flowers—Yes.

CHAIR—Here in your submission you said 29.

Mr Flowers—On 1 July two more countries—

CHAIR—That is what I am saying. Maybe we should change your submission.

Mr Flowers—At the time of the submission it was correct.

CHAIR—It is on the record now as 31.

Mr Flowers—My understanding is that Taiwan was allowed in from 1 July, as was Hong Kong.

Mr HOLLIS—I do not know if you have seen a copy of our *Hansard*—

Mr Flowers—No, I have not.

Mr HOLLIS—because I asked about a lot of the points you have raised from page 73 right through. They actually reject those figures. Both Senator Ferguson and I asked about the $350 million and, when I pressed them on that, they said it was based on flawed calculations. I do not know whether they were talking about the income of the family there.

Mr Flowers—The $350 million is presumably the figure we use for rejected visas.

Mr HOLLIS—We bring that up on page 74, I think. They were talking about overstays. I asked them to provide a list of the 15 countries with the highest overstay rate. New Zealand, which would have the highest overstay rate, would be excluded because they do not have those there. It was Senator Ferguson who asked them about the $350 million. I asked

them about them not accepting it, and they said they did not accept it but did not have any figures to back that up. I think they rejected it on a gut reaction.

Mr Flowers—That is not unheard of. The rejection of 85,000 visitors in 1997-98 is the most recent data. If you assume, as a reasonable person, that the average rejected visa applicant would have spent the same amount of money as the average visa recipient, you will get 4,000 times 85,000 and reach that $320 million to $350 million figure.

Mr HOLLIS—What they based it on was the income of those countries. They were more or less saying that, because they came from a country which did not have as high an income as some other country, they would not be spending that same amount of money. But they did not back that up with any figures.

Mr Flowers—That is clearly the case, and perhaps it is a good example of department of immigration logic that the assumption is that the average income of people intending to come to Australia from these countries is the average income of those countries. That is obviously a ridiculous assumption. We will take on notice if we can, Mr Chairman, to try to get you some average expenditure figures from the South American markets. The Bureau of Tourism Research calculate those data; they just do not publish them widely. Our understanding is that the South Americans are very big spenders when they are in Australia, and that it is not because they are average income earners in South America. They are very typically the highest of income earners.

CHAIR—What you are saying is that, if they were average income earners, they would not be coming here.

Mr Flowers—Exactly.

Mr HOLLIS—That was the evidence that was put to us this morning.

Mr Flowers—Certainly the ATC would be in a good position to give you those sorts of comments.

Mr O'KEEFE—They have done so.

CHAIR—Can I ask you about the second airport in the Sydney basin.

Mr Flowers—It is a non-controversial issue, yes.

CHAIR—It is very non-controversial; it is not just non-controversial. What effect is that having? It has been delayed now for 15 years; it has been on the books. A decision will obviously be made, but I do not know when. What sort of an inhibitor is that to our tourism from anywhere—particularly Latin America because we are talking about it here? After you have had a long trip, you do not really like to be circling for too long.

Mr Flowers—It is not so much the circling issue, and it has perhaps not so much been a problem to date as it will be a problem in the next five years. If the government decided to build Badgerys Creek tomorrow as a second international airport, we would not have solved

the core problem of the next seven to eight years that Kingsford Smith will not be able to handle the demand. As a result, flights are going to be excluded from Kingsford Smith before that other airport is built. We do not know which flights those will be—whether they will be intrastate flights from New South Wales country areas, domestic trunk services or jet services. But a lot of people, particularly after the Sydney Olympics, are going to think of Sydney as their first port of call in Australia. Clearly they already do. I think something like 60 per cent of international visitors to Australia visit Sydney. From South America, that proportion would normally be expected to be higher, simply for geographic reasons.

If there is any exclusion of international airlines in terms of the slot system—and there is great potential for that because international airlines often face curfews in their own countries, resulting in very small windows of opportunity to land in Australia—then there will be downward pressure on tourism export revenue from South America. We see it as a growing problem, growing exponentially in the next five or six years, depending not so much on the government's long-term solution to the second Sydney airport but on its interim solution. The interim problem is the one that is a killer for our industry.

We mentioned the department of immigration and—this is being completely unfair to them, of course—I am circulating a cartoon among the committee which mentions some of the cultural issues that I was discussing earlier. It is up the secretariat and, indeed, Hansard if it is to be included.

CHAIR—We will accept it, but I do not think it will be incorporated.

Mr Flowers—No, that is fine. I am happy with that decision.

CHAIR—It will not be incorporated and it will not be tabled, but it is a pretty widely read cartoon anyway.

Mr Flowers—Yes, it is clearly plagiarism.

Mr O'KEEFE—For the record, Mr Chair, I will just say that it is an interesting cartoon that makes very clear the view of the Tourism Task Force that the immigration department does little to encourage tourism in Australia.

Mr Flowers—Not that it does little; in some senses, it is its processes and systems. Often the individual officers are very helpful to tourists, but it is the overriding systems within which they work.

Mr O'KEEFE—They are the last line of defence.

CHAIR—I will not incorporate it or do anything with it because it actually reflects on the two people behind the counter, and they might not be the persons who are responsible.

Mr Flowers—Indeed.

CHAIR—Just to get back to the airport issue—

Mr O'KEEFE—I will table it in the parliament for you!

Mr Flowers—Thank you. I might send it to my local member, although he might want me excised from his seat.

CHAIR—I am getting off the subject of Latin America.

Mr O'KEEFE—You are finding it hard to stay on the track, aren't you?

CHAIR—People are suggesting other places for the airport, like Goulburn, and it would be on a very fast track then. People are talking about having the VFT from Goulburn to Sydney and about having it at Newcastle or Williamtown. They are even talking about having a second airport near Lithgow and a very fast train coming down the Blue Mountains. I am asking in general terms but, as we are talking about Latin America and trying to prosper and to create more trade, is that a big inhibitor or is it going to mean that Melbourne is going to be the first port of call in Australia?

Mr Flowers—I think increasingly that is in prospect in this eight-year period, depending on what the government does in the interim. If it starts laying tarmac tomorrow, what happens in the next eight years becomes critical. We initiated a study with the Western Research Institute at the Charles Sturt University to look at the impact on regional communities in New South Wales of their increasingly being excluded from Kingsford Smith airport, which is a real likelihood if the economic rationalists rule in terms of Kingsford Smith airport pricing. We have advocated publicly a position that Bankstown be part of that interim solution if it is suitably—and considerably—upgraded, so that the actual quality of service for regional communities in New South Wales would improve. We see that would then free the capacity at Kingsford Smith for international jets which have very limited capacities to get extra slots at the moment.

CHAIR—I have a pecuniary interest. I live in the country, and I would like a very fast train into the city then if that is the case, and I would want it interlocking with the interstate and international airlines in a way that does not disservice any of my country constituents or myself.

Mr Flowers—Indeed.

CHAIR—That is my pecuniary interest.

Mr Flowers—Of course, there are Victorian members of parliament who cannot justify the spending of perhaps $8 billion on Badgerys Creek to build a fully international standard airport and perhaps a subtraction of $2 billion for the price of Kingsford Smith airport. So maybe it could come to as much as $10 billion for a fairly small political problem, in preference to perhaps spending the money on infrastructure that would be of more general benefit to Australians, including the fast train.

CHAIR—Or actually increasing the capacity at Kingsford Smith as all the infrastructure is there now.

Mr Flowers—Indeed, but you cannot do that under the current arrangements of the 80 movements per hour cap and the curfew.

Mr O'KEEFE—I do not have the slightest doubt that, once Sydneysiders start to realise that jumbos are going to Brisbane and Melbourne instead of Sydney and they are losing business, they will become a lot less sensitive about aircraft noise. The quicker we get on and promote Melbourne and Brisbane as alternative destinations to solve Sydney's aviation problems, the quicker you will see the problem resolve itself.

CHAIR—And where is your constituency?

Mr O'KEEFE—I service an area just to the north of Tullamarine airport, and I continue to find this whole Sydney airport debate boring.

Mr Flowers—You may well in fact be a senior shareholder in the *Sydney Morning Herald*, but that would be unfair.

Mr O'KEEFE—No, I am not. I do not hold shares in anything actually—apart from my parliamentary superannuation scheme. How about that?

CHAIR—As there are no further questions, I thank you very much, unless you want to add anything, Mr Flowers?

Mr Flowers—I have a final comment. We have set out in our submission, or tried to set out, a practical course on the visa issue. We anticipate that many groups are going to be saying that visas are an impediment to the development of trade investment links with South America.

We have actually put some fairly specific recommendations on paper, and we would like the committee perhaps to test those within the government and with the various elements of the bureaucracy. We would like to see an alternative that perhaps is not as radical as getting rid of visas—because we think that is going to be a hard road—but we think that some fairly small changes could be a very practical outcome of this committee's deliberations. Thank you.

CHAIR—Thank you for your attendance here today.

[3.21 p.m.]

AUSTIN, Mr Terence Michael, Executive Director, Sydney English Language Centre Australia Pty Ltd trading as Sydney English Language Centre

CHAIR—On behalf of the trade subcommittee, I welcome the representative from the Sydney English Language Centre. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request.

Although the subcommittee does not require you to give evidence on oath, I should advise that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. The subcommittee has a submission from the Sydney English Language Centre, submission No. 12, and I now invite you to make a short opening statement. Do you wish to make any alterations to that submission?

Mr Austin—No.

CHAIR—After your opening statement we will proceed to questions.

Mr Austin—I cannot add anything very much to my submission. I prepared it as a case study of a small business operating in South America because I was requested to do so by some of my colleagues in the Australia-Brazil Chamber of Commerce. At that time we felt that a lot of the material that would come before the committee would be speculative, theoretical and anecdotal—that sort of thing. We were one business with very practical links with South America and we thought that might inform the committee, so that is what we did.

Mr HOLLIS—I do not know whether you heard the tourism people speaking, but everyone who has given evidence before us has mentioned visa problems. I noticed in your submission that you mentioned 'unfriendly Brazilian'. I did not know whether that was referring to getting a visa to get into Brazil or getting a visa from Brazil to come to Australia. What is your reading of the situation for visas, especially for students wanting to come here to study?

Mr Austin—The arrangements for students to get visas for study in Australia have improved quite noticeably in the last eight years or so. It still requires quite a lot of pre-planning and careful action to get a visa to come to Australia. It is far more difficult, I think, than for us to go in the other direction.

Mr HOLLIS—What about in comparison with what, in your business, would be our competitors in the education field—say, New Zealand, Canada, the United States and Britain? Are you aware that they have restrictions or that people have difficulties with their visa applications?

Mr Austin—As far as I know, they all have some restrictions. I suppose our arrangements are less helpful in the nature of the on-the-ground resources—the availability of staff and consular officials to deal with visa applications.

Mr HOLLIS—Do you think that the government, whether through Austrade or whatever, does enough to promote our educational opportunities in Latin America?

Mr Austin—No, I do not think so. They have made some efforts, but I think they have been insufficient. Sometimes things have been quite good and productive, but most of the time they have been either completely neglected or not done very effectively. I mention in my submission the arrangements in Buenos Aires where one member of the staff has put quite a lot of energy and imagination into promoting Australian education services. But I believe that funding for her work is being removed or redirected. In Brazil, I do not think there is any funding for promotion by Austrade of education services.

Mr HOLLIS—Why do you think that is? Do you think that the bureaucracy do not see the potential? Do they see results in more tangible things like investment or selling beef or whatever it is they sell into that area?

Mr Austin—I think there has been confusion and possibly rivalry in some parts of the government about the promotion of education services. There is so much publicity about the export income that is being earned by education services that I cannot believe there is not an awareness there. The role of trade promotion has sometimes been confused within the government and the department of education at the same time as there is a lot of competition for funding for all types of things in government. I do not think that the parts of government which would normally be responsible for this have been able to get an appropriate share of funding.

Mr O'KEEFE—There are two components to what you are saying, Mr Austin. You are the first person, I think, to say to us that everybody has submitted that, firstly, this an area of significant opportunity that Australia has not been exploring as well as it should and let us hope that we can redress some of that and, secondly, organisations such as Austrade seem to be under-resourced because we do not have enough presence on the ground. I have picked up from both your submission and what you have said that potentially we have a bit of a problem when one department or another department gets a bit of money to focus on South America because they have not got their act together and their resources are not being focused as a combined effort. I think that is what you are saying. You are saying that there is the potential for that to become a problem. If we put more resources into it, they need to be focused. Would you say that Austrade is the organisation to do that, or do you think the other ones with more expertise in particular areas should do it but they need to have someone making sure they have got their act together?

Mr Austin—It is my personal opinion that the most effective promotion of Australian education services overseas has been done by Austrade. There has been competition within parts of government about who should do that, and I think that that was the subject of another government inquiry a few years ago into the role of the Australian education centres in Asia. I think that all the things that were tossed around at that time about the way education services were promoted in Asia apply, although not to quite the same degree in South America. But we are seeing a lot of those things repeated in South America.

CHAIR—So the kernel is there. It could grow into a similar problem?

Mr Austin—I think so.

CHAIR—DETYA, in its submission, made no reference to your studies whatsoever, as I understand it—

Mr Austin—My studies?

CHAIR—The ELICOS studies, not yours, I am sorry. What are the relationships? They should be, I would have thought.

Mr Austin—I am sorry; I am not exactly sure about the question. Is there a submission in here by DETYA? Is that what you are referring to?

CHAIR—Yes.

Mr Austin—I am sorry, I have not been right through the papers, and I have not read their submission. We do not have it. Anyhow, this quite often happens. I think that in my paper I mentioned that the Austrade reports and studies of South American trade, until very recently, made no mention of education services or saw it as being a very minor thing—

CHAIR—That is really what I am on about. Are there 500? Do you make the point in your submission that there is a couple of hundred or something from Brazil and 300 or something from Chile?

Mr Austin—Most of our business from South America is from Brazil.

CHAIR—Student fees issued in South America for ELICOS studies were something like 314 for Brazil and 208 for Chile. Is that correct? Chile came off a base in 1995 of nil and—

Mr Austin—That is right.

CHAIR—Brazil came off a base of 127 in 1994-95.

Mr Austin—Yes, that is right. The figures from Chile I think would contain a small number of actual Chilean nationals, and I think that the majority of the visas issued from Santiago would be for students from Colombia and other parts of South America. I think everywhere except Brazil and Argentina goes through the visa office in Santiago in Chile.

CHAIR—Just for the record, Japan went from 1,975 in 1994-95 to 1,868, and Korea went from 2,526 to 1,680, so they had quite a downturn.

Mr Austin—That is right—during the Asian financial crisis.

CHAIR—Yes. So we are dealing only in small figures. But really we are looking at the potential from Latin America. There has been a big increase in Chile, for example. Surely there is a bigger opportunity to have a bigger increase in Brazil and Argentina and everywhere in Latin America—or is that not so?

Mr Austin—The potential in Asia is far greater. But there is still substantial potential in South America.

CHAIR—Percentage wise.

Mr Austin—The percentage growth of the market there is still very great. The absolute numbers are still well below the numbers from Asia, and that will naturally remain the same.

Mr O'KEEFE—A submission made to us this morning—and your experience could confirm this—is that the skills needed to go into an area where it is not totally English speaking, such as Asia, are quite easily transferable to, say, the South Americas. In other words, a business might lack confidence in going into the South Americas, yet it has already proved to itself that it can do business in Asia, and if it is capable of becoming an exporter into Asia, it is quite capable of becoming an exporter into the South Americas. Is that a fair judgment?

Mr Austin—I would agree with that. I think the cultural differences involved in doing business with South America are significantly fewer than the ones in Asia. There are still cultural differences, and they are probably substantial—and I do not claim to be an expert on any of the cultures there, although I have visited a couple of times—but my own impressions are that there are fewer cultural misunderstandings in South America than in Asia.

CHAIR—I think you have half answered Mr Hollis's question. What is required from the government to enable education providers in Australia to compete more effectively against other countries? For example, if people in Latin America want English studies, do they to go to the USA?

Mr Austin—I do not have figures. My impression is that the majority of them go to the USA, but a very substantial percentage of them go to the UK.

CHAIR—Okay. For us to compete against them, how do you suggest we could compete in a way that would get them to come here to Australia?

Mr Austin—I think the greatest need we have is to raise the level of awareness in South America about what we have to offer in Australia.

CHAIR—And you saying that Austrade has helped in that?

Mr Austin—Yes, Austrade has helped in very carefully focused promotional activities in Argentina and has tried to assist the education sector a bit in Brazil, but not as effectively.

CHAIR—Going back to my first part of the question, how can we lift that?

Mr Austin—I suppose by funding a staff member in the trade commissions or consulates in places like Sao Paulo and perhaps in other large cities. Thinking about priorities, I suppose I would say Buenos Aires, Sao Paulo, Santiago and, it if were not for the safety issues in Colombia, Bogota.

CHAIR—Are you playing any part in the Olympics?

Mr Austin—No.

CHAIR—Are you going to go off the edges of it or anything?

Mr Austin—Do English schools have any direct involvement in any of these activities or do we benefit from the—

CHAIR—No, are you going to play off the—

Mr Austin—It is difficult to know. I think that we benefit from the incredible extra publicity Australia has got out of the Olympics. I hear that all the time. But the actual holding of the Olympics in Sydney presents some problems for our business. The main problem is travel, because students who come for English language studies using the airlines are going to have a lot of competition for airline seats around the time of the Olympics.

CHAIR—Except the ones who want to go back.

Mr Austin—That is right. The ones who want to leave us will be okay.

CHAIR—If they all leave and no more come.

Mr Austin—But even they will have some problems too at certain times.

CHAIR—Do you have anything further to add, Mr Austin?

Mr Austin—No, Senator.

CHAIR—I thank you very much for your attendance here today. You will be sent a copy of the transcript of evidence, to which you can make corrections of grammar and fact. I thank you again for coming.

Mr Austin—Thank you very much.

Resolved (on motion by **Mr Hollis**):

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

Subcommittee adjourned at 3.40 p.m.