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TRADE SUBCOMMITTEE

Reference: Enterprising Australia - planning, preparing and profiting from trade and investment

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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Trade Subcommittee

Monday, 5 March 2001

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

Subcommittee members: Mr Prosser *(Chair)*, Mr O'Keefe *(Deputy Chair)*, Senators Chapman, Cook, Ferguson, Hutchins 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: Senators Ferguson, Hutchins and O'Brien and Mr Baird, Mr Hollis, Mrs Moylan, Mr O'Keefe and Mr Prosser

Terms of reference for the inquiry:

To inquire into and report on increasing Australia's trade and investment through initiatives for economic expansion, in particular:

- The role of development agencies in economic expansion such as the Industrial Development Agency in Ireland and the Economic Development Board in Singapore;
- Reasons for the success or otherwise of development agencies in establishing countries and regional areas as economic leaders;
- The comparative role of such development agencies to existing agencies in Australia;
- Incentives and impediments to foreign investment in Australia such as transport systems, taxation, telecommunications infrastructure, production costs, industrial relations structures, legal systems, federal systems of government and research and development initiatives;
- The adequacy of a skilled workforce in Australia particularly in new growth areas such as, though not limited to, financial services, information technology, E-business, education, pharmaceuticals and health care, and the competitiveness of that workforce; and
- Opportunities for encouraging inward investment and promoting export sales.

WITNESSES

Subcommittee met at 10.08 a.m.

O'BRIEN, His Excellency Mr Richard Anthony, Ambassador/Head of Mission, Embassy of Ireland

CHAIR—I hereby open the Joint Standing Committee on Foreign Affairs, Defence and Trade Subcommittee inquiry into enterprising Australia: planning, preparing and profiting from trade and investment. The trade subcommittee looks forward to receiving important and significant evidence over the course of the inquiry to assist in deliberating on the ability of Australia to plan, prepare and profit from trade investment to be an enterprising Australia.

I welcome His Excellency, Ambassador O'Brien. 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.

Ambassador O'Brien—Thank you very much indeed for that introduction and welcome. I am Ambassador of Ireland to Australia. I have been Ambassador to Australia since 1995. Thank you very much for the invitation to come before you and to share some thoughts on the background to Ireland's economic development with the trade subcommittee this morning.

The role of the Industrial Development Agency, as one of the key institutions in the Irish economic landscape, has contributed substantially and significantly to the rapid development of the Irish economy over the last, one might even say 50 years, but very especially over the last 25 to 30 years. At the outset it might be as well for me just to say a few words to situate the Industrial Development Agency in the economic climate of today in contrast to the economic circumstances which faced the Irish some 10-15 years ago. At the end of the 1970s and throughout virtually the whole of the 1980s, Ireland was widely perceived as the economic basket case of Europe. Inflation was running at almost 20 per cent, unemployment was at 21 per cent, the public finances were out of control and the exchequer borrowing requirement was 120 per cent of GDP. We faced a very dire situation. There was a sense that we had got ourselves into a situation from where it was very difficult to see how we might extract ourselves.

Successive governments tried to stimulate the economy in a variety of ways. All attempts to use fiscal policy to stimulate economic activity, to promote economic recovery, seemed to falter and by 1987 we had the looming prospect of the International Monetary Fund threatening to run the financial affairs of the nation. That focused both public and political attention in a very dramatic way. The then newly elected government in 1987 decided that there was a fundamental crisis to be addressed in the economy and in the nation. They invited the social partners to construct a consensus approach and to plan for economic recovery. One of the centrepieces of that was the continued rapid enlargement of the resources being given to the Industrial Development Agency to go out into the international community and to continue their efforts, which had been remarkably successful up to that point, but to redouble their efforts to attract foreign investment into the country. That was again based on the proposition, as indeed it had been based on the proposition 50 years earlier, that to transform an economy, to achieve wealth in the nation, in a poor country, a marginalised European country, the only way you could do that, if you are a poor country with no resources, is to attract money into the development process. So we had to actively campaign in the international marketplace and attract investment into the Irish marketplace.

That was a proposition that was recognised back in the 1950s, and it was in fact in 1950 that the Industrial Development Agency was first established within the Department of Industry and Commerce in Ireland to initiate proposals for industrial investment from both domestic and foreign sources. Quite frankly, there were few domestic sources available, and the great challenge was to go to the international marketplace and attract investment from foreign sources. In 1952, the Undeveloped Areas Act established a grants board to award non-repayable cash grants for industrial development projects in designated areas, particularly in the west of Ireland, where one saw the greatest degree of hardship. My father came from the west of Ireland, and my earliest memories are of a very beautiful but basically rock filled place. It had poor quality farming land; subsistence existence. There was a realisation that to achieve something with the west of Ireland one had to develop a serious regional policy. The Undeveloped Areas Act was the first attempt to do that. However, it was quickly realised that the rest of the country was not much more advanced with the result that the Industrial Grants Act was in fact extended through the whole country in 1956.

Later that year in the Finance Act, implementing the budget, the then government introduced the exports profit tax relief scheme, with 50 per cent tax remission on profits, which in fact was increased to 100 per cent relief two years later, and it was designated for a 10-year period. We also two years later, in 1958, saw the relaxation of the Control of Manufactures Act. That was an act introduced in the very early years of the state, and it was designed to ensure that we would keep control of Irish industry in Irish hands. At the very establishment of the state, there was a determination that we would build our country by ourselves. It was determined that we would do so by erecting tariff barriers around the country, we would protect what was there, we would try to get others to come in perhaps and invest, but really what we put in place was a policy of classic protectionism. By 1950, that had failed. Emigration was running at enormously high levels. In fact, of all of those born in Ireland in the 1930s, by the end of the 1950s, by 1959, 80 per cent had emigrated. Only 20 per cent had remained in Ireland. There was a huge drain of people, of talent and of resources away from the country. The repeal of the Control of Manufacturers Act was therefore one of the milestones in developing a serious and credible industrial policy. By 1964 we had repealed all outstanding legislation which placed any restriction on foreign direct investment. From 1964 on, foreign direct investment is enthusiastically and unconditionally welcomed into the country. In 1965 we saw the Anglo-Irish Free Trade Agreement, with free trade in most manufacturing goods to be competed by 1975.

In 1969 the Industrial Development Act provided for a merger between the Undeveloped Areas Act and the section of the Department of Industry and Commerce which was there to advise the government on the attraction of outside investment, and together they formed the new agency called the Industrial Development Agency. In 1969 the export profits tax relief scheme was extended from 10 years for a further 20 years right up to the end of the 1980s.

In 1973 a watershed moment took place in the development of the Irish economy and of Ireland itself when we joined, with Britain and Denmark, the European Economic Community. In 1978 the government abolished the tax relief schemes available up to that moment in time and replaced them with a special 10 per cent rate of corporation profit tax for all manufacturing industry, to extend from the period of 1981 to the year 2000. Those qualifying for export tax relief before 1981 continued to benefit until 1990.

The Industrial Development Act of 1981 for the first time gave the Industrial Development Agency the power to give employment grants unrelated to building and machinery investment. Also, it allowed the minister for industry to designate the specific types of service businesses that would qualify for those new grants. In 1982, the government decided to undertake a major review of industrial policy. It was undertaken by an American consultancy company, which criticised the over-reliance of the government and of the country on foreign industry for investment and favoured a better balance between overseas and indigenous industry. One of the significant aspects of that report is that for the first time one begins to see the overall benefit to the economy of foreign investment as Irish industry itself begins to develop.

In 1987 we see the Financial Services Act, which establishes the International Financial Services Centre in Dublin. This is to be marketed internationally by the IDA and profits of qualifying activities carried out from the centre are taxed at 10 per cent up to the year 2005. In 1990, the government extends the 10 per cent corporation profit tax rate to the year 2010.

In 1993, again after further reflection, the Industrial Development Act establishes three agencies: the IDA Ireland, for overseas industry; Forbairt, which is an Irish word for ‘help’, for indigenous industry; and, Forfas, which is an Irish word for ‘growth’, as the policy advisory and coordination board for industrial development and science and technology. In 1998 there is agreement with the European Commission on a universal 12.5 per cent corporation tax for all trading companies to be introduced from the year 2003. This is because of complaints from other member states within the union that we are distorting competition policy. In 1998 the Industrial Development Act establishes Enterprise Ireland as the new development agency for all indigenous industry and retains IDA Ireland as the agency with responsibility for foreign investment.

Let me say very briefly—and I can stop at any time; if I go on a little bit too long please ask me any questions that it might be useful for me to try to answer—that at the very outset, back in the 1950s, there was a great deal of scepticism about the establishment of the IDA. The Department of Finance memorandum on the establishment of the IDA feared that it might prove to be a forum for crackpot socialist planners who might try to take over the economy and supplant and smother the efforts of private industry and private enterprise.

Within the ministry, or the Department of Industry and Commerce at the time, other civil servants worried about the loss of administrative control. They feared the loss of their contribution to the formulation of industrial policy. However, the worst fears of the Department of Finance, and indeed of those within the Department of Industry and Commerce, were not in fact realised. The IDA proposals in those days were modest and general and were set against an economic background where protectionism was still the cornerstone of industrial development policy and remained so, at least until the late 1950s.

Under statute the IDA in those early days had a dual function: to advise the minister on industrial development and to promote greater investment in Irish industry from whatever quarter. Its terms of reference gave the authority a specific mandate to attract new industrial investment to Ireland. The remit evolved continuously over the next 20 years as the IDA expanded and focused increasingly on securing foreign direct investment. From the outset, although the new authority had a separate board, its civil servants were subject to the normal tight administrative controls, with formal departmental approval required for every item of expenditure.

That became one of the major bones of contention subsequently, as a new report was commissioned by the Irish government in the early 1950s, as we came out of a period of post-war isolation. At that time again it was the IBEC analysis conducted by a group of American consultants which noted that the heavy hand of government controls had extended widely over all business operations in a manner that had tended to stifle private initiative. Price controls, exercised not as an emergency measure but as a continuing instrument, have tended to become profit controllers, justified not as a means of controlling inflation but on the grounds that profits beyond a certain minimum are an evil that should be penalised regardless of whether they result from monopoly or from superior efficiency of operation in a fully competitive situation.

The advice from the United States consultants at that stage to the government was plain and to the point: firstly, the government should clearly define its economic goals and, secondly, it should decide whether private enterprise or state socialism was the means of achieving them. The government was in little doubt about the answer. The passing of the Undeveloped Areas Act of 1952, which introduces financial grants for industries locating in less developed western and midland regions of the country, was the first step towards an industrial development program based on private enterprise.

Traditionally, the main source of investment in Ireland over the years, right up to the late fifties, came from Britain, and British firms tended to respond to the era of high tariffs by setting up subsidiaries behind the tariff walls, largely to serve the Irish market. The first transformation, or the first major efforts, of the IDA was in fact to attract in German investment, the first investors beyond Britain to enter the Irish market. Again partly as a biproduct of the Marshall Aid program in Germany, as German companies developed and looked to new markets, they looked to places where they could base new interesting corporations. It is interesting that of the 20 German companies that were set up in that period all save two—one of which manufactures kitchen appliances and the other which made pencils—have remained.

However, as we entered the 1960s the main focus of attention became the United States. We had looked to Europe. We had lodged our first application for membership of the European Community in 1961. It did not materialise, because of General de Gaulle's veto of British membership. It made no sense for us to go in to the then European Community without Britain, since 80 per cent of all our exports went to Britain and Britain was, up to that point, the major source of investment in the Irish economy.

We decided that as we looked to Europe we should prepare for membership of the community by redefining and reorientating a serious and credible industrial policy. That involved going out to the United States, and one of the first major companies to come in was the Pfizer corporation. They established at Ringaskiddy in Cork in 1969. They were soon followed by General Electric. It is interesting that those two subsequently became the symbols of the two areas which were to prove outstanding successes in Ireland: chemicals and pharmaceuticals on the one hand and the electronics industry on the other.

As we progress through the 1960s we engage in a series of reflections on industrial policy constantly, if I can say, battling disadvantage, because in the late sixties into the early seventies while there is the great promising moment of joining the European Community there is the backdrop of Northern Ireland, there is instability, there is violence, there are perception problems, particularly in the United States and elsewhere, about reliability, about confidence in investing in the Irish economy. Those have to be tackled. Those have to be overcome. Then, just as we become members of the European Community in 1973 there is the onset of the first major oil crisis, which again dislocates economic planning in a very fundamental way. However, the Industrial Development Agency continues with a well focussed and successful campaign, throughout the seventies and into the eighties.

In the eighties the economy, as I said in my introductory remarks, runs out of control and new fiscal policies have to be put urgently in place. Again one has to realise that an agency like the Industrial Development Agency operates in the broad framework of economic policy. There has to be credibility in economic policy. There has to be confidence in the economy. People looking to a place to locate want transparency in economic planning. They want predictability and they want that confidence which comes from a recognition or a realisation that people running the economy know what they are doing.

There are of course a whole series of factors and features which contribute to the actual philosophy of the Industrial Development Agency itself in the development of its own work. One of the fundamental guidelines for the conduct of their work is that when an investor enters the economy, once somebody has the confidence to commit to the country, there should be a proper and continuing service. There should be an ongoing service of their needs, there should be a capacity to negotiate with local authorities, with trade unions with local interest groups. Also there is the requirement to keep in close contact with the parent company. That proved subsequently to be of very considerable benefit since so many of the multinationals that came in those early days to invest in Ireland felt that the service provided by the IDA drew them back into Ireland, and they continued to increase their investment and to deepen their commitment to the Irish market.

In the 1980s, one of the very important strategies for the IDA was to attract the research and development capacities of many of those companies into Ireland—to thus deepen their commitment to the Irish marketplace. It is one of those catchphrases, but there was a realisation that a satisfied customer is the country’s best salesman.

Ireland’s entry to the European Community in 1973 greatly enhanced the country’s attraction for industrial investment and as a base for industrial location. For the IDA it became a key selling point. Community membership gave investors guaranteed entry to a market initially of 250 million people, now of 360 million people. Over the next decade it will expand up to, and perhaps go beyond, 500 million. No longer was Ireland an isolated island with uncertain access to some European markets. To capitalise on this new opportunity, the IDA accelerated its promotional drive in two ways: it developed a direct marketing approach to foreign companies involving industrial presentations and it sought to raise Ireland’s business profile by a sustained advertising campaign, highlighting the country as the most profitable investment location in Europe. Toward the end of the 1980s and throughout the 1990s the average profit for an American company investing in Ireland was 29.5 per cent per year, which was a very respectable return on investment.

The late 1970s, despite a number of the problems being encountered in the economy and in the international perception of Ireland, were heady days for the IDA as they captured a number of the emerging stars of the electronic industry in the United States. Mostec, from Dallas, was one of the first to come in. It chose Ireland to manufacture its chips for the European market and built a showpiece plant in Blanchardstown just outside Dublin. The Mostec decision proved crucial. It gave the IDA an opportunity to speak with greater confidence about an Ireland now capable of supporting high technology investment. In that same year, two more success stories of the emerging computer world came to Ireland: Wang Laboratories, from Massachusetts, with their word processing range, and Verbatim, from California.

However, this led to a change in message in the late 1970s into the early 1980s. The message was that the IDA should from now on focus on attracting industries that could achieve high output growth using the best technology available, while maximising their spending on Irish services and materials. In this way, the IDA would maximise the gains for the economy, both through jobs within the company and through employment in related services that would be created in consequence of a major investment. Their judgment was that the most technologically advanced firms would be the most successful for the Irish marketplace. They believed that jobs would follow that success. This marked a reversal of the IDA's traditional approach of attracting the most labour-intensive industries, since labour was in abundant supply in Ireland.

This new strategy provided a logic for the IDA to favour companies with the most advanced production facilities, even if they were not the most labour-intensive in a sector. It also offered a basis for judging a company by its total job impact, whether directly on its own premises or indirectly through its suppliers. In this way, the IDA would get the best total jobs result by encouraging firms to secure the greatest possible share of their services and materials in Ireland. Electronics, computer software and special engineering opportunities in biotechnology and health care were the foreign industries which the IDA would now target.

This focus on high output and on identifying high technology companies as the key to maximising jobs got the official seal of approval in the government's white paper on industrial policy in 1984. In time, indigenous Irish business benefited from the spending power of foreign companies on printing, freight, catering and components, which added very considerably to their buoyancy. The multinationals were a source of good business and supported jobs in their companies. Figures in the IDA Ireland annual report in 1999, based on the 1998 data, estimated that those companies spent over $8 billion out of a total of $22.6 billion of their profits in sourcing supplies from local Irish companies.

Despite the depressing effects of recessionary economic conditions between 1980 and 1986, the IDA introduced two particular initiatives that were to produce again lasting benefits. The first was the new international services program. This was specifically designed to attract the booming new services sector companies. As a distinct area of new investment, this sector needed both a different promotional approach and a different range of incentives than manufacturing industry. The 1981 legislation, which enabled the IDA to give employment grants as capital grants, was of little benefit to these companies. In all, we had 12 target sectors, including data processing, software development and publishing houses. The expanded concept of international services brought IDA staff through the doors of a wider and more varied range of industries. It soon produced results with the arrival of IBM software, Lotus software and Microsoft software, and by their presence all these helped to establish over time a world-class base for software companies in Ireland, and by their subsequent expansions they have created thousands of jobs in Ireland.

At the same time, the IDA took a second significant initiative; it launched an international advertising campaign in 1983 that took a radically different look and was entirely different in tone from anything that had preceded it. It switched focus to the Ireland of the young Europeans, and I think in that way it emphasised our membership of the European Union, and it also emphasised that there was available in Ireland a rich and talented pool of young people at that moment in time, and it is still the case—the age has gone up very slightly: 50 per cent of the population was under 25; today, 50 per cent of the population is under 27.

The net result of all of that has been to transform, as I said at the outset, the Irish economy. Today, we are the fifth most competitive economy in the international community, fifth after the United States, the Netherlands, Luxembourg and Singapore. We are the second most open trading nation in the world after Singapore, the third largest exporting country on a per capita basis in the world after Singapore and Belgium and, in absolute terms, now the largest software exporter in the world, having moved last year ahead of the United States. We produce two out of every three of Europe's computer terminals and, if you look at some of those macroeconomic statistics that were so depressing 20 years ago, unemployment is now down to 3.4 per cent, the debt to GDP ratio is down from 120 per cent to 42 per cent, and the economy basically is transformed, and it has been transformed by the activities of the IDA, utilising the advantages of the nation at a particular moment.

Today there is obviously a very heavy focus on education: 28 per cent of total government spending in Ireland is allocated to education—one million people in Ireland of a population of 3.8 million are in full-time education, 30 per cent of the work force have university degrees. We have the highest rate of population under 35 with third level qualifications in Europe, and 60 per cent of those leaving secondary education go on to third level education. We have seen a development of new curriculum over the years. While we had in the past a particular genius for providing the world with poets, philosophers and writers, today the emphasis is very much on engineering, science and business with six out of every 10 attending university working in those areas. We have allocated this year over $1 billion to focus specifically on the biotechnology sector. That, of course, has had a spill over as well into other important areas of the activity and life of the nation.

Very quickly, and anecdotally, I was spokesman at the Department of Foreign Affairs in Dublin in 1987 when the *Economist* sent a team to look at the state of the economy in 1987. It was one of those horrible moments in my career when I opened the edition of the *Economist* that resulted from that special investigation. It reported Ireland as the basket case of Europe. It was the article that coined the phrase. It started a run on the pound and deepened that sense of horror as people looked at the state of public finances out of control. Ten years later, in 1997, the *Economist* returned. On their return they talked about Europe's 'shining light', an economy that had been transformed over 10 years. I think the message, however, that one would take from all this is this: if we can do it anybody can do it. If you set your mind and your determination and you put in the effort and resources to do it, you can transform a poor economy into an economy that people look at and say, 'Yes, they have done well.'

CHAIR—Ambassador, thank you for that presentation. I do not know whether it was the stimulating and enthusiastic presentation or the material that you were sending to us, but I found it very interesting. I am sure my colleagues did as well. If I may, I will ask the first question. In Australian dollar terms, how do your wage rates compare with ours, roughly?

Ambassador O'Brien—It depends obviously on the sector. If you look at the high technology sector, certainly wage rates in Ireland would be much higher today. Again, because of membership of the European Union, we have imported a great deal of the salary structures that operate across the European Union. We almost look at pound and dollar numerical equivalents, which means that, in some instances, salaries would be about twice the Australian rate. But again, costs are much higher in Ireland. The cost of housing has now become extraordinarily high. The consumer price index will be much higher. If you look at the cost of living in Sydney and the cost of living in Dublin, you will find that Dublin is a more expensive place to live in now than cities like Sydney, Melbourne, Brisbane or Perth.

Mrs MOYLAN—Thank you very much, Ambassador. I had the great privilege of visiting Ireland during the last parliamentary winter break. I met with many agencies in Ireland to look at this. One of the things that strikes me is that a lot of people say, 'But Ireland is very different from Australia in that it had access into the European economy and that's what stimulated it.' But what I observed, and you might give us a further insight into this, was that, because there had been this planning going on from the 1970s, you had made a conscious plan to skill the work force. You mention the number of people going to university and the very high emphasis on high tech training. I wonder if you would make a comment about the length of time Ireland prepared its young people to meet the requirements of a new economy and a new approach to economic matters, investment and development in Ireland? When did that begin and was that actually foreseen, or was it a response to the new economy? In other words, was it actually planned or was it just a response when things started to move?

Ambassador O'Brien—I think the overall approach was planned. The detail is very much a response to developments as they emerged, but the overall philosophy was clearly planned. Coming out of the 1950s post-war period and isolationism, as reflected on where we were going and how we might get there, we made the crucial decision: if Britain decided to join the European Community then it was inevitable that Ireland would also have to join.

There was a sense that Britain's membership of the European Community was inevitable. There were a number of doubts about Ireland back in those days. The most important of those doubts was that we were too poor, that we would not be able to withstand the impact of membership. Would we survive going into this large free market area? It was not a single market at that stage. How were we going to cope? We would have to develop. We would have to do something. We would have to send a very clear signal to the Europeans—to the six as they were then—that we were serious about developing our economy. We had, up to that stage, largely an agriculturally based economy. Fifty per cent of the people lived and worked on the land. There was very little industry in the country. We had no indigenous resources, no mineral resources.

The first step was to attract foreign investment, based on the proposition that you cannot do anything unless you have some resources to do it with. We did not have them internally. We had to go out into the marketplace to get them. That meant putting a serious and credible industrial policy in place built around concepts of incentives and a strong commitment to education. We realised that it was wonderful that we had poets and writers and shining stars in the world of literature and theatre, but that we had to focus on business as well. Business schools were encouraged and started.

It was only later, as the new economy began to emerge, that we began to recognise that these developments could be important for Ireland. One of the strategies of the IDA was to go into a marketplace, look at a company that they thought might be suitable, study that company and see what it needed in the Irish marketplace if we were to attract and encourage them to come in. In all cases they wanted a well-educated work force skilled in those areas that complemented their work, that were of immediate relevance to their work. As the new economy began to emerge there was a very serious dialogue between government and the universities.

We had a major overhaul of, a major look at, third level education at the end of the 1960s and the beginning of the 1970s, with the upgrading of a number of the technical schools and colleges to university level. Three or four new universities emerged from that group, with the more traditional red brick universities themselves breaking out and establishing courses in business studies and high technology studies. In Shannon, at the very heart of the first industrial zone in the world, there was established the University of Limerick—again relating to those industries that had come; in the main, high technology industries—with a large industrial park to further advance research and development.

Mrs MOYLAN—Is it possible to get figures on the percentage of budget spent on education before and after the reform?

Ambassador O'Brien—I will look at that. Today it is 28 per cent. It certainly would not have been as high in the past. It was always high, but maybe for different reasons. There was perhaps a post-colonial feeling that the key to the future for young Irish people was education and even if they had to leave Ireland—and, tragically, so many of them had to leave Ireland—then they should leave with an education. The philosophy was changing. But I will certainly look at that.

Mrs MOYLAN—The direction at the moment.

Ambassador O'Brien—The direction; absolutely.

Senator FERGUSON—He does. I am interested in one area in particular that you talked about. I remember that you arranged a visit for about 11 of us in 1997 and one of the focuses was the Industrial Development Agency, because of the work it had done. How important was the 10 per cent corporate tax rate and the guarantee that it would be in place for so long? It seems as though things may have changed. I thought when we were there that they told us it was 10 per cent until the year 2010 and no greater than 12½ per cent until the year 2025. In reading through my notes I see there have been some changes in bringing the rate from 28 per cent down to 12½ per cent overall at a much earlier stage. How important was that corporate tax rate in attracting international investment?

Ambassador O'Brien—Thank you very much for the reference to trade statistics. Let me say in passing that we are the largest importer in Europe of quality Australian wine. This is something that brings a great deal of wonderful refreshment to the nation and has diversified the Irish appetite. The Irish palette has been tremendously enriched in so many ways.

The 10 per cent corporation tax was vital. Taxation policy is very important. The rate has gone up to 12½ per cent. It was at 10 per cent for the manufacturing sector. We had to bring the services sector in as well and in so doing we had to equalise the rate for everybody. It was 28 per cent or thereabouts for certain Irish companies. This was also found to be discriminatory. We had representations from Brussels to fix this internal distortion in the economy. Many thought that we would move everybody up to 28 per cent but we thought it best to move most down and in fact we brought everybody to the same rate of 12½ per cent.

It is important for a number of reasons. While in many other economies you will have an effective rate which may not be much greater than 12½ per cent, the actual rate may be greater. I do not want to talk about any specific example, but I can think of a particular country where it is about 38 per cent you find that there are a large number of exemptions. The exemptions provide, particularly for creative chartered accountants, many wondrous ways of perhaps paying very little, if anything at all. In the Irish situation you pay what is on the piece of paper. There are no exemptions. It is 12½ per cent and you pay 12½ per cent. That in fact has helped. It does not help the chartered accountants very much, but it does help transparency and predictability in taxation matters.

CHAIR—I presume interest and those sorts of things are deductible.

Ambassador O'Brien—There are some very few exemptions. It is there and it is clear. Some re investment, yes. I do not have the previse details from the act, but there are not very many exemptions that you get in circumstances where you might have a much higher rate. If you have a much higher rate, then you have to look at what is the effective rate.

CHAIR—Could you send the committee those things that are allowable deductions for you and those that are not in our situation?

Mr O'KEEFE—I think you are actually saying that it is almost effectively a turnover tax. A company makes revenue and has expenditure and takes the expenditure off the revenue to come to the profit and then the profit is taxed. Are you saying that it is a 12½ per cent tax on net profit, or is it 12½ per cent tax on overall revenues?

Ambassador O'Brien—On net profits.

Mr O'KEEFE—That is a very low tax rate.

Ambassador O'Brien—Yes, it is a very low tax rate, but it is a very real tax rate. That is the point.

Mr O'KEEFE—Sure.

CHAIR—I am trying to analyse what deductions you allow against what we would normally allow.

Ambassador O'Brien—I can let you have a statement on that. They are very limited, they are very well focused, they are explicitly stated in the act and they do not go beyond that.

Senator FERGUSON—You attracted business to Ireland over a fairly long period of time, but you almost were in the business of picking winners because you gave advantages to certain areas—you concentrated on communications and electronics, and pharmaceuticals was another thing where there was a lot of investment in Ireland. Were there any other incentives, other than the 10 per cent tax rate at that time, for companies to establish themselves? They were all around rural Ireland virtually, in Cork, Waterford, Galway—all up the coast there were various pharmaceutical companies. You also had the Dublin docks where you had a different investment, a financial centre. Apart from the attractiveness of your tax rate, were there any other incentives for people to establish themselves in those areas?

Ambassador O'Brien—There were many other incentives. There were incentives in terms of plant, the development of plant, and the development of on-site incentives for the training of staff specific to the industry involved. There were skill development programs. There were some incentives to go to regional areas but, quite frankly—and there has been a lot of debate, as you know, in this area—if you seek to give advantage to one area as opposed to another, to what extent do you distort economic development within the country as a whole? That is an issue one has to reflect on.

There are also the needs of the company that is investing. They may or may not want to be near a large urban centre or their particular industry may not be suited to some of the regionally disadvantaged areas—areas that one would want to see investment go towards. Those are obviously factors that have to be taken into account, and there is a degree of flexibility in terms of what you can try to do to attract mobile investment within the broad legislative and policy framework.

There is an incentive, a bias if you like, towards persuading people to look, particularly, outside Dublin. Almost a third of the population of the republic lives in Dublin, 1.2 million in a population of 3.8 million. So there is a real incentive to regional development and to look to areas of regional development, but it is difficult. It is more, I think, a strategy of persuasion because the same incentives are basically available across the country although as you go into regional areas there is an emphasis on such sectors as plant development, skilling the workforce and the particular workforce available in a particular region.

In the area of picking winners, I am not so sure that it was a strategy of going out to pick winners; it was going out to persuade those who would come into Ireland and utilise whatever talent we had. There were winning sectors, yes. New sectors were coming on-stream—high technology, information society and the knowledge economy so all of that was there at the time we were out there in the marketplace looking around. Of course, one wanted to attract some of the big names because if you got one or two of the very big names to come in, then others would come, others would follow. There is a certain herd instinct that it is good to tap into.

Mr BAIRD—Ambassador, great presentation. I envy what you have done but, in terms of the incentives, as we try to sort out what was the most important factor, it would seem taxation incentives were the biggest. Were there incentives in terms of transport, heating, et cetera? Who did you look to for your inspiration, because it sounds a bit like the sun belt states of the US in terms of their ability to attract new investment into the various states there? What did they use as the model for the industrial development program that you subsequently developed?

Ambassador O'Brien—I suppose if you look across the broad range of incentives, taxation plays a very important role. I am not sure that one would say this was it alone, or this was it pre-eminently taxation policy. It really was a range of incentives. You cannot just go with one item. There obviously is complexity. People just do not look at a tourist brochure if they are going to go into a country. They want something more than that and they want a range of assets that they can relate to. Taxation policy is one of those and having a simplified taxation system is certainly an attraction. Having something that focuses the mind is attractive: 12½ per cent is there, it is clear, you know what it is, it is transparent and it is predictable. Profitability and profit margin were also important. Repatriation of profits was important. An average return of 29½ per cent on investment is a good return. That was attractive and had its own effect—rolling stone gathering moss or whatever. An educated work force was important but lots of other places had educated work forces too, of course. But if you could talk in convincing terms about people who had serious qualifications in areas that were of importance to the industry coming in, that certainly was important. And an environment friendly and enthusiastic about foreign investments—

Mr BAIRD—Did transportation and energy costs come into it at all?

Ambassador O'Brien—Transportation comes into it from time to time. There sometimes can be a bias to locate within a country region rather than to be attracted to the national capital. I mean they may prefer to locate in a particular place within the country; there might on the other hand be a tendency to go towards Dublin or to be close to a port—but remember Ireland is an island anyway. We perhaps, now with the Chunnel operating, are the only island nation state in Europe. So it is. You cannot walk, cycle or drive to Ireland. You have to take an aeroplane or a car ferry and therefore there is already a disadvantage in terms of transport. Transport costs can be high, and we have had to do what we can in relation to that. But you cannot distort the market internally either—the community market in terms of that. So, yes, those are issues. They have tended to be negative issues rather than positive ones.

Mr BAIRD—Were energy costs subsidised?

Ambassador O'Brien—Energy costs were about the average for Europe, but we do exist at the end of shipping lines. We have to import about, I think, 96 per cent of our energy requirements. Our energy bill is very much dependent on fluctuations in the market. That was why both in 1973-74 and again in 1979 the Middle East oil crises were pretty tough, almost devastating, blows to the Irish economy.

Mr BAIRD—Was there any one particular model that stood out that was attractive to Ireland?

Ambassador O'Brien—Quite frankly I think we might argue that we were one of the first in the field back in the 1950s. Shannon was the first industrial processing free zone to be established in the world. So in a sense I think we probably led the way. Today when we look around the world, we look to some in the United States. We look also to our neighbour, Britain, to the north of England development authority, to the Scottish development authority and to the development authority of Wales. In this region we would certainly look to the Singapore model as a very interesting one.

Again, I do not know what relevance it has, but a number of the very successful models have been models that have been set up to serve small countries. Larger countries perhaps have a great deal more resources and indeed some of the major companies in any event will go off and do their own work. But in smaller economies industrial development agencies or authorities have been particularly important and crucial instruments of economic development on the landscape.

Senator FERGUSON—Nineteen eighty-seven was your real crunch time, wasn't it?

Ambassador O'Brien—The year 1987 was the crunch moment, absolutely. It was the moment when we looked into the abyss and said, 'Are we going to survive? Is all this effort going nowhere? What was happening?' To use all the great cliches, the ship of state was in becalmed waters, there was no wind, nothing was happening. It wasn't sinking, but there was no movement and it was important to move ahead. There was a crisis and emigration was back on the scene again, with very large numbers emigrating to the United States. Again, we had a serious problem with young people that was not properly documented.

Mr BAIRD—In terms of the young people, wasn't there a special incentive to have people stay in Dublin? Was some housing assistance given for people under 30 in Dublin?

Ambassador O'Brien—Because of the escalating cost of housing it was related much more to the cost of housing than to a specific strategy for industrial development—although, of course, it had an effect in that area. Schemes have been introduced over the years for mortgage relief, repayment relief, taxation on investments in housing to try to ease the situation.

Mr BAIRD—And that was for under 30s?

Ambassador O'Brien—Absolutely, for under 30s primarily, but also for first time buyers, irrespective of age. That was also some assistance to people entering or re-entering the economy. We now have a not insignificant number of people who have come to work in the economy who are not Irish. We have immigrants coming, to a large extent, from central Eastern Europe.

Mr O'KEEFE—Time is limited so I want to make two or three brief observations that can become questions. Perhaps we can talk to you again at a later date in this inquiry or perhaps you can give us some more detail off the transcript. I remember your presentation to our broad committee 12 months or so ago which led in part to us saying that we want you to talk more to us about this. There are two or three things that have stuck out in my mind since your first presentation, and there are parallels here. One was the entry to the EEC, with Ireland positioning itself as a bit of a bridge to Europe for the US and others. You marketed Ireland as an attractive destination. We are trying to do that here—be a bit of a springboard to Asia for the world. Could we have some of the material on the strategies that were used to market yourself as an access point to the EEC?

A second point that stuck in my mind was that, for all the gradual transformation that took place from 1952 to 1982, it was when the crunch hit that you went into action. A quite dramatic shift took place post-1984. From 1984 through to 2000 you seem to have had a common government policy. You have had changes of government but it seems to me that those governments have been consistent with this policy. In fact, I think you have said that. That is a novel experience for Australia. Could you give some more detail on the ways in which both parties stuck to that?

You made the point that, as you attracted foreign investment, you also set out a path of maximising local content out of that. Can you give us some information on the strategies that were used to maximise that local content? Was it extra tax deductions or R&D partnerships or whatever they were? Do you know what I mean? Another thing that stuck in my mind was what you said about reversing the brain drain—not only stopping young people leaving but also going on a fairly intensive international search for second and third generation Irish people with the skills you wanted to attract them back. Is that so?

CHAIR—Mr O'Keefe, I fear the question is as long as the answer we are about to get!

Mr O'KEEFE—Everybody else has had a real good serve at this. I am only putting questions on the table. We have all heard about the low corporate tax rate. I hold the view that business decision makers are a bit Pavlovian about this. If they see a low tax rate they just chase it. You have done very well in identifying that. I have two final questions. You marketed yourselves as a low cost country with things to offer. You are now a high cost country with things to offer. Is the strategy changing, and in what ways? The other question is about Irish capital. When you started this whole equation you did not have any money and the strategy was based on attracting extra wealth. Have you been able to retain any of that wealth, in terms of Irish capital? Is the strategy changing as a result—to put your own capital to work? I do not expect you to answer those things now, but just to give us some information on those things.

Ambassador O'Brien—Consensus approach to government policy has been vital from 1987 on. There was the forging of a social partnership between government, the trade union movement, employers and farmers, bringing in others from time to time as well, like the universities. The social partners got together because they had to. We were bankrupt—not just going bankrupt; I think we were bankrupt. So we had to forge a new partnership. There had to be a partnership. That forged a national consensus. Therefore, you did not have disruptions in policy as governments changed.

Indeed, one of the interesting things about Ireland is that no government has been re-elected in Ireland since 1969, with perhaps one exception. In 1989 the then outgoing Fianna Fail government, led by Mr Haughey, was re-elected, but in a new coalition form. The 1987 government, when it came to the election in 1989, two years later, formed a coalition government with the Progressive Democrats. With that minor caveat, from 1969 governments have changed at every election. Because of the recognition—particularly as the 1980s went on—of the need to maintain a credible, predictable and transparent economic policy and a policy of reconstructing and developing the economy, that was shared across parliament.

There is an issue about the role of parliament in all of this. There is a concern that all of this is decided outside and government comes back in and presents what is negotiated by the social partners to parliament.

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

CHAIR—We will now resume the public hearing.

Ambassador O'Brien—When the IDA was established in the 1970s we had a major banking strike. Problems with industrial relations bedevilled the economy, or at least we had serious problems with the economy through the 1970s and into the 1980s. Developing a dialogue among the social partners also established a period of industrial peace. I hope I have not been too complex or have gone into too much detail. Social partnership has been vital.

Senator FERGUSON—Is it not true also that Fianna Fail and Fine Gael philosophically are close together, as far as their politics are concerned. Their philosophies are not wide apart, which makes it much easier for them to commit themselves in the future. In Australian politics there is a fair divide in philosophy, although some would dispute that. Most of us think there is. That philosophical divide is not so great amongst Fianna Fail and Fine Gael, is it?

Ambassador O'Brien—I think, very definitely of recent years, there is a consensus about economic development policy. Strategies will vary. There will be different approaches to taxation policy—different approaches, perhaps, to sharing the wealth of the nation. All parties would want to do that. But how you do it, how you develop policies that will meet those objectives, will vary between the different parties. We have come through a period of national consensus in economic planning and development. I think there is a strong public desire that that should be maintained. That, of course, has its impact as well on all of the political parties, not just on the two larger parties. I think all the political parties would agree that that consensus is good—that working together to build the nation is important—and that should be maintained.

At the same time, when you get down into the detail of looking at salaries and wages policies—what sort of increases, how you bring the public service in and how you address issues of maintaining spending power among different sectors within the economy—this obviously can lead to a fractiousness and a different approach from some of the political parties. So in the detail you can have differences. In the macro approach you certainly have a consensus. The brain drain has always been a part of Irish history. Today there is a strategy of encouraging Irish people, young and old, who have left to go back. But, quite frankly, we are also in the international marketplace for anyone who wants to come and work in Ireland who has talent. We have unemployment at 3.4 per cent. That is effectively full employment.

There are sectors in the economy where we need people with skills. We look around the world, and obviously we look to a country like Australia as well to see if there are people in Australia who would want to come and work in Ireland—they would be very welcome with the skills that we need in our economy, whether they are of Irish heritage or not. As we enter the next phase of economic development and as government sits down to chart the course for investment in the economy in the period ahead, an important part of that strategy is to make those schemes attractive for Irish capital to remain within Ireland and to help develop the economy within Ireland. But there are no restrictions on overseas investment, so we have to make our internal development strategies attractive to Irish capital as well as to capital from elsewhere.

Mrs MOYLAN—There were some questions that I wanted to ask which can be put on notice, and you might like to come back again. You have, in part, touched on some of the answers in relation to Mr O'Keefe's questions. In my observations, in Australia we are in a political landscape that has a very changeable mood. We have minor parties, some of whom have flat earth policies which, I think, seriously threaten to derail economic strength and reforms that will give us strength economically in the future unless we are able to address this. I know that, in part, Ireland was able to do this through the social partnership.

But my question notes that, very often in our country, that sort of consultative process between the unions—and we have seen it here attempted from time to time—does not filter down to communities and people in communities. So what has been different about this forging of the social partnership that has taken the Irish people with it, or indeed have there been political difficulties that have needed to be managed and, if so, how have those difficulties been managed—things like the repatriation of profits, for example, from the large international corporations out of Ireland? I think Mr O'Keefe asked about that in his question. So you may be able to come back to us with a perspective on that. Thank you very much for a great presentation.

Ambassador O'Brien—Thank you very much indeed.

Mr O'KEEFE—Mr Chairman, can I suggest that we invite the Ambassador back in a months time or so, after he has had a chance to look at some of the things we have been asking.

CHAIR—If we need to, we will.

Ambassador O'Brien—A national consensus was formed because the historic moment arrived when, as I said, we looked into this abyss and the public demanded that there should be a serious and credible response from government. The only way forward in 1987 was to establish a consensus. Let me say that that consensus was established across parliament. The main opposition party, Fine Gael, joined in what became known as the Tallagh strategy to assist the government and to say that they would support the government in a number of areas—government activities and government commitments to the revitalisation of the economy. I think people got caught up. There was a new mood and a new spirit in the nation that the time had come to address some of the fundamental issues of the economy. If you went out to dinner parties or down to the local pub for a drink—whatever you did—people were talking about the macroeconomic situation, the rate of inflation and the level of unemployment, and much more complex issues than those were also discussed. It was something that reached out into the street. People were concerned because they were concerned about the future. They were concerned about what was going to happen to them, to their jobs and, obviously, to their families, to their children. They wanted something to happen, they wanted a consensus way forward, and the political parties and political elites responded to that.

Yes, there have been difficulties. Repatriation of profits from time to time has been an issue of debate, but it is very much counterbalanced when you look, for example, at the other side of the coin, on how much foreign owned companies that are there spend locally in the economy.

There have been offshoots in the high technology sector, for example. One sees it in Australia. Virtually, three, four or five of the most recent Irish companies to establish in Australia are high technology companies. Baltimore Technologies and IONA Technologies have established themselves, first of all, in Perth, and now IONA has come to Melbourne as well. The new companies that are coming are a by-product of foreign investment in the economy, and they are seen to benefit. In a sense, the challenge now is how, with a very limited population base, you encourage Irish companies and give them the capacity to grow. One of the ways you can do that is by assisting them to grow abroad, to grow in places with a larger population base.

CHAIR—Ambassador, thank you very much for your attendance today. I am very reluctant to bring this sessions to a close. You will be sent a copy of the transcript in due course for your correction of grammar and fact. I look forward to the questions on notice, if you could forward them to the secretary. Once again, on behalf of the committee, thank you very much for your attendance.

Ambassador O'Brien—Mr Chairman, thank you very much indeed. It was a great pleasure to come along, as always. It was a very particular pleasure to be here under your chairmanship, and I would like to thank the other members of the subcommittee who came along to listen to me this morning. It has been a great pleasure and an honour to be back here and to interact with such a distinguished group of eminent parliamentarians of this great parliament.

CHAIR—Thank you.

[11.25 a.m.]

SYMON, Mr Craig, General Manager, Export Finance Assistance Programs, Austrade

CRAWFORD, Mr Michael, General Manger, International Business Services, Austrade

JOFFE, Mr Greg, Corporate Adviser, Strategic Development Austrade

NEUBAUER, Mr Bernd, General Manager, Invest Australia, Austrade

WILKES-BOWES, Ms Meredith (Dee) Katherine, Senior Policy Adviser, Austrade

CHAIR—Welcome. 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 of parliament. The subcommittee has a submission from Austrade, submission No. 3. I now invite you to make a short presentation.

Mr Joffe—Thank you, Chair. We thought it would be useful to start off by saying why Austrade has put in a submission. The basic answer is that we do a lot of the things that this committee is looking at, and we thought it might be of assistance to the committee if we ran through some of that. We are available to answer any questions that you have. Obviously, we will be focusing on where Austrade actually has some expertise and we will not cover some of the issues the committee is looking at. I would like to quickly take you through what Austrade does, as background, some work we have done on the impact of exporting and international trade on Australian business profitability and on Australian business general wellbeing, and then a quick snapshot of the sorts of things we are doing which may fit with the sorts of issues the committee is looking at. Some of my colleagues will then provide a bit more detail.

Page 2 of the submission has a step chart. Basically, where Austrade operates is at the international end of this chart. If you think of a step chart about an Australian business getting their business in place and then going international, first you have an idea to start a business and you get general information. You then start assembling the building blocks and you build your domestic business. If your business is going well, you will be looking at whether you should go international. At that point, Austrade tends to start getting involved, and then there are three steps which cover what Austrade does to assist Australian businesses to build their enterprises. The first is that we provide general information on export. Companies come to us and say, 'I've got this good domestic business; do you think I should be going international?' We help them assess that. We then help them select markets and enter those markets. We work through a market selection process and help them enter the market, whether they use a joint venture or distributor or some other arrangement. We then help Australian businesses once they are overseas to continue to expand.

That is pretty much the area on which we focus. I will take you through now how we think that impacts on Enterprising Australia. The document we have handed out, 'Why Australia needs exports', runs through the two key areas. Research we have done with the Australian

Bureau of Statistics suggests that taking a company international makes it much more innovative. If you look at exporters versus non-exporters, you see consistent patterns of increased innnovation, for example, they will have intentions to do more new things. If you flick quickly through the document, the graph on page 14 shows some things on intention. Chart 15 on page 13 shows some different things that exporters do as compared with non-exporters. They tend to use better business methodology, better plans, better expenditure reporting, better networking, better performance comparison and better export market planning. If you flick to page 15 and 16 you will see there is better use of the Internet, which is clearly one of the things businesses need to be doing to be competitive. Page 17 has a graph talking about more technology. In summary, the bottom of page 12 says:

> Exporters tend to invest in human capital by spending more on education and training than their non-exporter counterparts. Exporters also tend to outperform non-exporters in terms of the variety of training provided, the training methods used and career development options for their employees. Exporters are more likely to have links to formal education institutions such as universities and TAFEs. Exporters are also more likely to provide information technology training and are more likely to provide staff with personal computers than non-exporters. Exporters are generally better connected to the Internet than domestic firms are, which is crucial to Australia's capacity to compete in the 'Information Age'. Exporters' greater commitment to education and training is indicative of the tendency of exporters to be more innovative and willing to 'try things' than non-exporters. For instance, exporters are more likely than domestic firms to put a new good or service on the market.

The bottom line for Austrade, and this is obviously a question we have to look at in detail, is that taking a company international seems to have huge benefit for that company. There is a causation issue, maybe only the really good companies go international but our research to date suggests it is both. Really good companies go international, but also going international exposes you to what is going on internationally, plugs you into networks and actually allows you to become a better company and a stronger company, which is better for Australia. One of our key messages would be that. One of the best things we can do to build a strong corporate culture in Australia is to get companies to go international. If you have to play in the big league, you improve your performance.

There are also links with inward investment, which my colleague Bernd Neubauer will talk about. About a quarter of Australia's exports are by companies that are partly or majority foreign owned. Clearly, increasing foreign direct investment builds in those networks and brings in that knowledge, but also then builds more exports which allows you to increase internationalising.

One way Austrade is working to help Australian businesses internationalise is by realising this need for it to be able to advise companies on selling internationally online as well as off-line. Whereas our old business might be helping people enter the Indian market, our new business, or part of our new business now, is helping them sell online in exactly the same way. We have been running seminars for exporters and potential exporters on how to sell online—'E-commerce for exporters'. We offer e-commerce advice, how to use online markets, both closed markets and open markets, and we are building our web site up so it really becomes a portal for any Australian business that wants to go international. That is a very brief overview of the sorts of things we are doing and why we think going international leads directly to some of the things the committee is looking at. Craig Symon will talk about the grants programs, Michael Crawford will talk about the domestic and global network and Bernd Neubauer will talk about the investment side.

Mr Symon—Governments over the years have acknowledged much of what Greg has said and, since the early 1970s, have said, ‘There is market failure in trying to get finance for a domestically based company to go overseas’, and that is the genesis of the Export Finance Assistance Program. That covers mainly the Export Market Development Grant, a $150-million scheme which will be up before the parliament again in this Autumn session. The grants help companies defray some of those up-front costs of going international: overseas representation, market visits, communications, free samples, trade fairs—interestingly, so they can see what their sector is doing internationally—and short-term consultants. We take applications from companies and we pay out close to $140 million annually—we have some money to administer the scheme. We receive on average about 3,200 applications every year, which we process. Of those, about 900 are new, so we have quite a lot of new companies coming in each year. We generate from the scheme. We claim exports generation of about $4.5 billion, which is a 35 to one ratio. I personally think that a better ratio to use is the additional exports because that is what really matters—the marginal exports that come from this scheme. The ratio there is 12 to one, and that figure is a result of some work done by Professor Bewley at the University of New South Wales. So we are very pleased with the scheme.

In filling that market failure where you have a completely domestically focused company that says, ‘We’d be interested in exporting, but there’s a lot of one-up costs to get over there’ we will help defray those costs so they can get overseas. We are proud of the fact that, of the companies that do that, 83 per cent go on and export. To keep that figure high we make them go through basically what we call an ‘export performance test’—that is, we look at their export plans. We say to them, ‘If you’re going to get government money you have to be really serious and you have to show us what your export plans are and so forth.’ We are very conscious that it is tax-payers’ money. But that means that we get quite a high percentage of companies that go on and export. Professor Bewley’s work indicated that the extra jobs that creates is 54,000. That is based on a Bureau of Statistics multiplier.

As far as the sectors are concerned, interestingly, primary products account for six per cent of our applications; IT products, seven per cent; tourism, 18 per cent; the services sector, 19 per cent; industrial products 25 per cent; and consumer products, 25 per cent. You can see that there is a pretty fair spread. That is what we try to do with the export market development grants. I will now hand over to Mike Crawford.

Mr Crawford—In summary, I manage the domestic hub of the global network, which links our offshore offices and posts with Australian capability. The area is called International Business Services. We are deliberately moving away from just talking about export to talking about the broader notion of international business, which is not just the export of products but of services and inwards and outwards investment strategies.

The domestic hub called Australian Operations links about 90 offices in roughly 67 countries throughout the world. For administrative and functional purposes we divide the international network into a number of key regions: North-East Asia, South East Asia, the Americas, Europe, the Middle East, the Indian Ocean, and the South Pacific. We are clawing away at the coalface of opportunity offshore, identifying opportunities and matching that with Australian capability. It needs to be fully understood that we do that in both an opportunistic way and a strategic way. A large core of our work is matching up Australian companies with specific identified market opportunities, but then there are the more strategic, longer run market development activities which Austrade can run with a combination of allies or industry groups. The government's auto market development program, for example, which was launched back in 1997, is a concerted and coordinated effort between the private sector and key Commonwealth agencies such as the Department of Industry, Science and Resources, DFAT and ourselves.

In terms of industry sector coverage—I have provided these handouts to you—we have a management structure within International Business Services which sees senior officers having responsibility for industry sectors or industry sector groupings. For example, we have a national manager ICT, which in itself is a substantial portfolio; biotechnology and emerging industries; and then we go through to infrastructure, sports and Olympics; service exports; agribusiness; mining and railways, et cetera. That list is provided.

There are a couple of points to be made there. In terms of service delivery a lot of our clients and allies still like to be able to identify with an area that is responsible for an industry sector. It is very much the case that clients like to know who is responsible for ICT or for service exports. In a sense we have national management structures and titles which reflect, prima facie, traditional groupings. But underlying that is the fact that all industry sectors are involved in so-called 'new economy' activities. When we talk about mining and railways nowadays we are less likely to be talking about heavy equipment and railway sleepers; we are more likely to be talking about engineering services, mine rehabilitation services and mine site management services. A huge amount of work in all those areas is innovative in a sense.

One of the key priorities we have at the moment—I referred to this before—is international business rather than just exports. The word 'globalisation' is loved by some and hated by others, but it is a reality. For us it means that we need to be able to ramp up our ability to advise companies on doing international business in the globalising environment. We are focusing immediately on four key areas. The first is intellectual property, how you sell it and protect it at the same time and leverage off your intellectual property; the second is capital readiness, including venture capital; the third is global supply chains, which is a very key issue. There is a collapsing of global supply chains in major industries to key purchasers, particularly in the agribusiness and infrastructure areas. The question is how Australian companies can access those successfully. The fourth area is outwards investment including franchising strategies and like strategic alliances. Those are some of the key issues we are dealing with in the domestic network. I would like to hand over to Bernd for a snapshot of investment attraction activities.

Mr Neubauer—Austrade has been involved in investment promotion and investment attraction for over 14 years. Austrade recognised quite a long time ago the importance of linkages between trade and investment to Australia's economic development. Austrade recognises the importance of attracting complementary know-how and market access to Australia via joint ventures into Australia, and Austrade recognises that there is significant market and information failure internationally about Australia's capabilities and competitive strengths. In a nutshell, those are the three key drivers as to why Austrade got involved in investment attraction which, three years ago, resulted in a partnership with the Department of Industry, Science and Resources—called Invest Australia—which is now jointly funded by Austrade and the Department of Industry, Science and Resources. Invest Australia is a structure of 11 international offices collocated as part of the Austrade network internationally and has three offices in Australia—Canberra, Sydney and Melbourne.

We have 25 dedicated investment attraction staff overseas and a team of 15 in Sydney and Melbourne providing targeted support for that overseas network. But Austrade's wider network with 90 offices is increasingly involved in investment attraction in important locations where we do not have Invest Australia offices—such as Canada, South Africa, the Middle East and India, for example. In essence, what we are doing in a targeted manner is marketing Australia's competitive strengths and competitive companies internationally, to attract technology, know-how and skills that are complementary to Australia's skills and resources, whether they are natural resources or human resources developed in Australia.

We attract into Australia companies that are considering expansion into the Asia-Pacific region. For example, we have been working with quite a lot of NASDEC-listed companies that are coming to this part of the world for the first time and that we want to ensure come to Australia first, rather than to Singapore, so that we have the best chance of capturing the development of their business into the region from Australia. We also market Australian companies that are specifically seeking joint venture partners that are seeking complementary technology and complementary customers. We market briefs internationally through our Invest Australia network and, increasingly, our Austrade network, and we are providing potential joint venture partners with a significant amount of market information about Australia, information about the competitive strengths of Australia, and the rules and regulations associated with establishing a business in Australia.

There are three broad areas or sectors or segments that we are targeting which complement neatly the trade side of Austrade's business and which recognise the relevant linkage between trade and investment. The first category is technology, with specific sectors in information and communication technology, such as photonics and wireless applications, and certain segments of biotechnology where we are already demonstrating global leadership. The second broad category that we are focused on is value adding Australia's natural resources, such as ensuring that we are attracting companies to manufacture automotive components out of Australia's aluminium and magnesium, attracting Japanese companies to set up rice cracker factories in Australia, or processing milk powder for China. We are focused on ensuring that we are obtaining maximum value from Australia's natural resources, particularly as the market demand for those end products in Asia-Pacific increases. Although a lot of our focus in the third broad category is on multinational companies, we also focus on medium sized companies that are already active in Asia-Pacific and may or may not be active in Australia, but are looking to consolidate certain business functions in this time zone. With our skill sets here, with our multilingual capability and with our time zone linkage, we have a very strong case to put in front of larger companies that are looking to consolidate functions such as their accounts processing, their research and development and their customer call centre contact. We can centralise business functions in this time zone, not just for utilisation in this time zone but to link, often on a 24-hour follow-the-sun capability, the time zones in Europe and the US. That, in a nutshell, is what we do and why we do it, and the sectors that we are covering. Thank you. I am happy to take questions.

Senator FERGUSON—Mr Neubauer, if I had an acquaintance who wanted to invest in the IT field and who was trying to make up his mind whether to invest in Australia, Singapore or New Zealand, what would you say to him to encourage him to invest in Australia?

Mr Neubauer—Firstly, we would have to have a look at the segment of the IT technology that he was working in.

Senator FERGUSON—It could be IT technology or it could be a whole range of other manufacturing areas. What would make Australia more attractive to invest in than comparable countries such as Singapore or Ireland?

Mr Neubauer—Definitely the depth of technology skills in Australia and the depth of skills in other sectors.

CHAIR—Hang on. The Irish could probably claim they have a one-upmanship on us in that area.

Mr Neubauer—The depth of IT skills?

CHAIR—Yes.

Mr Neubauer—We would not necessarily be competing with Ireland. We would be competing for business in this part of the world.

Senator FERGUSON—This is an international investor who says, 'I am thinking of investing, but I do not know whether to invest in Ireland, Singapore or Australia.' I want you to tell me why he should invest in Australia.

Mr Neubauer—Probably the single, most important factor is that the Asian region will easily be the greatest growth region in the world within a couple of years. So, in terms of a business plan that is based on growth over 20 or 30 years, there is no question that this region will accelerate way past Europe and the US in terms of growth.

Senator FERGUSON—So why wouldn't he choose Singapore?

Mr Neubauer—He would probably run out of skilled IT people, or he would have to pay three or four times what he needs to for skilled people here. He would not find the depth of language skills with those IT skills. He would also find an environment that was not as welcoming to creativity as is the case in Australia, and as is the case in countries such as Ireland and the US. It is skills and depth of skills that are of increasing importance in this region in terms of future growth.

Senator FERGUSON—What would you suggest are the disincentives for anybody investing here at present?

Mr Neubauer—The largest disincentive at the very first stage of analysis is the size of our market—18 million people—which, on international standards, is not very large. Having said that, in the new technology sectors we are quite a sizeable market in this part of the world, and we are No. 2 behind Japan in the ICT market size. But that would be a significant first hurdle that would need to be overcome by other competitive advantages that we offer. It is still an eight-hour flight to Singapore and the central hub of Asia Pacific, which is important only for those elements of business that need very fast, face-to-face contact and technology now. Being in the time zone enables us to overcome those barriers. Even just travelling in this time zone is so much easier than travelling from Frankfurt to Singapore with the jet lag and the lost time, et cetera. With regard to other disincentives in terms of Singapore, I would say that not so much company tax but potentially personal tax issues associated with expats, in particular, are a little trickier.

Senator FERGUSON—What is the company tax rate in Singapore, because I have been trying to find out?

Mr Neubauer—It is 18 per cent.

Senator FERGUSON—You do not think that is an attraction?

Mr Neubauer—Not at 30 per cent, no. We are internationally competitive.

CHAIR—What about the Irish rate of 10 per cent going up to 12½ per cent?

Mr Neubauer—Michael has actually done quite a bit of study on some of the other countries' promotion agencies. I would reflect some of the comments I have received from senior executives by saying that tax rates and tax breaks are a bit like governments—they could be here today; they could be gone tomorrow. A serious business case that really looks 20, 30 or 40 years out is not being based on tax break incentives and uncertainty of whether tax will be at that sort of sustainable level. There is a much stronger focus on the real competitive reasons for establishing a business in a country.

Senator FERGUSON—We have just heard the Irish Ambassador say that tax breaks were one of the main reasons that they attracted them—particularly because they have got it guaranteed until the year 2025.

Mr Crawford—Guaranteed in legislation?

Senator FERGUSON—It is guaranteed in legislation.

Mr Crawford—A question of guarantee—

Senator FERGUSON—When both major parties agree on the process, you have got a pretty good chance of a system being sustained.

Mr Crawford—There is a need to put the Irish model in a bit of context. The question is whether that sort of company tax rate is sustainable in the long term. They say that it is guaranteed to 2025—23 years before we get there. The second point is that they have been able to carry that sort of low tax rate on the back of substantial EU funding, which is now starting to dry up, so is it sustainable? I think the third most substantial point in terms of innovation and competency building—I was going to actually put this on overheads but instead I will just hold up this sheet. If you look at investment attraction models, at one end is the incentive based model moving towards the competency based model. Where does Ireland sit now? Ireland is moving from the incentive base through to competency. Where does Sweden sit? Sweden sits at the competency end. The Swedes are not particularly interested in offering substantial tax breaks or incentives, because in their view that leaves a very strong risk that, when those incentives disappear in the future, the company will walk out the door. They are interested in attracting companies that want to operate in that environment because there is a strong business case for them to do so, and they want to be associated with other companies at similar levels of innovation and activity. The Celtic tiger is a stunning success, but it does need to be put in context.

I suspect that if you live outside the major technology centres, say, of Dublin, life is not as rosy as it is in the main centres where the growth is occurring. There are substantial problems. One of the things the Irish did 10 to 15 years ago, which was stunningly successful, was to put huge amounts of money into education. That was a very big commitment and it has paid off. But EU funding is now drying up. How sustainable will these tax breaks be in the future?

Mrs MOYLAN—I was going to ask a question similar to Senator Ferguson's first one. What are the comparative benefits provided for investment companies comparing Australia as against Singapore, in particular? However, we have probably done enough on that. I do not know that you have convinced me though, as you did not come across very enthusiastically in terms of our benefits. Mr Crawford, you talked about examining strategically and opportunistically the market opportunities overseas and then examining companies in Australia that might be able to take advantage of those opportunities. Can you give us more detail as to exactly how you are examining strategically and opportunistically those opportunities for entry into markets abroad? Also, what are you doing to find the companies in Australia that might take advantage of that?

Mr Crawford—I will answer that by addressing the opportunistic side and then the strategic side. Opportunistically the entire network is identifying specific opportunities. For example, if a Dubai based supermarket developer wants to buy 10,000 plastic chairs for his supermarkets which are being developed through the Middle East, that information will be fed back to our export advisory marketing unit—

Mrs MOYLAN—How is that information sourced to be fed back to you?

Mr Crawford—By the business development officers on the ground in the post.

Mrs MOYLAN—What are they actually doing—this is what I am driving at—to source that information to feed it back to you?

Mr O'KEEFE—How do they sniff it out?

Mr Joffe—The answer is probably twofold. Of the approximately 650 people overseas, about 550 are local staff, so they have in-depth experience in the markets. The basic answer to 'What are they doing?' is they build strong networks and they constantly try to stay ahead of the competition—which is the rest of the world's agencies and the rest of the world's businesses. It ranges from our office in Washington having very close relations with the various funding bodies and actually finding out what tenders are coming up before they come up—because once it comes up you are just the same as everyone else—through to that Dubai example. It may be that we know the person because we have been visiting them every few weeks to try and get some other product in from Australia.

So the core answer to your question is that it is the ongoing building of those networks and looking for the best opportunities to come out of them. It is also driven by our KPIs. We drive our staff around actually being involved in 'export impact', as we call it. That means that if they are not actually finding opportunities to convert to exports they are not doing their job. That drives them to be out there looking for those things.

Mrs MOYLAN—Is there any key targeting of certain industries or corporations in the countries that we are examining?

Mr Joffe—It is very much market based. In 1990 there was a major study of Austrade by McKinsey and Co. One of the key recommendations was that, rather than having central policies set by a group in Canberra—put the people into the field and let them find the appropriate opportunities. What we try and do is Australian operations find the capability, and the people in the market are expected to be strategic about what are the likely opportunities in their market.

Mrs MOYLAN—Is there some guideline as to their achieving that abroad? Is there some guideline for your missions abroad to achieve those target opportunities as an independent group?

Mr Crawford—Yes. You should understand that performance measurement within the organisation goes from the individual performance agreements of the staff involved through to post business plans, regional business and operational plans, and then to global operational plans. We report at a corporate level to the parliament each year in the portfolio budget statements, and that trickles down to individual performance measurement agreements, or management agreements with staff. So yes, they do have targets in a sense. They do have outcomes that they have to achieve.

Mrs MOYLAN—Can the committee get access to those performance indicators and what they are measured against?

Mr Crawford—Absolutely.

Mr Joffe—They are in the annual report. I noticed the subcommittee secretary had a copy of that report, but I also have a spare copy.

Mrs MOYLAN—Are they in detail there, or is it just a bit of rough outline?

Mr Crawford—We will provide you with a paper.

Mrs MOYLAN—I am talking about detail so we can properly examine it. In here it gives you only an outline.

Mr Crawford—I am happy to provide you with the paper on performance.

Mrs MOYLAN—What are you actually measuring? It is all right to say that this is what has been achieved, but what has it been measured against—last year, the year before or the year before? Do you have a chart that shows how you can measure this against, say, 10 years ago?

Mr Joffe—Not 10 years, but certainly over the last seven or eight. I will give you a quick overview of how we use the measures and then we will provide the committee with a more detailed paper. We set a series of results measures about seven or eight years ago which were around this measure of how many dollars of exports we were involved in, how much outward investment we were involved in and how much inward investment. We also measure client satisfaction. You can do all that other stuff but, if the clients do not like you, you have wasted your time. We also have some activity measures. With the introduction of input-output budgeting, we have gone from those seven measures to six measures and to about 66 output measures. Those include things like how many pieces of advice we delivered and how many opportunities we sourced. There is a whole series of activity measures and then these result measures. We have at least seven or eight years data for the KPIs and two or three years data for the output measures.

As Michael was saying, we set these targets based on previous years data. So we will look at all the previous years data we have plus the year to date. On the basis of that each post overseas will then set its targets. Those will be accumulated to the regional and the corporate levels. We will then quality control those and make sure that they have not dropped the objective, for example, for this year to be half of last years objectives. Those then become the numbers that go into the operational plan. Those are the targets that go into performance agreements. During the year and at the end of the year we track how we are going against that and we report that in the annual report.

Mrs MOYLAN—Do you have a formal quality assurance program? Have you gone through the formal quality assurance process?

Mr Joffe—We have not, but we did recently win the Department of Finance and Administration gold award for service. At the end of the day, we are a service business. Australian businesses judge us on our ability to assist them to get results. We track how we are going—Do they value our assistance? Are we running our processes well? Are we actually getting results?—but we have not done an AS9000.

Mrs MOYLAN—We have virtually forced many of our corporations to do that in order to get government contracts. So why should we not be setting the lead within our own organisations and requiring our organisations to go through quality assurance programs?

Mr Crawford—We have been through the government’s client service initiative—the title of which escapes me—which was a major initiative, driven over the last couple of years, to ensure that Commonwealth agencies and departments deliver against standards. I suppose the question is whether that public service activity mirrors the quality assurance that you are talking about.

Mrs MOYLAN—That is a good question.

Mr Crawford—Yes. We have been through that rigour, as have all agencies. As Greg said, we have actually come up trumps a couple of times recently on an award. I will just make one comment about historical comparisons of performance data. One thing to keep in mind is that our activities are also substantially directed by the priorities of the government of the day. That, of course, varies over time. The current government very much had a clear policy priority set out at the time of the 1996 election in terms of SMEs and regional and rural Australia. That means that you have to accommodate those priorities within the existing resource base, which automatically means driving efficiencies or doing something less somewhere else.

Mr O'KEEFE—There are two opportunities that seem to me to be hanging around for Australia at the moment, and I am just wondering what impact they are having on your activities. One is the relatively low value of the Australian dollar, or international perceptions of it. Assuming that is going to be around for a while, are we doing anything specific to try to capitalise on that? We hear anecdotally that Spain benefited for a good couple of years following the Barcelona Olympics. Do we have any strategies in place to continue to market the awareness that has come off the back of the Olympics?

Mr Symon—Mr Chairman, I think the only reason it has been thrown to me is that for a short period of time last year I was the senior trade commissioner in New York, and that is an area where the relative value of the Australian dollar is something we push quite extensively. In New York we would try to get down to Wall Street from time to time and give presentations to large investment houses and so forth about the Australian economy. They are very interested in the value of the Australian dollar but—as it is with some of the tax incentive arguments Mike was presenting before—they are equally aware that there could be a correction at any time and that these things can be very transitory. It is amazing to me that we are in the situation we are but we are. Yes, we do try to plug that as a very serious incentive to come down to Australia, and it works—people do come down to have a look at Australia on that basis. They are very wealthy people when they arrive here. I cannot, though, from my experience over there point to a single investment that was purely driven by the value of the Australian dollar. But, do we promote it? Yes, we do.

Mr Crawford—I have a couple of points on the Olympics. There was quite a substantial program, as you know, associated with the Olympics through Business Club Australia and Australia Open for Business. It was a joint effort between the Commonwealth and state governments. In terms of follow-up there are two points I would make. One is the number of specific programs associated with that which we are following up as a matter of course at the post. Trade Visitors 2000, for example, was a program where we identified leading business people who had high potential to do business with Australia. They were brought out and given briefings as part of the Business Club activities. The posts are now following up with those specific individuals to see what business has occurred to encourage business to occur. There is a range of those sorts of activities going on.

The other point is whether you can even more successfully leverage off the success of the Games, and the answer is we believe you can. There is advice before the minister for his consideration currently so I cannot go into that in detail, obviously, but it is clear there are a number of things that we are seen to be very good at. We ran the largest peace time event ever. We have very strong capabilities not just in terms of construction but also in construction consultancies, running of major events, catering et cetera. There is advice before the minister at the moment. Hopefully, if he agrees with that advice, there would be a public announcement at some point in time.

I just have one point for Mrs Moylan. When we talked earlier about opportunistic and strategic, one thing I wanted to point out is that we really do, on a global basis, with the industry, take a strategic long-term view on certain sectors. So with that IT sector, for example, we have a large amount of resources and activities to try to get Australian companies linked with San Francisco, but it is the sort of program which has a long time frame rather than the immediate opportunity.

CHAIR—Does any other member have any further questions?

Senator O'BRIEN—Yes, I have a couple of general questions. In our inquiry into South America we talked about the issue of Austrade and the user pays system that works. Is Austrade finding that a real barrier in promoting Australian businesses to export, and if it is a barrier of any kind, are there any intermediate alternatives—obviously, one is to not have a user pay system—that can be pursued to make the barrier, if it is a barrier, a lot smaller?

Mr Crawford—We do not believe it is a barrier. There are a couple of points that need to be made. One is the amount of revenue we raise through service fees is a very minor part of our total budget. We do believe, however, that the imposition of fees at the tier 2 and tier 3 level, imposes a bit of discipline on Australian companies because exporting is a risky and expensive business. It is not uncommon for us to say to companies, 'We do not believe you are yet ready to export,' because it is not a part-time job. With those two points, we do not believe that it is an impediment at all.

Mr Joffe—If I could add two things to that. It is worth being very clear that we do not charge at all for those tier 1 pieces of advice that I talked about, which is the vast majority of what we do—basically general advice on export. However, we do charge for seminars. It is only when the international network is doing tailored work for a particular company that we charge. At that point, we are charging $A150 per hour, and the first 10 hours in a post are $100 an hour. If you get up to 10 hours work, which is a pretty good shot at market research, it will cost you $1,000. Your air fare to get to that country is going to be a lot more than that and, if we are continuing to add value in the way we are driving to add it, that $1,000 should be easily worth it.

Equally, it is worth getting on the record that it has been very valuable for Austrade, because our people know that if they are getting paid they are expected to deliver quality. I have had a number of other trade agencies come and talk to us about our charging because we are seen as leaders in the way we use it. A consul-general from one of the other countries, after I had spent an hour briefing him, looked at me and said, 'But if you start charging, aren't people going to demand better quality?' That was a real problem, whereas I think that has been quite a positive impact for Austrade.

Senator O'BRIEN—This is an issue that I think might be helpful to the inquiry and you might want to take this on notice: is it possible to get a breakdown of Austrade's expenditure on its internal trade promotion programs and its external trade promotion programs and the contribution that is made to those by Australian business as distinct from government funding?

Mr Joffe—I am not sure I understand the distinction between internal and external.

Senator O'BRIEN—You do your work here, you conduct your seminars and you obviously have your administration costs, et cetera. You have a budget for the money you spend here and you have a budget for the money you spend at your trade posts and attending shows.

Mr Joffe—I see, domestic and overseas.

Senator O'BRIEN—Yes, it is internal and external, domestic and overseas—however you want to break it down—and what proportion of your contributions are allocated to each of those factors. I guess if we are going to do this at some stage, we will look at what Ireland spends in each of those regards and perhaps what Singapore spends, if we can find out. It might be an interesting benchmark.

Mr Joffe—The best source of that is the operational plan, but we might be able to pull together a more concise summary for you.

Senator O'BRIEN—That would be very helpful.

Mr Symon—If I can add one thing to the answer that Greg gave to Senator O'Brien: yes, there is a user pay system in but the financing that my area does—the export finance assistance programs—they can use EMDG money to pay for those Austrade fees. So we, in a way, can help reimburse—

Senator O'BRIEN—If they have been approved for a grant, they can factor that into the Austrade fees?

Mr Symon—Yes, that is correct. Part of their grant can include Austrade fees.

Mr O'KEEFE—If I can make an observation to you guys as a team that, whenever Austrade talks to a group of people like us, you always seem very defensive about Australia's performance, and we are inwardly critical of our own performance. But I happen to think that Australia's export trade performance over the last decade or 15 years has been quite dramatic, and the figures that you are showing in the change of the nature of your business reflect that. I would not mind us having a bit of an overview—a paper or something from you that give us some information to talk about—on how positive these directions have been. We are comparing the 'Irish economic miracle', but the transformation in Australia to export value adds from, say, 1986 to 2001 is pretty dramatic in itself. What we are trying to think of is: has this really happened and how do we take it on to its next step? Maybe you might think about another submission to us with those sorts of ideas in mind.

Mr Joffe—Yes.

Mr Crawford—If we seem defensive, I am a bit shocked, to be honest. I think there is a case to be made that Australians tend to underestimate how good we are. One of Bernd's key responsibilities is to fill an information gap. That is why I find this discussion about investment attraction so interesting. The reality is that in this country we have a lot of good selling points in terms of inwards investment. Very few countries have the level of multiple language fluency that Australia has that is accessible in the capital cities. There is a high level of IT skills. But that is why the Olympics were so good for us and a good opportunity to show that we could do quite sophisticated things, rather than, to be frank, 'throwing a prawn on the barbie.' I think there is a selling job to be done and it needs to be done more and more.

Mr Symon—We suffer a little bit in the same way that you do. Journalists suffer from it as well. Everyone thinks they could do your job. Everyone thinks they could be a politician, everyone thinks they could be a journalist and everyone thinks they could do our job. If we were a group of doctors talking about doing appendectomies, people would not be quite so confident about giving a view, but people do have very strong views about how we should get investment into Australia and how we should encourage exports. We welcome and receive those. We get reviewed a lot as an organisation. It is one of those areas where there are always going to be ideas coming along—and that is fabulous, we enjoy that. But we are trying to keep on with what we see as the main game and that is to encourage the exports. I agree with you. I think we have a right to be proud of a lot of what we have done.

Mr Joffe—There is a graph which we will include in our paper. People always find it amazing when they see it; it is a breakdown of Australia's major exports. Most Australians assume that they are still mainly commodities. If you actually look at it over the last 10 to 15 years, commodities, including both minerals and agriculture, are about a third; manufactured items are about a third; and services are about a third—and the graph just goes straight up in each of those three. There has been a great diversification of Australian industry and their ability to sell internationally. I agree with you; I think we overlook that. Every time I present that graph, the audience always say, 'That's amazing. I never expected that!'

Mrs MOYLAN—Perhaps the committee could have a copy of that.

Mr Crawford—Yes, with pleasure.

CHAIR—Thank you for your attendance here today. If you have been asked for any additional information, please send it to the secretary. You will be sent a copy of the *Hansard*, and I would ask you to check that for fact.

Resolved (on motion by **Mrs Moylan**):

That the document *Why Australia needs exports* be incorporated into the Trade Subcommittee's records as an exhibit to the inquiry into Enterprising Australia.

Mr O'KEEFE—Chair, I am very interested in the submission that Austrade is making to the government about the follow-up to the Olympics. Could you talk to the minister and see if he would be comfortable with the committee having a bit more knowledge about the view that is being put at the moment?

CHAIR—All right, I will do that.

Resolved (on motion by **Mr O'Keefe**, seconded by **Mrs Moylan**):

That the subcommittee authorises the publication of evidence, other than that taken in camera, given before it at the public hearing this day.

Subcommittee adjourned at 12.19 p.m.