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DEFENCE AND TRADE

(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, 18 June 2001

Members: Senator Ferguson (*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 Hollis, Mr Jull, Mrs De-Anne Kelly, Mr Lieberman, Dr Martin, Mrs Moylan, Mr O'Keefe, Mr Price, Mr Prosser, Mr Pyne, Mr Snowdon, Mr Somlyay, 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 Hutchins and O'Brien and Mr Baird, 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.

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Subcommittee met at 10.04 a.m.**SEDGLEY, Mr Simon Henry, Director, Policy and Planning, Australian Research Council**

CHAIR—I declare open the Joint Committee on Foreign Affairs, Defence and Trade's inquiry into Enterprising Australia – planning, preparing and profiting from trade and investment. This inquiry arose out of a continuing interest by the trade subcommittee in expanding Australia's trade and investment. The subcommittee looks forward to receiving important and significant evidence over the course of the inquiry to assist in its deliberations.

On behalf of the trade subcommittee, I welcome Mr Sedgley from the Australia Research Council. The subcommittee prefers that all evidence be given in public, but if you should at any stage wish to give evidence in private you may ask to do so and the subcommittee will give consideration to your request.

Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. The subcommittee has a submission from the Australian Research Council—submission No. 8. I now invite you to make a short opening statement, if you wish, before we proceed to questions.

Mr Sedgley—I do not want to take up too much time with an opening statement. Perhaps I could simply say it is a pleasure to be here. I hope I can be of some assistance to the committee in its deliberations. I note that the committee has a very wide brief. The Australian Research Council's submission goes to a relatively narrow aspect of that brief, but a very important one, which is the research and development capacity of the nation. Research and development is critical to the issues that the committee is looking at. It is the foundation and fount, if you like, of ideas that underpin a lot of the commercial activity that the country will be looking for to boost its performance in trade and to attract foreign investment. It is also critically important to generating the sorts of skills in the Australian people that are going to be needed to underpin that activity.

CHAIR—Thank you. I would like to put a question to you. Can you indicate to the committee how Australia's science engineering and technology sector compares with the rest of the world?

Mr Sedgley—There is no question that in a number of areas our research capability is recognised as being of world standing. We know that through a number of sets of data. We know that Australian researchers' publication rates are very high by world standards. We certainly punch above our weight in that area. We publish in total approximately 2½ per cent of the world's research literature. When you compare that to our share of population, our GDP, that is a very significant figure. It ranks us amongst the top countries in the world in terms of productivity and our impact on the world.

Mr O'KEEFE—You have mentioned in your submission—and we all know—that Australia has a long-term problem of taking quality research through to commercialisation. The CSIRO has done well, particularly in agriculture, but not greatly elsewhere. In CRCs, there was the first step by government in Australia to try and force research to link with commerce and that is having some measures of success. You have mentioned that you are commissioning a study to

try and get the capital sector interested in partnering up in research. Is any of that work being done with the superannuation funds who would seem to me to be a logical starting point with long-term patient capital. On the other hand, I do not see any evidence from them that they are racing into these sorts of fields.

Mr Sedgley—No. Certainly that group of investors are the ones that we are talking to. What the ARC is trying to do with that project is to marry the opportunities that are being generated through the research that the council funds with the needs of investors who are putting funds into early stage activities such as the ones that the ARC supports. We are trying to build a bridge between the investment community and the research community. If you like, we are attempting to enhance the brokerage role that the council performs. We see that there is a lack of information out there. We believe that we can enhance the extent to which the investment community interacts with researchers simply by providing a lot more and richer information about the sorts of outcomes that are being generated through the research that the ARC is funding.

Mr O'KEEFE—In any of your work with overseas organisations, do you have a feeling that those sorts of investors—or that sort of investment base—is more interested in early stage research than Australia? Why is it that it is done better overseas? Are the tax breaks better? Have investors had more experience? Are they more skilled at it? Can they spot something happening earlier? Why is this something that is done well overseas but not done well here?

Mr Sedgley—It is done reasonably well in Australia and there are a number of successes that you can point to. Where the council is coming from is the perspective that a lot more could be done. It has been demonstrated that in the last few years there are a lot more venture capital funds being made available within this country. The task now as the council sees it is to ensure that that investment source has good links into opportunities at an early stage here in Australia.

CHAIR—On that point, what are the barriers to commercialising university research—other than what you mentioned?

Mr Sedgley—I think there are a few barriers there. Traditionally, it has been argued that researchers in Australia perhaps have not had the orientation towards pursuing commercial outcomes as in other countries. Perhaps that comes down to incentives within universities; that is changing. There is an argument to suggest that there have not perhaps been the number of receptors within industry in Australia to pick up the sorts of opportunities that are arising from research as in other countries. There is an argument that that is based on the industrial structure within Australia.

Mr O'KEEFE—What you mean by that? Is it that the parent companies are offshore and therefore they do not have an interest in us doing it here? Do you mean that home-grown companies are not used to it or what do you mean by that?

Mr Sedgley—What I am suggesting and as I understand the argument, traditionally the Australian industrial structure has been focused in particular areas. For example, Australia has a long tradition and strength in agriculture, mining and in areas of manufacturing. With the developments in scientific research in the last 20 years in areas like, for example, biological sciences, biotechnology, Australia does not have the sorts and size of companies in areas such

as pharmaceuticals who are in place locally to be able to pick up the sorts of advances that are being made in the scientific realm.

CHAIR—Do you have a view as to how we get there?

Mr Sedgley—I think there is a good argument for a country the size of Australia, with a strong scientific base in certain areas, to make sure that it has very strong international links. It is absolutely critical. It is a key consideration there. We have to have researchers in Australia interacting very closely with the best researchers world wide.

CHAIR—Because of that problem, do you see a danger for Australia that we will lose our researchers overseas, simply because they can take it to that next level?

Mr Sedgley—It has been demonstrated that in recent years there has been a level of investment in other countries that would obviously have been attractive to researchers in Australia. There have been some concerns in recent years about the level of salaries. We have seen some initiatives recently in the government's Backing Australia's Ability statement to address concerns in those areas. There are some very fine initiatives there which will go a long way to addressing those sorts of concerns.

The other point to make there is that it is important that our researchers do get international experience. The critical thing we want is for them to return to Australia once they have had that experience. It is absolutely imperative that we can offer competitive resourcing for the best of our people to ensure that we can bring them back.

Mr BAIRD—I am interested in two things: what further incentives do you think we as a country need to be doing to ensure that we have significant growth in research and development of the country; secondly, the extent to which you can point to similar models or models overseas of where this is done, which have resulted in significant changes to the benefit of a country's economic development and research programs et cetera? It is really what we can learn from others that we are particularly interested in, as part of this process today.

Mr Sedgley—If I can possibly oversimplify things, I think the two critical areas that the council has focused on are firstly, people; you need the best people. Another area is concerned with the scale of the research effort that is being mounted. It is absolutely critical to the national research capacity that you have an ability to attract and retain the best and brightest that you produce within Australia. It is critical that we have the ability to offer attractive salary packages to leading scientists and researchers. It is important that we are able to back that up with leading-edge infrastructure to allow them to do their work.

If you are able to attract the best people and provide them with the facilities that they need, what they then become is magnets for the best and brightest students—not only those early career researchers coming up through the systems within Australia but postgraduate students from overseas. So you start to build a scale of activity with leading researchers and research students; the best infrastructure concentrated in one area which can then develop a high profile, both nationally and internationally, and is in a position to make significant and productive links with similar research centres internationally. This is critically important.

Mr BAIRD—It is a question of who does what. If we look at somewhere like North Carolina with the research triangle which has partly got the universities and the private sector involved, as I understand it, there is no direct government involvement in those processes and yet it is a real magnet for research activity to be carried on. We are really looking for what role the government should be playing and what models you can point to that we should be looking at.

Mr Sedgley—Perhaps a new model for Australia and one which is emerging at the moment is exemplified by the approaches being adopted in Victoria and Queensland. In Queensland it is through the Institute of Molecular Bioscience, which is centred on the University of Queensland. That initiative is being supported through investments by the university itself and also the state government. They have industry partners involved and they also have the involvement of the Commonwealth Scientific and Industrial Research Organisation. As I understand it, that investment in total is of the order of \$100 million.

There is a similar initiative occurring in Victoria that goes under the name of Bio21. Again, that is an investment in total that is coming from the state government; the University of Melbourne; a number of industry partners; the medical research institutes in Melbourne and also the hospitals. What you are seeing there is a recognition that if you want to be a world player where Bio21 is concerned—particularly medical biotechnology – then you have to get all of the players and the stakeholders involved. You have to get the collaboration going and you have to get industry into it. But there is a need for government support recognised in both of those initiatives to provide for the basic research that underpins that activity. In both of those cases, the stated aims include commercialisation of research, so they have a clear commercial focus. But to be able to do that, both have recognised that you need this foundation of basic research to generate the ideas.

Mr BAIRD—Are there places you can point to overseas which are involved in similar types of programs which you would see as a model for us?

Mr Sedgley—I am trying to think of one. One that occurs to me is that the Japanese government has invested heavily in the area of biotechnology in recent years, particularly in infrastructure and particularly in basic science to underpin the biotech industry in Japan. In Japan you have a similar model of collaboration between government to fund the basic science and industry to come in and give a spur to the commercial orientation for the outcomes of that basic research.

Mr BAIRD—When you talk about people being important and the salary packages being underwritten, are you talking about keeping Australians in the country or bringing people in internationally?

Mr Sedgley—I think both. As one example, the Federation Fellowships that were announced in Backing Australia's Ability will provide a salary level which I think we will see is able to retain the best researchers we have in this country. Anecdotal evidence from people within the Australian Research Council who manage the implementation of that program and talking to people who are interested in applying for those positions, the suggestion is that there is a lot of interest in those fellowships from people overseas; that is both expatriate Australians who are working internationally and also people from overseas.

Mr BAIRD—What figure was that again just to remind us in terms of our discussions? What type of dollar figure are we talking of in terms of salaries?

Mr Sedgley—The Federation Fellowships: just let me check to make sure I am giving you the right figure.

Mr BAIRD—As a second part of that, do you think that is now an adequate figure? It sounds like you do. It is \$225,000. Jane Vincent has found it.

Mr Sedgley—That is right. I had that figure in my head but I just wanted to make sure.

Mr BAIRD—No, it is interesting. If you are attracting the Americans, for example, when it is \$US110,000, is that enough?

Mr Sedgley—That remains to be seen. The information we have to hand suggests that of the publicly funded salaried research positions around the world, Federation Fellowships are right up there in the top bracket.

Mr BAIRD—Good, that is a plus.

Mr O'KEEFE—On that last point, it seems that in a sense the public sector has already lost this race. If scientists are the same as bankers and everybody else—and that is, they will chase the best dollar and the best conditions and the best people to work with—it is generally the corporate sector that is paying what it is that attracts them, isn't it? So with respect to this partnership with the private sector, we have all tended to place a lot of focus on how we keep the public sector in the game in Australia because it has been very successful for many years. With respect to what you seem to be saying about the partnership with the private sector globally and the exchange of people, in some cases you might not get Australians to come back. My son is a classic case. He is in California and has married an American. He will never come back to Australia but I hope his ideas do—to someone he is in liaison here with. We have got to work out way through that. I really wanted to ask what is the situation in countries like New Zealand and Canada which seem to be countries that have a lot of things in common with us—Canada in scale, New Zealand in style? What is their situation with research?

Mr Sedgley—Australia and Canada would compare very closely in terms of the quality of their research base, their outputs and the degree to which those outputs are taken up by industry. It is interesting that the Canadians have recently made a major push to ensure that they are able to retain and attract the best researchers world wide through the funding in the order of a few hundred professorial chairs on very high salaries. Those salaries are broadly comparable to the Federation Fellowships that I mentioned earlier. So I think there is a sense in which countries in a similar position to Australia are making that judgment that it is absolutely critical to their own national capacity they need to be able to attract those sorts of people. Those are the sorts of initiatives that are being put in place. If you are going to attract the best people, you also need to be able to provide them with the best possible facilities. You need to be able to fund them to a level such that they can attract teams of researchers around them with postgraduate students, postdoctoral fellows.

Mr O'KEEFE—What about New Zealand?

Mr Sedgley—I have to say I am not closely familiar with what the New Zealanders have been doing in recent years. I am not aware of initiatives similar to the sorts of initiatives we have seen recently in Australia and we have seen in Canada. But that is not to say that they have not occurred. I guess my focus has been elsewhere.

CHAIR—You mentioned the ARC Centres program. How long has the program been going? What opportunities beyond the examples given in the submission are there for further collaborative work?

Mr Sedgley—The ARC Centres program has been going for a number of years now. I do not have the year in my head as to when it began. I could certainly provide that information to the committee. What is interesting is that we are seeing outcomes from a number of centres that were first funded in 1991 that are very encouraging in terms of demonstrating the sorts of benefits that can be achieved from funding large scale activities of this sort. As one example, the ARC first began supporting a centre at the University of Western Australia in 1991. That was the Centre for Advanced Minerals and Materials Processing. The committee may be aware that recently a spin-off company from the research that came out of that centre has entered into a joint venture with the Korean company Samsung Corning. That company is pouring millions of dollars into securing the development of the technologies which came out of that centre in the area of nanopowders, which are critically important to a number of manufacturing processes and have wide applications. Samsung Corning are investing in that technology and the research that underpins it to ensure that they can hold a major share of the world markets in nanopowders. The point I am trying to make here is that it is these large scale activities that are able to generate the sorts of commercial outcomes that we are really striving for and starting to see, particularly in recent years, from a number of ARC funded centres and a number of CRCs.

Mr O'KEEFE—You mention the infrastructure base: have you got particular things in mind? Are we talking here about labs, or staff, or computers? I mean, the traditional concept of a research centre is people wandering around in a room with white coats doing smart things. Has research moved on in its layout? Is it the ability to go to various locations and see things and develop ideas from? I well understand the skills when you say, 'If we are going to attract the best researchers, you've got to back them up with the best skills and the best infrastructure.' What do you mean by infrastructure?

Mr Sedgley—In its submission, the council mentioned the fact that Australia does not have a major international research facility. By that, the council would mean a facility that is a hub of research activity for the international research community.

CHAIR—Doesn't the CSIRO almost fit that?

Mr Sedgley—I am thinking more of facilities specific to a particular research discipline. An example that comes to mind is the Gemini telescopes that have been built by a consortium of countries including Australia; one telescope in Hawaii and the other in Chile. Those two facilities are state-of-the-art astronomical facilities. It is critically important that Australia has been able to get a foot in the door to those facilities.

Australia has recently been involved in a bid to secure the location of the Global Biodiversity Information Facility here in Australia. I understand that a decision was made on that on the

weekend but I have not heard the outcome of that. That is another example of a facility that would be used by the international community; people would come to Australia to use that facility.

Another example might be an international proposal at the moment to establish a square kilometre array radio telescope. There is some chance that Australia may be in the running to place a competitive bid for that facility as well. We are talking about facilities within particular disciplines that are unique in terms of being at the forefront of technology.

CHAIR—Following on from that, does our funding almost discourage what you mentioned? We have got state, we have got federal, we have got some universities, some private corporate rather than channelling it all through—because governments tend to be the beast that if they put money in they want to claim all the credit. Does that take away from the view that you are putting? Can we do it better?

Mr Sedgley—Yes.

CHAIR—If so, how, in your view?

Mr Sedgley—Yes. There is a sense in which we could do better in terms of concentrating resources in areas where we have a competitive advantage and where there are particular opportunities emerging. There have been many arguments made that in the past the research effort within Australia has been more fragmented than it need be; that resources are spread perhaps too thinly. Again, this comes back to the size of Australia and its ability to generate the resources to cover all bases.

There are arguments being put that we need to concentrate resources in a much more focused way in those areas where we genuinely have a competitive edge. One way to do that is collaboration. For example, at the moment the council is working very closely with the rural research and development corporations at possibilities for joint investment in areas such as agriculture biotechnology. If you can get organisations such as the ARC and the research and development corporations putting in joint investments in those areas, then you can really start to build a level of investment that can create research programs that can really make a difference.

The real benefit of that sort of collaboration is that you have got the linkages in place between the basic science at one end of the spectrum, and the users of research at the other end—that is the industries that are actually putting their funds into the sorts of activities that the research and development corporations undertake. So you have got a significant investment in basic research and you have got also a significant investment from the growers, for example, in the case of grains. That starts to bring a commercial orientation towards the basic research. I am not saying that it drives the basic research but it certainly gives it an avenue for expression.

Mr O'KEEFE—I have held the view for some time that that is the place to start to attract some of the bigger capital players, because the contribution can easily be multiplied and it is so direct. I mean, the grower contributes a dollar and the government contributes a dollar towards the R&D; if you come into it as well and then you bring a capital partner, you are not messing around with tax deductibility, R&D and 150 and 125 and all that stuff. It is a straight multiply up. I would have thought smart agriculture was the easiest place to get your collaborative econ-

omy of scale and to get the capital partners interested in seeing what can be done. They are not there yet but I would encourage you on that track.

Mr Sedgley—Yes.

CHAIR—I want to thank you for attendance here today. If you have been asked to provide any additional material, I would appreciate it if you would forward it to the secretariat. You will be sent a copy of the transcript of your evidence on which you can make corrections of grammar and fact. As Hansard may need to check something, I would ask you to just check with them on the way out. I thank you for your attendance.

Mr Sedgley—Thank you very much.

[10.44 a.m.]

CURTIS, Ms Karen, Director, Industry Policy, Australian Chamber of Commerce and Industry

DAVIS, Mr Brent, Director, Trade and International Affairs, Australian Chamber of Commerce and Industry

CHAIR—I welcome representatives from the Australian Chamber of Commerce and Industry. The subcommittee prefers all evidence to be given in public, but if you should at any stage wish to give evidence in private, you may ask to do so and the committee will give consideration to your request.

Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. The subcommittee has received a submission from the chamber. Resolved:

That the trade subcommittee receives as evidence and authorises for publication the submission from the Australian Chamber of Commerce and Industry to the inquiry into Enterprising Australia.

I now invite you to make an opening statement before we proceed to questions.

Mr Davis—Thank you. As always it is a pleasure to meet with committees of the parliament to give them a business perspective on many of the issues that confront the parliament. The one before you at the moment, Enterprising Australia, falls very much into that category. It looks at essential issues of benchmarking Australia in the global economy. Ultimately, that is where the future of our nation lies in economic, commercial and industrial terms.

I would offer an apology from our chief executive, Mark Paterson, and Steven Balzary, director of employment, education and training, who were otherwise engaged. They would have liked to have been here but programs precluded that. If there are any technical questions on education and training-type matters, we might have to take those on notice and get advice from Mr Balzary.

Without repeating our submission, the essential approach we took was to benchmark Australia and some of the countries we are aware that you are interested in and some of the criteria from your terms of reference. We have not tried to address every point in your terms of reference as they are remarkably broad, but we have picked out some where we can add some value.

The essential message that does come from our submission is that there is no 'one size fits all' approach. Ultimately you are looking at the question of economic development and what can fast-track countries, regions, enterprises, whatever, up that economic development curve. From our researchers here and elsewhere, we do come back to the point that there is no one size fits all that applies to every country in all circumstances across time. There is no template one

can take off the shelf, apply, and have it work. There are experiences around the world that have worked in some places and times but have not worked in others.

When we look at the policy framework that the Australian Chamber of Commerce and Industry would promote, there are several core threads. Obviously the rule of law is terribly important. Stability in macroeconomic performance is vital for business and investment. Education and training has been shown to be a prime driver of growth and development around the world, as has business investment in productive capital as well as government investment in capital infrastructures and trade liberalisation has been an essential part. As any numbers of studies will show you open economies do better than closed economies.

Where do we go from here in terms of looking at the strategies? One can have policy frameworks, but again we would refer that they are contextual. You have to look at circumstances at the time. We have seen countries like India who have looked to emulate the East Asian experience. What worked in part of East Asia has not worked in India; or what has worked in some parts of East Asia has not worked elsewhere. What has worked in East Asia has not worked in South and Latin America. There is interest in Africa in various other experiences. They just do not transplant. You have really got to look at circumstances. Australia is not a model. Democracy has not played such a big role in development strategies in Asia as it has in some Western countries. It is often said that democracy costs you about one per cent in economic growth. In Australia, that is a price we have been content to pay for many, many years. I do not think anyone would be prepared to make the reverse trade-off.

Just to underscore and finalise it, it is a question of context. There is no one size fits all model from which you can say, 'It's worked here. Let's just apply it down-under.' It does not hold.

Ms Curtis—I look after industry policy at the Australia Chamber of Commerce and Industry, and we like to think that industry policy pervades every single decision that governments take. But we say that in a light touch way because what we are really talking about is that decisions take into account how business and commerce is going to be able to operate effectively in the broader macro environment.

In terms of investment attraction, an area in which the committee is particularly interested, our view would be that certainly each case should be considered on its merits. But, as a broad principle, there would be no need to be putting a lot of government funds—taxpayers dollars—into major attraction for investment, if that investment would otherwise occur. I will leave that as an opening statement and respond to some questions.

CHAIR—That is probably something that I would agree with. If I could take you back, our previous witness was really on about how you get research and then have that research commercialised in Australia. What is your policy view on that? That is an area where government and industry are involved.

Ms Curtis—We accept that innovation is vital to the modern economy and the OECD says that something like 50 per cent of economic growth is derived from innovation. Smart economies are trying to get the best national innovation system operating. We do see it very much as a system, but loose. We need to ensure that all the players—that is, state governments, local governments, education institutions, research bodies, as well as business—interact in a

way at the earlier stages to get the maximum economic benefit out of all those dollars that are going into it.

CHAIR—Do you think they do so?

Ms Curtis—No. We think there is room for improvement. The commercialisation of R&D is an interesting point. There have been a number of studies. The Prime Minister's Science, Engineering and Innovation Council is looking at commercialisation in R&D at the moment. Our view is that you do not bring business in at the last moment; whereas the view of a lot of academics and those in research bodies is: you have a good idea, you work on it for years and years and then you go and talk to a business to see if it can be commercialised.

We do support pure basic research. That is important. On the other hand, if industry is involved at the various earlier stages of identification of possible issues that could translate into a commercial product, then you are going to get a better result for the community.

Mr O'KEEFE—How would you suggest we do that? Do you actually believe it is a problem? Does ACCI believe that Australia does have a problem of commercialising inventions or ideas? It has certainly been publicly a problem—if it is real—since Barry Jones wrote *Sleepers, wake!* and we all started to think about it. That is 25 years ago now. From the point of view of private industry in Australia, do we really have a problem? If so, have we gone any way towards addressing it? And if so, what now has to be done?

Ms Curtis—In an ideal world, we could do a lot better. Australia only produces about two per cent of the world's research, but we do not then get the commercialisation value of that two per cent research. There are lots of documented cases whereby the money needed to actually take that good idea into a product in the marketplace is huge. Unfortunately the multinationals here are only subsidiaries of parent companies, and those multinationals, quite rightly, see value in a particular invention and they take it and develop it overseas.

We have come a long way and as you rightly say, from Barry Jones's *Sleepers, wake!*, because we have started to change the culture. We have started to change the culture within universities and research bodies like CSIRO. With universities too, not only changing their culture but changing their funding formula and changing the way the Australian Research Council gives out grants has meant that we are moving towards a greater appreciation of an idea and an invention translating into a commercial product, and it should happen earlier, rather than later.

We think the innovation package that the government introduced in January this year will go some way towards trying to change that cultural problem too—or trying to even improve it. We are still concerned though that the business expenditure on R&D is not as high as it should be. With respect to whether the incentives announced in that package will lead to it, we hope they do and we are working with the government to try and ensure that all the guidelines associated with the initiatives on R&D do mean that business will be able to invest more in R&D.

Mr BAIRD—Thank you. I am interested in a few things. I have an interest in this area. I am interested to what extent that you are involved in promotion. Some years ago, in a former life, I did a study on the sunbelt states of the US. The chambers of commerce there were very much

driving the investment agenda on three levels. One was the promotion—what is happening in their area —and really going and selling it to the world. I am interested in the extent to which you do that; what promotional literature you provide; to what extent you go internationally to promote Australia or whether your focus is more just within Australia. That is the first level: to what extent are you involved in selling the model of Enterprise Australia.

The second aspect is the extent to which you are involved in driving the changes which are going to make Australia a very attractive place for investment. Could you point to what they are and where you think we need further changes? I am sure you would be interested in the types of factors that I saw as being important to the sunbelt state, which was taxation, education, transport, the overall tariff reductions on a national basis. The third aspect I am interested in is the models that you would point to, that you find attractive overseas, in terms of attracting investment and what you would like to see us as a committee look at closely with a view to perhaps adapting some of their proposals.

CHAIR—Outside of one size fits all, of course.

Mr BAIRD—That is right.

Mr Davis—Mr Baird has asked a number of very interesting questions and they have been the subject of voluminous reports. I have two in front of me here, one from the Asian Development Bank and one from the World Bank, the 'East Asian Miracle'. I know the questions he has asked have consumed great intellectual firepower for many years, so I do not hope to be able to replicate any of that. What do we do in the Australia Chamber of Commerce and Industry framework in terms of selling Australia? Mr Baird's experience, no doubt, focused on the State and capital city chambers in the United States.

Mr BAIRD—Yes, it did.

Mr Davis—Yes. We have a similar structure for those who are not aware. We are the national body, we have our state and territory chambers under our structure. There are a number of industry associations, plus the various country and suburban chambers of commerce. The dynamics from my observation of both are quite different. I get a sense of greater entrepreneurial focus in the United States; an over-regional development strategy approach. In Australia the chambers tend to have a voice to government type of function, which is slightly different.

Mr BAIRD—You are basically saying that in Australia the chambers of commerce confine themselves predominantly to lobbying?

Mr Davis—Overwhelmingly. I can think of a few examples where that is not the case. I know Cairns Chamber of Commerce, for example, has taken an entrepreneurial position with their airport-seaport facilities. I see that as an exception rather than a general rule. The chambers of commerce in Australia have grown up overwhelmingly as representative organisations, not as entrepreneurial organisations of themselves.

Mr BAIRD—Do you think that should change?

Mr Davis—I do not think it matters what I think. It is really a matter for them individually to decide how they want to proceed.

CHAIR—We are talking about democracy, Mr Baird.

Mr BAIRD—Yes, that is right.

Mr Davis—Some of them could well evolve into commercial organisations. Many of them are registered under the companies laws as not-for-profit organisations. Some of them will reflect on their legal status as they evolve from one to another. I know that when some have considered these options they have found themselves in conflict with the interests of their direct members, so they have stepped back and they have stayed in that representation function. Again, we do not control any of these institutions under our membership; we are a federal structure. If some wish to evolve in some direction, we will not impair them. It is up to them.

In terms of promotion abroad, for many years chambers of commerce at the state level especially ran trade and investment missions abroad, and they were quite frequent. Some of you who may have come from state government backgrounds would realise that that became an area of great activity for the state governments in the late 1970s and 1980s. Regrettably, government subsidies for various trade missions tilted the playing field against us and so we were not able to run them as comprehensively as we used to. In effect, our capacities were reduced. We have to run these things as at least cost neutral if not modest profit endeavours. When you have got an unlevel playing field with state government subsidising missions, we become locked out.

In effect, from my recollection, in the mid-1980s we might have done 15 to 18 missions a year. I think if we did two or three now I would be surprised. I know that discussion takes place in other for a, which is: well, what is the role of chambers of commerce relative to especially state government led trade missions? Some believe they are complementary; some believe they are competing. The evidence we would put forward is that we have been somewhat pressed out of that marketplace.

What could we do? It is a case of obviously awareness. There are a great many trade fairs and missions around the world. Austrade participates in many of those on Australia's behalf. We do not. One could get into an ongoing discussion about how effective Austrade is in some of these places. I suppose that rolls onto the question of whether Austrade should exist and what relationship it should have with us. For those who are not aware, Austrade is not a totally unique organisation but in other countries their functions are privatised. So, it is like a full circle proposition to Mr Baird's question.

Mr BAIRD—Not all of them.

Mr Davis—Not all, but many: the Austrians, for example.

Mr BAIRD—The Canadians have got a very successful model, similar to ours.

Mr Davis—In architecture, yes; in operation, no. They have a very different approach to running missions abroad; dramatically different to us. We tend to have a small size, many place approach. They have big mega hit missions. For example, the Prime Minister comes out with

seven or eight territorial leaders and a mission of 300. If we get a minister with six people to go along with him, that will do, thank you very much. It covers off. Again here we can go into a dialogue about which is more effective.

Which model would we look at? Again, the most productive is to look at the various alternatives and look at where we are in the economic development curve. We are not Singapore in 1965. We are not an island positioned off with privileged access into the European Union. We are not the United States. We are Australia. We have geography that sets us in place. We have a history that sets us in place. We have a business culture that sets us in place. We have a governmental framework that sets us in place; a mixed economy approach. The mixture moves around, but broadly a commitment to the market-based system. I think we can again, just look and take advice. We would not offer any one model as the way forward. You can learn from here and from there.

Mr BAIRD—So the third aspect is: where do you believe you have lobbied governments successfully into changes for a more attractive investment environment as part A and part B? My final question is: where do you think we should be making changes?

Mr Davis—As I remarked, the rule of law here is well based, and that is a positive asset for any foreign investor. Their greatest single fear is political risk and confiscation of asset. The one behind that is limitations on the capacity to repatriate profit. Macroeconomic stability is terribly important. If there is a tax regime in place, and you have got a long-life investment of 30 years—okay, you will not get a promise of grandfathering for 30 years, but you want a reasonable expectation that there is some sort of transparency of process in the way tax regimes develop; macro-economic policy—and inflation is a form of taxation. Business people do not want to see a nominal income tax-based system subject to high inflation. It has great distortions in there.

My colleague can deal with some of the industry policy dimensions in there. But overwhelmingly for any investment, it is fundamentals that come first. Access to a good labour skill pool is essential if you are investing abroad. I know when people have invested in Taiwan access to English language skills has been absolutely critical.

Corruption is an issue that I know confronts many people when they go into Third World countries. Some have said, 'As long as it is transparent, I suppose we can live with it.' I do not know that that is the best approach. That is part of the rule of law proposition. Fundamentals are the absolute bedrock and you can add to that in terms of policy interventions and policy frameworks. If the fundamentals are not right, the rest of it really is either remedial or catch-up work and it will not stand you in good stead.

One can argue on investment issue: should we have a foreign investment review board? Many would be aware that the Australian government is thinking about a free trade agreement with the United States. High on the American agenda is: should we have what they call foreign investment screening? It is a policy issue for us there. Again, I would say policy can be helpful in attracting foreign investment but it will not do you that much good if your fundamentals are not right.

Senator O'BRIEN—I wanted to take some issue with part of your submission in your executive summary, particularly what I think are your value statements about the Irish situation. You describe their business tax situation as leading to contrived stimuli and you imply that there will be sustained EU pressure for its revision and that the Irish will have to change their business tax regime. You are right. They have had a very advantageous export business tax regime since 1956. It did not have any effect on their economy until the mid-1990s. They will change it, because they are going to have a tax regime for all business of 12½ per cent. In other words, the export tax rate is going to go up from 10 to 12½ per cent. The rest of business tax regime is going to come down from somewhere in the 30s to 12½ per cent because of the EU's pressure on Ireland to harmonise and not to discriminate. That is their response. I am not sure you can truly describe the Irish tax stimuli as contrived, because it has got a very long history and it does not look like it is going to change in the foreseeable future. They have given long-term guarantees to business about that.

Having said that, you also say that there is a great reliance on EU transfers, and I know that is said as being a reason for their economic boom. I noticed in their budget papers that their surplus is one-sixth of their income. The government surplus is one-sixth of government income equal to their health budget, and it is hardly likely they are going to be put under pressure by a change from the situation where they have been net beneficiaries from the EU transfers where they will become net contributors.

Mr Davis—That is right.

Senator O'BRIEN—Whilst I agree with your no 'one size fits all' proposition, there are a number of factors in the Irish situation which need to be better understood if we are going to draw any conclusion from it. I would be interested in what you know about where Ireland is going in those regards, because that is the information that I have from my recent direct contact with Ireland.

Mr Davis—Our understanding is very similar to yours, and that is that they had a privileged, or especially structured tax system for a great many years. It is causing tension within their relationship with the European Union. As you rightly observe, the European Union has put a lot of pressure on Dublin to come into convergence and the Irish are going in that direction, largely from what some of the continental EU members regard as unfair tax competition.

Senator O'BRIEN—But they are not going into conversion. What they are saying is that they were under pressure because it discriminated between business in Ireland. There was a subsidy to export, compared to other business, and what they have done is say, 'Yes, we will fix that. We will go to a common tax rate of 12½ per cent'.

Mr Davis—Our understanding is that that is so. We also understand there is added pressure for conversions with the aggregate numbers too; they mainland wants harmonisation of rates.

Senator O'BRIEN—I am sure they want it, but whether they can achieve it—the Irish have no pressure on them, obviously, with those budgetary figures that I was talking about, where clearly, if you can convert one-sixth of government revenue to surplus, that is, your health budget is matched by your surplus –

Mr Davis—But the pressure will come when they turn around—this is the second part of your proposition—with the transfers. We did some figuring based on data from the European Union that says there is about 1.3 to 1.5 per cent of GDP, depending on which exchange rate you use. As you would be aware, with enlargement in proposition in the EU, those have been net beneficiaries under the structural assistance programs—ostensibly they call it the poor regions—where, if you are below 90 per cent of the average, you get assistance. With the admission of Poland and the like it will go the other way.

In fact, Ireland will have a two-pronged effect. Prong No. 1 is that they will lose the existing transfers that they gain and, two, they will become a net contributor in transfers. I have no figures on what the nets are, because there are a whole lot of assumptions about the impact of Poland and so on. So I think that will put them under a lot of pressure in that respect. Ireland will still have benefits. It will have the advantage of proximity. It will have the advantage of the privileges that come from the membership of the European Union for easier access for their goods.

Senator O'BRIEN—I would be more interested if you would address what I see as the main reason for the Irish turnaround—going from 17 per cent unemployment in 1993 to basically full employment now. My interpretation of the situation was that their access to the European market, tied in with a number of other factors, including pursuing sectoral investment, particularly from outside the EU, led to a situation where American firms—for example, Intel or pharmaceuticals like Pfizer et cetera—set up inside the EU to avoid the EU tariff war. Even though they do have profit repatriation issues, they can distribute the extra profit they make through the Irish tax regime, being inside the EU, and now with the benefit that the currency is going to be tied to a whole European currency it is not going to go up with the benefits that the Irish economy has got, looking at some sort of long-term sustainability of economic growth in Ireland.

Ms Curtis—Yes, what Ireland has done with IT is outstanding. The attraction of Intel to set up as a chip manufacturer in Ireland has quite a dramatic effect because I think they are the biggest chip manufacturers in the world now. A lot of small spin-off IT applications, software companies, has happened as a result.

Senator O'BRIEN—Software development.

Ms Curtis—Yes. It has led to a development of a whole industry.

Senator O'BRIEN—Yes. What they have there, which they do not have in a number of other areas—and you touch on one of them in your back of financial house operations that the Irish have attracted, which is very portable, just the same as the assembly of computer terminals is very portable—and what they have established with the pharmaceutical sector and with Intel is heavy capital investment which is not easy to move. I would be interested in how you would see this country pursuing those sort of ventures, given that the Irish economy is no longer a low wage cost economy. The other factor that is not touched on in your submission is the role of the Irish partnerships which have been pursued by government on a bipartisan basis since 1985, I think.

Ms Curtis—Yes. Were they very similar to the Partnership for Development program that had been run by the Australian government?

Senator O'BRIEN—I think they are more like the Accord. They were a partnership involving business, government and unions which talked about wage outcomes, which essentially fixed a number of economic wage and social outcomes for the economy which became government programs and were implemented by the parliament.

Ms Curtis—We would not be supportive of that approach.

Senator O'BRIEN—Yet, that in the Irish model is a reason that there was a stable program, certainly over the last eight to 10 years, and that was the environment in which these investments occurred.

Ms Curtis—The base that Ireland came off was very different to the base that Australia would be starting at now if we were to try and adopt that sort of approach.

Senator O'BRIEN—Sure.

Ms Curtis—In terms of the Invest Australia and its approach, we would think that if they were going to attract any investment to Australia, Intel was the sort of company that they should have attracted. I understand there were some negotiations but they were unable to finally seal a deal with Intel. That would be terrific if they had been able to do that because Australia already has the education, the R&D, the IT skills in place that could have supported the growth of an IT sector fully around a chip manufacturer. That is one thing that we need that we just do not have in Australia. It is a gaping hole.

The sums of money that are thrown at one of those large businesses to try and set up that sort of core facility that is going to have so many spin-offs for the economy is a very large sum of money that is a lot of taxpayers dollars. You need to consider whether those dollars could be better spent on trying to remove impediments for the whole of the economy. It is a balance and it is a trade-off. In terms of the major projects, we think technology-based major projects in the future should be the way that Invest Australia is looking, rather than resource based. While you consider each case on its merits, something like a technology-based major facility would end up having broader spin-offs for a great many more industries, not just a particular sector.

Mr BAIRD—When you say that is the way they should be going, do you mean they should be specifically encouraged with financial incentives from the government; is that what you mean?

Ms Curtis—There is a difference between facilitation, smoothing the way for those businesses to try and invest in Australia and also giving a big bucket of money. There is a continuum there and on a case-by-case basis you would look at what was best. If the investment was to occur in Australia anyway, then you would be better off maybe not spending those sums of money for that.

Mr Davis—One vehicle that Mr Baird touches on is how firms establish in Australia. Some can come here and do it themselves. They can hire professional advisers, accountants, lawyers

and so on. If you are putting down \$400 million, I am sure you will get everyone's attention from the minister down. The other model—and I know this is something that Invest Australia has looked at—is a case manager approach: someone who will hold your hand and guide you through the labyrinth of a federal government regulatory framework; the state government framework and the local government framework.

One can touch upon issues like whether we should have the bidding wars that go on between the state governments in terms of positioning ourselves abroad. This comes in the trade area, it comes in the investment area. Probably the most dangerous place in the world is being a federal government official between a state minister and a foreign investment project. It is really a high risk area. I think sometimes in our projection abroad, do we project Australia overall, or do we cloud it with a projection of the states? That is a message that we hear from time to time. I think the game is a strategic approach as to how do we promote ourselves abroad.

Senator O'BRIEN—Again, in terms of the Irish experience, there was an instance that I thought would be useful to get your reaction to. The Limerick University has a program where they actually extend the period of their graduate courses by one year. The third year of the course has been a year of work placed in employment, not pre-placement, but in employment with businesses. They have a program of effectively recruiting business to employ pre-graduate students, and they do that both within Ireland and as far away as Japan. I am wondering what Australian business reaction would be to similar programs being attempted here where certainly, in a number of faculties, there would seem to be the opportunity to place students in employment, if for no other reason than to determine that that is the sort of area they want to spend a good part of their working life in—they have invested their education in it and they may want to spend a good part of their working life there.

Ms Curtis—In the Innovation Summit process that culminated in the innovation package in January this year, there was a national Innovation Summit in Melbourne in February 2000. There were 43 recommendations that emerged from that summit. One of them was very similar to what you have just outlined. It was taken back and considered by the Miles committee. They had a working group that looked at those recommendations and they fined them down to about 18, and that proposal got knocked out in that first cut. We were supportive of the idea of trying to integrate higher education with business. There were no details, and the process whereby you developed that sort of approach would need to be very consultative but, in principle, it will make the students that come out better job ready, and we support it.

Mr Davis—Indeed, we actually take students from the Australian National University's law program in my area to do exactly that.

Senator O'BRIEN—As full employees?

Mr Davis—That is not permissible under the university rules. We take about six law students per year under me—I am a lawyer—and give them what we call practical experience on policy issues. We believe it values them and we have had high regard. As Ms Curtis said, we support it in principle and I would observe it in practice. As she rightly observes, yes, we are happy to look to roll it out further.

Ms Curtis—I think the automotive industry in Melbourne has done a lot of good work with trying to get appropriately qualified engineers. It is not as structured as one year of your course and you are a paid full employee, but they do spend about three months, I believe, with Monash University in actually doing some work that is job related and it makes them a better graduate—more able to contribute more immediately into the work force.

Mr Davis—There are a few commercial-in-confidence issues, but they are not insurmountable.

Senator O'BRIEN—No.

Mrs MOYLAN—Thank you very much for being here today and for the submission. I notice that in your summary in conclusion you say that in some situations there is no role for government, read government intervention; in other cases there may be a role. In your survey of business, it is very clear that most of the top 10 constraints on investment seem to me to hinge on both macro and microeconomic policy by government. I just wonder if you could explain what seems to me to be a conflict there?

Mr Davis—I do not have the survey with me.

Mrs MOYLAN—I have a copy of the survey here. The survey lists the top 10 constraints on investment. This is your own survey.

Mr Davis—Survey of investor confidence?

Mrs MOYLAN—Yes, as business taxes, as government charges, as non-wage labour costs; as wage costs; as insufficient demand; federal government regulations; state government regulations; availability of suitably qualified employees; local competition, charges by lending institutions and current levels of debt. More than half of those constraints on investment from your own survey indicate that government policy indeed has a very major part to play in attracting investment. It does not seem to jell with your summary in conclusion?

Mr Davis—No. Our submission that it can have a positive and a negative role, and what you have highlighted from that list is some of the negatives. That can be dealt with in one of two ways: governments can discern what the better practice is, because the inference of our survey is what governments are doing now is not the best practice that business seeks; or in some areas government can vacate the field altogether. There are some unnecessary interventions and one that is topical to our thinking at the moment is Professor Fels's call for some criminalisation of certain business conduct. That has a profound message effect. Whether it is right or wrong is an issue for another time. Again, there is heavy handed regulation there. What our survey of investor confidence does is encourage governments to say, 'Look at these issues; you're not doing them right and these things that are deterring investment.' An activist approach to investment can be one of two things: you can actually go out and encourage it to come here, or you can get rid of the negatives.

Mrs MOYLAN—This was one reason for this whole inquiry: it was to have a look at what other countries have done to remove impediments to investment and to take positive steps to encourage investment. Again, you seem to have a bit of a negative approach to that, in that you

say that taken as a whole the government sees merit in robust and analytical exercises which examine the experiences of other countries but little value in simply applying what may have worked in other countries.

I agree with your clarification there that we have to clearly understand the reason for the excessive measures taken. I do think that if you look at Ireland and Singapore—again, two entirely different economies—one of the key factors in both economies was that there was a concerted effort on a bipartisan basis to attract investment and to analyse what they could do best and then target those industries in terms of skilling their work force and getting their macro and micro settings right. It seems to me that the common denominator in both economies was a concerted effort on a bipartisan basis to tackle this problem of economic growth and development in economies that could otherwise have had some serious problems, notwithstanding Ireland's entry into the EU. I think what we were trying to get at is really the crux of your own surveys: what can government do and what lessons can we learn from other countries in terms of removing the impediments to doing business and therefore attracting investment into Australia and being prepared for that flow of investment funds.

Mr Davis—I have never heard Singapore called a bipartisan political system before, but I am always willing to learn.

Mrs MOYLAN—No, but Ireland was. They had a social compact. I am not talking about Singapore in reference to that. Certainly Singapore had a strong approach to making sure that they set themselves up to maximise their investment opportunities.

Mr Davis—In many respects, many of the issues you are asking about are of the micro-economic nature and we have been discussing things more at the macro-economic, or the industry level, nature. I recall that in the mid-1980s what was then the Bureau of Industry Economics, which has since been disbanded, did what I think was probably one of the best benchmarking exercises. It looked at three foreign investment propositions: one was a large chemical firm, one was a large manufacturing proposition of a different nature and one was an intermediate one. It basically took them all the way through the process, from a decision to proceed, to turnkey and start. They said, 'Okay, what are the regulatory burdens? What are the hoops we have to go through? What are the pluses and minuses?'

They did a balance sheet exercise. That was terribly instructive and that really showed the relative comparisons between, I think, the three industries in about four countries. It was about the time of the Kodak matter back in the mid-1980s. Obviously, it is now quite dated. It would be interesting to see a replication of that because it is very dynamic. But, that would confront the nature of what firms really do confront when they do go forward. I know from experience, when I have spoken to people about foreign investment frameworks, they say, 'Yes, the literature from the chambers of commerce, government offices and their diplomatic corps is one thing; but when you actually start the march through the process, the lessons are quite different.'

Ms Curtis—Our approach really is: let us remove the impediments. Let us get the macro- and the micro-economic framework right. That is the first step that we see in attracting investment. Those top 10 I do not think are inconsistent with our general philosophy and approach, which is to remove the impediments to growth and investment. Singapore is more of a totali-

tarian state and the compulsion for national savings, I think, is an element of Singapore that we could never do in Australia—force that sort of saving upon the population.

Mr Davis—If you look at the nature of Singapore’s development cycle—

Ms Curtis—We have superannuation.

Mr O’KEEFE—ACCI has opposed it all the way, but we have actually installed a substantial capital base in Australia; not as big as Singapore’s, but as superannuation, it is quite dramatic.

Ms Curtis—Superannuation, yes.

Mr Davis—Yes and no.

Mr O’KEEFE—Have you got a policy about what should be done with that?

Mr Davis—You have bear in mind with superannuation, Mr O’Keefe, that in Australia what the evidence tends to show is a substitution effect. What we have been saving compulsorily through superannuation we have lost in discretionary savings.

Mr O’KEEFE—Karen said that we could never do what they did in Singapore—have compulsory savings. What we introduced in Australia is quite a dramatic compulsory saving scheme. What are you talking about?

Mr Davis—The Central Provident Fund is about 40 per cent.

Mr O’KEEFE—Yes, I know.

Ms Curtis—It is huge.

Mr O’KEEFE—I did not say it was the level of it. You said we could not do it in Australia.

Ms Curtis—There is a difference between national savings and superannuation. The level in Singapore is extraordinary.

Mr O’KEEFE—That is a different thing. You said we could not do it in Australia.

Ms Curtis—I meant in a practical sense.

Mr O’KEEFE—We could not do it with the cooperation of employers, certainly. We certainly did it with the cooperation of employees and highly successfully, I would have thought.

Mr Davis—The essential point is that the principle is established: we have superannuation. The Central Provident Fund is totally different; it is a monopoly situation, mandated by government at the 40 per cent rate. Would Australian voters accept from either of the political par-

ties a central provident fund under the tutelage of government at 40 per cent? I look forward to either of the parties campaigning on that effect with great interest. I think one can argue the economic merit of it—

Mrs MOYLAN—It was interesting this morning to hear from the national association that the superannuation savings issue has become a major issue in the public's mind. I do not know whether you heard that on this morning's radio. It is instructive. You might check it out.

Mr Davis—I would ask you to look at this emerging Asia study, which has been put out by the Asian Development Board. It basically said that the Singaporean development came around and rode on two essential drivers: investment, and education and training. I must say we expected a few more discussions about education and training issues. They were the dynamics of growth in Singapore. The Economic Development Board—I saw them about a fortnight ago when I was up there—will tell you point blank that they are not there to direct. What they have done is look out ahead at how the development curve works. They have moved Singapore up because they knew that where they were in 1965 was not tenable, when they broke away from the Malay federation. They could not stay there. They have progressively moved up, driven by education. Investment came afterwards, as did the rule of law, transparency and so on.

Mrs MOYLAN—But that has been a feature of the Irish economy as well. They used to turn out a lot of poets and writers and so on, but they had a definite goal to reskill their work force because they were losing all their young people abroad. That has actually worked for them and, even with their entry into the EU, they would not have been able to fully capitalise on that economic opportunity if they had not taken steps to skill their work force, because the companies will not go and open up their operations in a country where they cannot draw from the local work force. They are the kinds of things that we are trying to really tease out of this: what is it that we need to be doing further than what we are in order to drive economic prosperity and investment?

Mr Davis—I guess we just come back to our essential observations. As Ms Curtis said, its fundamentals are absolutely essential. If you find impediments and barriers, they should be the first line of attack because, if you want to offer an incentive while you have an impediment, you are virtually paying twice over. You are paying compensation to overcome the impediment and then an inducement on top of that. You reduce your bid price by getting rid of the impediments.

Mrs MOYLAN—It is just more than an analytical exercise then. Government could carry out an analytical exercise but, then, if it does not move forward to put into place the policy settings, the analytical exercise is worth nothing. We have seen in this place for the 8½ years that I have been here, or longer, the reports and so on that have been done over the years and not acted on.

Mr Davis—Conversely, policy without analysis is nice words but a waste of taxpayer's funds.

Mrs MOYLAN—True, analysis is the first place, but the analysis alone is not going to drive us forward; it is only going to inform us as to how we drive forward.

Mr Davis—That is political will.

Mr O'KEEFE—I go back to the question I asked you. There are two parallel situations. In the mid-1980s there was the floating of the currency, a major collapse, 40 per cent devaluation, no capital place in the nation to offset, absolute dependence on—

Mr Davis—Financial capital, or physical capital?

Mr O'KEEFE—No financial capital, basically—no pool of capital. Further, there was financial dependence on overseas borrowings and interest rates had to be in the 18 to 20 per cent level in order to just balance the books and attract capital. That is where your rule of law and everything like that comes in. Why would you chase a 20 per cent rate unless you could be sure you would be paid? Now, there is the same devaluation, 15 years later—40 per cent devaluation—and interest rates have not had to be used as an attractor of capital because we actually have some in the form of the superannuation pool. That is one thing that is different. I might be myopic about it. It might be the only thing that is different, but a lot of things have changed. It is there now. My question to you is: apart from a policy of obviously trying to contain the demand on employers to contribute, does ACCI have any policies on how that capital base should be put to work in the Australian economy?

Mr Davis—Mr O'Keefe, I have a comprehensive policy compendium in here that answers many of those questions. Our chief economist is not with us, but ACCI obviously sees our long-term interests in having an expanded financial capital base. The essential prerequisite for that is greater national savings. Simple economics can tell you that the essential first step is to get rid of government dissavings—that means fiscal deficits. That seems to be the case now accepted on both sides of the House. One can see small movements around a figure, but more or less both parties are committed to that.

The next step is obviously household savings. Business is roughly about a zero proposition and getting up household savings will be a challenge. As we observed before, householders compulsorily save and we can argue the toss about whether that should be more into superannuation, more into other vehicles, et cetera. The question no-one seems to be focusing upon is: how do we get householders to voluntarily save? I do not have an answer to that.

Mr O'KEEFE—No, my question as it relates to this inquiry is not how you force the funds into whatever pool it is, whether they buy more homes, or more holiday retirement villages, or super, or whatever way households save; it is how we get that capital to apply itself to this problem that is identified in Australia—that is, the inability to translate it into growth. Most of our focus is on: how do we attract more foreign investment to Australia, to drive our growth, to get our global partners and all the rest of it? I am just asking a parallel question. Assuming we can increase the savings base, how do we get that to apply itself to the same goals? Or is it already doing it to your satisfaction?

Mr Davis—There are several issues there. Obviously, we have to expand the capital base of the country in a quantitative sense. The pool of savings is essential. We do not go the next step and say it should be directed or given excessive guidance. Obviously, we can make sure there is an awareness of opportunities here. Ultimately, coming back to superannuation, the overwhelming obligation—and it is a legal obligation on superannuation funds—is to maximise the return for the beneficiary, which is the rank and file member. We think that market discipline will do the best. It will induce a lot of them to go and look for the best opportunity. Conversely,

we would not like to see a situation where the super funds are told, 'No, you can't invest abroad.' I think Australia benefits from super funds abroad. The giant American and Japanese funds, for example, come into Australia. I would expect that, on balance, in our financial flows, we would gain more than we would lose.

Mr O'KEEFE—The balance is about 70-30. They tell us that 30 per cent of the funds are invested offshore. We are certainly all relaxed with that—or I am anyway.

Mr Davis—That would seem to be prudential asset risk spreading, to me.

Mr O'KEEFE—Sure. My question is: do you have any view, apart from what you have said, about the role they should be playing in the economy in this field that we are analysing? If so, how might we have them play that role? Or do you think they are already doing that?

Mr Davis—Are you talking about the foreign super funds investing in Australia?

Mr O'KEEFE—No, I mean the growing Australian pool—the \$600 billion. It gives housing loans, it buys shares on the share market, it owns CBD properties, and it owns golf courses and hotels, but it does not seem to be playing any role in making the most of our R&D opportunities or investing in the sorts of magnet industries that we have been talking about this morning.

Mr Davis—You are touching on venture capital issues. I might refer you to my colleague.

Mr O'KEEFE—Is that a problem from your point of view or not?

Ms Curtis—It goes to a cultural issue. Entrepreneurship in Australia is not prized as highly as it should be or as highly as it is prized in other countries. A study at MIT showed that graduates saw in 10 years time that they wanted to run their own businesses and have made a fortune out of some of the clever research that they had done at MIT. In Australian universities, a similar study showed that the success measure, the benchmark, was going to be working for a large multinational, doing research overseas. Right from university, the entrepreneurship is not developed.

Mr BAIRD—Can I just interrupt there? If you have a look at the latest research from the Melbourne University Business School it says exactly diametrically the opposite of what you are saying. What they have found is that there has been a significant shift in that people in the 1970s, and even the early 1980s, were saying just that; but now the greater number, the largest percentage of graduates, are actually saying they want to go into some form of entrepreneurial activity.

Ms Curtis—Yes, that is terrific if it is the latest one. I was referring to a document that was used in the innovation summit process. If the Melbourne University Business School has done something more recently—

Mr BAIRD—The speech by the new head of it actually mentioned that as one of the big changes.

Ms Curtis—That is terrific if that is a change, but I would suggest that Melbourne University is probably different, perhaps. I think my principle is still right: entrepreneurship is not prized here in the same way. We are not encouraged to take risks. We are more of a risk averse nation. I think if some of those elements can be taught, both in schools and through the university process, and then we find venture capitalists to put the money into those riskier investment propositions, then that will drive economic growth.

Senator HUTCHINS—I wonder.

Ms Curtis—There are always going to be successes and failures.

CHAIR—You have just fleeted over international trade. What is a concern—and it is not directly related to this inquiry—is the movement against the word ‘globalisation’, which really is international free trade. I noted Tony Blair’s comments just recently that the government has got to be better to sell to its people that this is international free trade and that it is good for all economies. Given that many chamber members, down at the local levels, would have a very different view than perhaps ACCI, what are you doing to make sure that international free trade, or call it globalisation, gets to every single small business person, that it is good for them and it is good for this economy?

Mr Davis—We do a considerable amount of work on that on our own initiative and with the Department of Foreign Affairs and Trade. Members may be aware that the department has produced some excellent little leaflets on the implications of trade liberalisation and its benefits out into regional Australia. They have picked about 40 regions around the country and have looked at real firms. We are working with the Department of Foreign Affairs and Trade to promote that out there.

CHAIR—Why are some local chambers still, some could say, protectionists?

Mr Davis—Again, we are a broad church. We have that within our structure. On balance, our policies come up after a lot of consultations. There are some out there who are feeling the pain of change. There are a lot of benefits and it behoves us to keep selling that message internally. For some firms it is a bitter medicine. It is just the dynamic of the market economy. We have to continue on with that change; we have no option to sit still and hold fast.

CHAIR—I agree, but we have got to keep the work up.

Mr Davis—It is a matter of continuing selling. It behoves organisations like ours. The regional chambers fall under our structure, under our state chambers. I know, for example, in Western Australia, we have a very energetic chamber out there that sells a message. We can always do more.

CHAIR—Thank you for your attendance here today. If you have been asked to provide any additional material, I would appreciate it if you would forward it to our secretary. You will be sent a copy of the transcript of your evidence, to which you can make corrections of grammar and fact.

[11.45 a.m.]

CONLIN, Professor Michael, Chairman, Association of Australian Hotel Schools

LEARY, Mr Andrew, Director, Australian Council of Independent Vocational Colleges

CHAIR—On behalf of the trade subcommittee, I welcome representatives from the Australian Council of Independent Vocational Colleges and the Association of Australian Hotel Schools. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. I now invite you to make a short statement before we go to questions.

Mr Leary—Today I would like to put forward the situation that exists in Australia at the moment. There is a high demand for well qualified people in key positions in international hotels here in Australia. We have somewhat of a paradox whereby we have a number of well qualified graduates who complete their education here in Australia at even a diploma or a degree level at accredited colleges—international students I am referring to—and upon their graduation, their visa, which is a student visa, expires. A large number of those students have expressed an interest in potentially staying in Australia for a relatively short period of time, between a year and 18 months, to gain experience before they return to their home countries.

However, the students find it virtually impossible to gain employment here in Australia because of the visa situation, and a large number of those students now are gaining employment in America under the J1 visa. In fact, as recently as October last year, the International College of Tourism and Hotel Management at Manly held a career fair where there were four of the Association of Australian Hotel Schools represented and 32 international hotel organisations represented. The purpose of this career fair is for buyers and sellers, or employers and potential employees, to undertake preliminary discussion and potential interviews.

At that career fair, the 32 international hotels that were represented were looking to recruit potential graduates. They were asked to fill out a survey at the end of that career fair and to state, on average, the number of jobs they had potentially brought to that career fair. The average was some 20 jobs per representing international hotel, so it would be correct to extrapolate that there were 640 jobs available in that forum. There were something like 420 students who attended that career fair—students who, within the next six to eight months, were graduating from one of these four hotel schools. The reality is that, out of those 420 students, a large number of them were international students—some 60 per cent. The hotels expressed that, unfortunately, the 640 jobs that they had available were only for the domestic students because of the onerous conditions on the employer with our present visa arrangements.

I suppose, in the capacity that I appear before the committee today, it is somewhat disappointing that on one side we have a high demand for well qualified people in the tourism and hospitality industry here in Australia and key positions of supervisory and management

positions and, on the other side of the equation, we have a large number of international students who have spent between two and three years here in Australia, spending upward of the vicinity of \$80,000 to \$100,000 in our economy over that period. If they apply for a position in Australia for a short period of time when they graduate, their application is treated exactly the same as an international person applying offshore who perhaps has not visited our country.

I put it to the committee that perhaps there is an opportunity to give those students who have lived and studied in our country for two to three years some relief or some opportunity to work once they graduate. Their objective is not to immigrate; their objective is to gain experience for one to two years before they return home.

CHAIR—Thank you. Resolved:

That the trade subcommittee receives as evidence and authorises for publication the submission from the Association of Australian Hotel Schools to the inquiry into Enterprising Australia.

Mr BAIRD—I firstly declare an interest, being chairman of a particular Manly school's advisory board and having received an honorary degree from Professor Conlin's college as well. Having said that, let us move on. How many international hospitality students do we have in Australia at the moment?

Mr Leary—Within the Association of Australian Hotel Schools we have identified that there are over 1,000 international students. Nationally, the number would be in the vicinity of 7,000 to 8,000 students studying hospitality and tourism from overseas presently in Australia.

Mr BAIRD—How many then leave immediately they have finished their course?

Mr Leary—Certainly, 95 per cent do once they complete their course because they are here under a student visa. I would surmise some 90 to 95 per cent would return home.

Mr BAIRD—How do you assess how many wish to stay in Australia to do a further 18 months?

Mr Leary—Within our cohort of students through the Association of Australian Hotel Schools, somewhere in the vicinity of 85 per cent have indicated that they would like the opportunity to work in Australia. They were also surveyed, and this survey was done at the International College of Tourism and Hotel Management at Manly. The question was: how many of you would be interested in staying? Eighty five per cent expressed an interest. The next question was: how long would this period be? In the response to that, 90 per cent of them indicated between a year and two years.

Mr BAIRD—How many do you lose to the States? How many go off and work in the States under their requirement?

Mr Leary—Once again referring to the document, on the second page, presently 30 to 40 per cent of international students are now receiving employment in America under a J1 visa. In fact, we are losing a number of domestic students to America as well.

Mr BAIRD—What type of problem does it present in trying to market to international students to encourage them to come to Australia?

Mr Leary—When we are marketing offshore, three key competitive destinations that are traditionally also trying to procure those students in this sector are America, the UK and Switzerland. Those three countries have a far less onerous work visa situation upon graduation. In fact America, because of their significant shortage, are needing to go offshore to countries like Australia to secure key personnel.

Mr BAIRD—What do the students you are losing to the States and so on represent in terms of the group? Are they the top students?

Mr Leary—I would suggest there is no different qualification level or demographic. These students have studied for three years for an international diploma, or an international degree, in hospitality and tourism management. They are an international cohort. They represent something like 42 or 43 countries. For them, in this global village that we live in, they see travel as no tyranny. In fact, it is considered to be highly desirable to have international experience to secure key positions in the international tourism and hotel industry. Certainly, the domestic students who perhaps have not had any gainful employment overseas are encouraged to do that at some point in their career. Likewise, the international students are also encouraged by their own countries to gain international experience before they return home.

Senator O'BRIEN—You said there are nationally 7,000 to 8,000 students in this area. Do you mean overseas students?

Mr Leary—International students.

Senator O'BRIEN—Studying in Australia?

Mr Leary—Yes, studying in Australia.

Senator O'BRIEN—Your survey indicates that 90 to 95 per cent return home on completion of their course. Do they work at all during the course?

Mr Leary—They do. With the Association of Australian Hotel Schools, all of them require some industry training during their course of study of between eight months and one year. That is fully paid industry training experience. They have the ability to secure jobs at this point in time; in fact, they are getting between two and three job offers each for about eight months to one year for industry training. There is no discount and it is not a subsidised wage; it is fully paid.

Senator O'BRIEN—It is not a traineeship?

Mr Leary—No, it is a fully paid position within a hotel.

Senator O'BRIEN—If we assumed the number of students coming here was 8,000, then up to 800 of those would stay?

Mr Leary—They would stay in Australia and secure a position—those who have been indentured by the international hotels that are prepared to take them on under the present business visa situation.

Senator O'BRIEN—Something approaching 6,500 would want to stay, but do not?

Mr Leary—Statistically, if we take the cohort that we have done the survey with and extrapolate that out, we could make the assumption that a larger proportion would be interested in staying in Australia to gain short-term work experience.

Senator O'BRIEN—What are the skill issues in terms of Australian residents? In parts of the country, at least, we do still have unemployment problems. What are the issues that lead to the availability of these positions to the students? I guess what you are saying is that, in terms of the potential availability on an ongoing basis of positions for these students after they finish the courses, we cannot supply labour from Australian residents for the positions they are filling.

Mr Leary—The positions that we are referring to are not line positions or casual positions. At the bottom end of the sector it would be a supervisory position; at the top end it would be a managerial position. If we look at the demographics now of the labour force in the hospitality and tourism sector, a large proportion of the labour force is, in fact, contracted under a casual scenario. That, I suppose, allows flexibility for the employer. The reality is that a large number of that casual labour force are undertaking this employment while they are pursuing a different career or study.

The employers are telling us that the reason they like these students, or the reason they see these students as being desirable, is that these students are embracing this as a career and a profession. That is transposed into their willingness to serve and enthusiasm in treating this industry as a profession, as opposed to perhaps the student who might be studying engineering, or arts-law, or arts and doing it as a money making venture.

Senator O'BRIEN—So we do not have an equivalent course for Australian residents? I am just trying to understand why it is attractive for overseas students to come here and work but it is not attractive for Australian residents to undergo the training and be involved in the industry in the same way.

Mr Leary—Our TAFE sector and our higher education sector now certainly provide for domestic students.

Mr BAIRD—I think also you are missing the point in terms of you having a whole number of domestic students at both your colleges.

Senator O'BRIEN—I was not missing that.

Mr BAIRD—No, I thought that Andrew might be.

Mr Leary—Certainly our domestic students gain employment. As I have outlined in this document, of the domestic students who attended that career fair, if we look at the statistics there, there were 208 of them and there were 640 jobs on offer, so they took their pick. The

hotels left disappointed that they did not have access to more students of that calibre—qualified or just about to be qualified graduates.

Senator O'BRIEN—It just seems to indicate to me that there is a problem. I wonder if you can identify for us what you think the problem is in terms of why the industry is not attracting Australian residents to train to work in it. Is it because they do not know about it? Is it because it is unattractive? Is it because of other factors? Why is there a situation where we have a job fair where there are plenty of jobs going but we cannot attract Australian residents to them? Is there some fundamental problem there?

Mr Leary—The international hotels are looking for appropriately qualified candidates. I suppose that begs the question: what is appropriately qualified? The students who attended that career fair have had a rigorous education, both in the practical and in the theoretical elements of international tourism and hotel management. The hotels have identified that they are of a specific, qualified sector that is desirable. I am not going to refer to the public education sector, but certainly within the Association of Australian Hotel Schools our core beliefs are that the students need a very thorough induction in the practical side, and that industry training is a key part of it, as are the more theoretical elements of international hotel and tourism management.

I suppose from a supply and demand perspective, the graduates from within the Association of Australian Hotel Schools are certainly well sought after. The TAFE sector, I think, prepares the students well, perhaps for the vocational elements. Certainly, the higher education sector prepares the students well for perhaps the theoretical elements. Within the Association of Australian Hotel Schools, we like to think that we prepare the graduates thoroughly in both sectors.

Senator O'BRIEN—So, there are people out there who are being prepared for it, but not enough—whether it is in your sector or in the publicly funded sector.

Mr Leary—The supply and demand equation seems to suggest so, Senator, yes.

Senator O'BRIEN—To come back to my question: why doesn't the industry attract the people to seek careers where there are jobs? What is the fundamental problem?

Mr Leary—I think it is the proliferation or the increase of tourism, and perhaps in terms of the hotels the supply has not kept up with the demand. The international hotels look for internationally trained students. With the domestically trained students, or those who are at the TAFEs and the domestic public universities, quite often the hotels make the comment that they have got the theoretical skills and they have missed the practical, or they have the practical and they missed the theoretical. We would like to think that the Association of Australian Hotel Schools is meeting the demands of the industry through dialogue and through feedback from the industry.

Senator O'BRIEN—But you do not have the numbers of Australian students to fill the jobs?

Mr Leary—No, we do not. I would say about 40 per cent of the students are domestic students.

Senator O'BRIEN—What does it cost for an Australian resident to complete a course through your sector—as an example, without wanting to pin you down to a particular business's charges?

Mr Leary—Attachment 1 refers to tuition fees at the seven colleges that are represented by the Association of Australian Hotel Schools. We have extrapolated it out and made some assumptions in terms of expenditure of international students while they are here as well.

Senator O'BRIEN—They are the charges that apply whether they are international students or Australian resident students?

Mr Leary—There are some differing cost structures at some of the colleges, but domestic and international fees are generally about the same.

Mr O'KEEFE—Isn't that the key, the guts of all this? The overseas students are full fee paying students—somebody is paying for them to do it, so you have got 60 per cent of your students in that group. The Australian students who are going to your colleges—

CHAIR—They pay for themselves.

Mr O'KEEFE—Are they paying for themselves? Is there any government support for them? Or employers might pay for them, or they might pay for themselves?

CHAIR—They have to pay between \$7,000 and \$10,000?

Mr Leary—Correct.

Mr O'KEEFE—Irrespective of what is going on in TAFEs and elsewhere, your structure is concentrating on high-end management skills and people are paying top dollar to come and get those skills? You are essentially saying to us that you would like to see some sort of visa arrangement that would enable them to stay in Australia for a little while.

Mr BAIRD—For 18 months—comparable with the states. Is that what you are asking?

Mr Leary—In attachment 2 there is the overview of the J1 visa which is 18 months.

CHAIR—Michael, do you have a view on this?

Prof. Conlin—I think there is another point of view as well. It is not an issue which relates to the recruitment of international students for what are generally considered internationally to be a group of very professional schools, but the Australian hotel industry in and of itself, is quite new. Senator O'Brien, I think one of the possible answers to the question why more Australians do not go into the industry has to do with the fact that the industry from the standpoint of careers is still not seen, as it is in other parts of the world, as being an area which holds some great opportunities for young people. The number of Australians participating in tertiary level education through TAFEs, universities, our form of education, has increased dramatically over the last 10 years. But it still does not keep up with the demand on the part of the industry for

high-end qualified people with the growth of the Australian industry—particularly leading up to the Sydney 2000 Olympics we saw a dramatic increase.

I think that when the exceptionally well-qualified people who have true international perspectives as well come from overseas to work in Australian hotels it contributes to the Australian hotel industry as well. It simply gives us some more value in terms of demonstrating that we are truly part of the global hotel industry. So I think both ends win as well.

Mr O'KEEFE—I am not necessarily antagonistic to your proposal. I think Senator O'Brien is on a key point here. When you look at overseas students, somebody is paying for them to come and do your course. It may well be that the industry overseas better understands the need to invest in this training and may be supporting some of those students. I would be interested to know whether they are self-funded—in other words, they can afford to come to Australia and pay for education. That is an issue, because part of the responsibility here to get people trained at the top end might be a government-industry partnership to get some of the funding into your level. Maybe that is part of the problem. So, some further detail on that would be useful.

Secondly, with the J1, I can understand what the Americans are doing. As I read this here, it is not American students going back to America; it is students from other countries who have come here, done your course, then got an American visa for 18 months in their country, based on exactly the principles you were talking about, Professor. There is a case to be made that we should at least give them that opportunity and I would accept that.

There is one small proviso. During the mid-1980s to early 1990s, when we were out there trying to get countries interested in Australian educational services and training as an export industry, a number of governments were requiring of us that we would not let them stay. They were prepared to push their students away from the UK and the US, provided they got guarantees from us that we would send them back home. They have that guarantee from the US and they got the guarantees from us. It is not insignificant, relaxing that issue of how fast we send them home with some of these countries that you draw your students from. We have got to address that issue as an international policy point. They are the considerations in my mind.

Prof. Conlin—I am not familiar with the last point in terms of other governments' positions on this. Generally speaking, it seems to make commonsense. The issue with the global hotel industry is that it has changed so radically, even in the last 10 years, that I think there are probably grounds to make special arguments for it.

In the case of my school, for example, which is a very small school, about 50 per cent of the national students who graduate, which is probably only about 30 or 40 a year, about 50 per cent of them go almost immediately to the United States on this program with international hotel companies. They gain the international experience that the international hotel company wants and then they come back and begin their careers in Australia. It is that sort of cycle that I think benefits virtually all the parties concerned. I think it is that sort of thing that we would like to push.

Mr Leary—I also address the question asked by Senator O'Keefe. The International College of Tourism and Hotel Management at Manly, which is presently the largest college, has over

500 students and 70 per cent of them come from overseas, but none of that 70 per cent, to my knowledge, is funded by a hotel.

Mr O'KEEFE—So they are all self paid?

Mr Leary—Yes, they are funded by parents or, as with the college's largest cohort of international students from Scandinavia, by their government. Their government funds them specifically to go abroad because the Norwegians and the Swedes, and the Finnish and Icelandic governments as well, see it as a great way of bringing back brain power. They encourage them to stay abroad to gain experience and to hopefully bring it back to internationalise their economies and their industries as well.

Mr O'KEEFE—Do they come back in the end?

Mr Leary—Absolutely.

Mr O'KEEFE—That specific strategy of encouraging them to study abroad, does not turn into a brain drain for those countries—in the end they get them back?

CHAIR—Are they bonded in any way?

Mr Leary—They have a loan and a grant through their specific governments. It is about 50 per cent loan, 50 per cent grant and they are required to repay the loan—similar to a HECS situation. They are required to come back home, I think within a five-year period upon graduating, to begin work within their domestic industry.

Mr O'KEEFE—Could you send us a page or two of how these schemes are working for each of those countries?

Mr Leary—Sure.

Mr O'KEEFE—It would be very interesting. Our HECS is the reverse of that. If you are overseas you do not have to pay. It is actually a disincentive to stay in Australia with HECS as it operates at the moment.

Mrs MOYLAN—My questions are a bit similar to the ones that have been asked. I noticed you said in your briefing paper the outcome from the fair was that only 40 per cent of 208 domestic students, out of the total number of students who attended the career fair, were eligible for the 640 employment positions. It seems a pity that we cannot improve the image, and maybe this is something that government does need to look at, of a career path in the tourist sector. Perhaps that is a role that government needs to be engaged in, given that there is clearly a fine career path for people at the top end of the management scale. If there is an impediment to getting Australian students, then improving the career image is something that we could be involved in.

CHAIR—As there are no further questions, I thank you both for attending.

Resolved:

That the Subcommittee authorises the publication of evidence taken by it at the public hearing this day.

Subcommittee adjourned at 12.17 p.m.