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

Implications of Australia's exports of services to Indonesia and Hong Kong

CANBERRA

Thursday, 29 August 1996

Present

Mr Sinclair (Chair)
Senator Childs — Mr Forshaw
Senator Chapman

The subcommittee met at 9.04 a.m.
Mr Sinclair took the chair.

WITNESSES

BUSH, Mr Richard James, Director, Trade Liberalisation Section, APEC Branch, Department of Foreign Affairs and Trade, Parkes, Australian Capital Territory 2600

DUNN, Ms Jean Margaret, Assistant Secretary, Services and Intellectual Property Branch, Department of Foreign Affairs and Trade, Parkes, Australian Capital Territory 2600

FILIPETTO, Ms Lisa Kim, Director, Services Trade Section, Department of Foreign Affairs and Trade, Parkes, Australian Capital Territory 2600

FISHER, Mrs Denise, Director, Hong Kong, Taiwan and Macau Affairs Section, Department of Foreign Affairs and Trade, Canberra, Australian Capital Territory 2600

FISHER, Mr Denis James, Director, Indonesia Section, Department of Foreign Affairs and Trade, Parkes, Australian Capital Territory 2600

HUMPHRIES, Mr Les, Executive Officer, Hong Kong, Taiwan and Macau Affairs Section, Department of Foreign Affairs and Trade, Canberra, Australian Capital Territory 2600

LEWINGTON, Mr James Geoffrey, Desk Officer, Commercial Issues, Indonesia Section, Department of Foreign Affairs and Trade, Parkes, Australian Capital Territory 2600

CHAIR—I declare open this public hearing of the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. On behalf of the subcommittee, I welcome the officers from DFAT who are appearing to give evidence before us on the inquiry into the implications of Australia's exports of services to Indonesia and Hong Kong. I see Beverley Forbes is here. She has done most of the work for the committee. As you would know, we have had a series of public hearings in the last parliament. It is a reference which we think has continued relevance, and we wanted to see whether we could finish the inquiry and we felt it desirable to meet and talk with you. Obviously domestic developments in both Indonesia and Hong Kong make their markets even more interesting than they were in perhaps the last parliament. For that reason I think it is appropriate that we start off with a revisit of where we were by speaking to officers from DFAT.

Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of evidence you give. Evidence taken by the subcommittee is subject to the same privilege conditions as other parliamentary proceedings. As I understand it, the subcommittee has a further submission from you. Would you like to make a statement in relation to the submission or care to make some introductory remarks before we perhaps proceed to questions?

Ms Dunn—Thank you very much. I might just make some brief introductory remarks. My area of principal responsibility is the World Trade Organisation, but I will make some general remarks across the services sector and maybe Richard Bush might say, if you are happy for him to do so, something very quickly about APEC. Denis Fisher and Denise Fisher might make some remarks on Indonesia and Hong Kong respectively.

Services trade is the fastest growing segment of international trade and is now worth $US1,000 billion. Essentially this reflects developments in information technology plus actions by countries particularly in the region but also in Latin America to deregulate key sectors, including telecommunications and financial services.

For Australia, our services exports represent an increasingly larger share of our total exports. They are now up to 23 per cent in 1995. Indonesia and Hong Kong are key markets for us in the services sector, as are Japan, Singapore, the United States, Korea, Taiwan, China and Malaysia. Our priority services sectors are tourism, which is growing rapidly, financial services, professional services, telecommunications and education. We still face market access barriers which are limiting some opportunities for our exporters. We have an integrated approach to try to address those barriers and expand opportunities for exporters. They involve the World Trade Organisation and negotiations through that organisation to achieve market openings, the APEC process and our bilateral activities.

I will speak just briefly on the World Trade Organisation and then I might turn it over to Richard Bush to speak about APEC. New comprehensive negotiations are scheduled in the World Trade Organisation for services in the year 2000. The commitment to resume comprehensive negotiations on services in 2000 was part of the Uruguay Round commitment. We place great importance on that opportunity to engage in further negotiations in the WTO and we are pressing for preparations to begin next year. That is an objective for us from the Singapore ministerial conference of WTO trade ministers to take place in December this year. Before 2000, the WTO will be still engaged in negotiations on telecommunications which are due to conclude in February next year. We are hopeful of gaining some benefits for Australian exporters from those negotiations. There will be resumed financial services negotiations next year and we have some ongoing negotiations on professional services which we hope will get a bit of an impetus from the Singapore ministerial conference.

Mr Bush—Our submission to the committee includes a brief outline of the role APEC plays in terms of advancing our market access interests in services. I will just briefly say that the Osaka action agenda, which was agreed at the APEC leaders meeting last year, sets down a framework for the implementation of the Bogor declaration of free and open trade. The centrepiece of that Osaka action plan is the preparation of individual action plans by all APEC members. The first of those plans is being prepared this year. They have to be finalised this year. They will be made public at the leaders meeting and the ministerial meeting in November this year in the Philippines.All members have to address their service sectors in those plans.

We set down in our submission the requirements under the Osaka action agenda on services, where members are committed to progressively reduce restrictions on market access for trade in services and to progressively provide most favoured nation treatment in services and also to enhance mobility of business people. The preparation of the plans is basically on track. Every member has submitted drafts. We are going through the process of improving those plans and there is a process of consultation that goes on between APEC members. This is an opportunity for us to raise particular market access concerns with our APEC partners.

It is not a negotiation like the WTO line by line give and take negotiation that goes on in Geneva. It is a voluntary exercise. It is aimed to build on the climate of trade liberalisation that is under way in these regions and to push along the pace of that trade liberalisation. It is a unique arrangement. We have never tried it before. It is untested in that sense. We do not know how it is going to turn out, but we remind people that this is just the first year of what is a long-term exercise of trade liberalisation. It is a particularly useful string to our trade policy bow. It is especially important this year and next year because there are no comprehensive WTO trade negotiations going on at the present time.

Hong Kong and Indonesia have submitted plans. The Hong Kong plan is probably the best from all the APEC countries. It outlines in a very comprehensive and user-friendly way their present restrictions on services and includes undertakings to review those restrictions and eventually a time frame for removing them as well.

The Indonesian plan is not so good in that sense. The commitments are more general in nature and the coverage is not as comprehensive as in the case of Hong Kong. But there are still a few months to go before they have to finalise that plan so we are hoping that they will improve the quality of it. We are having consultations with both countries on their plans and we have been drawing to their attention particular aspects of their services—the components of those plans—that we would like to see them address.

CHAIR—Thanks very much. As you know, one of the bases of our undertaking this inquiry in the first place was that it was felt that Australia, as a basically European country in the Asian area, might well be able to pick up a lot of export of services, either as a partner of other countries or on our own behalf. That was embraced right across the field of services: education, law, health and so on. I am just interested that obviously now in the department you are putting a lot of emphasis on the multilateral organisations. I would have thought that probably it was more in bilateral contacts that the best development lay, particularly with the Americans, Germans, Brits and French and all these former colonial powers being about. I would have thought that our problem was really to push our right to be different, so we could do that more in a bilateral way. I do not know whether you would like to say anything about that. You obviously are putting a lot of emphasis on these multilateral bodies.

Ms Dunn—It really depends to some extent on the services sector. In some sectors, such as professions, gaining mutual recognition of qualifications can sometimes be more readily achievable at a bilateral level. If you are trying to achieve liberalisation across a whole telecommunications sector, it may be that it is more achievable in a multilateral forum where there is broader pressure and there might be broader gains for the country that is liberalising in terms of the access they might achieve in other countries in return.

So, in some respects, it depends on the sector. We find that you might work bilaterally on one sector and get the result multilaterally. They tend to be mutually reinforcing. I do not know whether the people who come from the bilateral area might like to comment on that.

Mrs Fisher—I think the answer, as is often the case, lies in the middle—there is a role

for both—and a country like Australia, a middle sized economy, cannot afford to neglect the benefits, particularly of multilateral negotiation. But, at the same time, our experience in Hong Kong has shown that individual enterprising Australians can achieve a lot.

There is a huge presence in Hong Kong. National Mutual has a deal now with the French company AXA, but National Mutual Asia remains the Australian company, and it is the second largest insurer in Hong Kong and serves the whole of the Asia-Pacific region. That has been done, obviously, on a unique basis, a bilateral basis. So there are things we can do.

We are a very large presence in Hong Kong, extremely large. We are the third largest overseas community represented in Hong Kong. So what our business says to the Hong Kong authorities counts, and ditto for the Chinese. They listen to business people. So I think it is true that, if we want to make points bilaterally, they will certainly fall on fertile ground and they can certainly complement what we are doing in the multilateral arena, they can reinforce what we are arguing for there.

Mr D. Fisher—I agree with all of that. Certainly with inbound services, such as tourism and education, our geographic nearness is obviously a distinct advantage. I think that is one of the reasons Australia is attracting more and more Indonesian students to study here. As you would be aware, Mr Chairman, the bottom line of course is that if countries have barriers to accessing services they are probably not going to make deals bilaterally with any country. At the end of the day, it is going to be on an MFN basis.

We can do so much bilaterally in terms of exposing Indonesians to our expertise in various areas of services, negotiating bilateral MOUs which stimulate cooperation, exchanging information and all those sorts of things. But, at the end of the day, if there is a barrier there, we really rely on a broader framework like the WTO to overcome that problem.

CHAIR—I was really thinking of two particular areas in law, for example, where there seems to have been generally some difficulty in getting Australian law firms—and I do not know whether this is unique for Australia—to practice with local clients. There seems to be more of a tendency for them to be told, `You can look after Australian clients and their business, but you can't practice law locally.'

Is that an area you are attacking through APEC or any of these multilateral organisations? There is no doubt our legal exports are exploding in all sorts of ways. That seemed to be a very good example in Indonesia where perhaps there is a need for us to help the Indonesians at a government to government level to draft their commercial law. There was some talk of that a few years ago. Would you have any observations at all on that field?

Mr D. Fisher—Australian law firms are not permitted to establish a practice in Indonesia, so that is obviously a barrier which goes across the board for all countries. But lawyers can work there as experts or consultants and many Australian law firms do have those sorts of links with legal companies and are doing quite well in Indonesia. We are also working at a government to government level in developing links between our legal communities. This,

again, is done by way of MOUs, joint projects of various kinds, offering advice and expertise and that sort of thing. We are attacking it at various levels.

The basic objective is to be as helpful as we can to Indonesia in developing a legal framework which is more suitable to a country which is going through the stage of development it is going through, but at the same time respecting their own sensitivities about interference from outside, et cetera. So we are certainly trying to get in on the ground floor in all of these areas by having as many of our people go there as we can developing links of all kinds so that if and when the barriers come down we have a much better chance of being a prominent player.

Mrs Fisher—So far as Hong Kong is concerned, as the committee would know from the submission and the discussions that we had before on this, Australian lawyers are required to join the Hong Kong Law Society and complete examinations locally. We have actually had a bit of an edge because we are a Commonwealth country and there have been questions about what would happen after 1997, but our current indications are that we will still have accessibility on the same basis as we have now.

Legal services has been one area where we have had difficulties in Hong Kong. As I have argued before, it is quite clear Hong Kong is one of the most open societies and economies in the world, but still we would like to see more on legal services. I noticed that even in the APEC IAP—the international action plan—Hong Kong was exemplary in the sorts of offers that it made. In legal services we want more. They have not really addressed our problems in legal services.

There have been some positive developments. You will see from the supplementary submission that we gave you on Monday that since the committee last met Donald Tsang the Finance Secretary has announced a whole package of initiatives specifically in services designed in the 1996-97 budget to maintain and build on Hong Kong's reputation as an international financial and services sector as a hub for the region. Amongst this package there were some elements in the legal area and I will read from a report from our post in Hong Kong on it. It states:

> In the area of legal services, the Government will implement the recommendations of a report on legal services in Hong Kong which will increase competition and offer better consumer protection.

They are going to make changes to the regulatory and legislative bases for professional services which we are watching very closely.

It is very much in the interests of the current authorities in Hong Kong to make these changes so that things are established for well beyond 1997. It is interesting that in the preparation of the 1996-97 budget China has been involved. It is looking pretty good. Already we are doing pretty well in Hong Kong, but with this package—and there are a number of sectors that we are interested in such as telecommunications, accountancy and legal services—there will be very big opportunities for us to build on our presence there. Our mission up there is watching it very closely.

Mr Bush—Hong Kong outlined its commitments on legal services in its individual action plan and the restrictions are basically that foreign law firms are not allowed to practise Hong Kong law. That is not unusual. Unless you are trained in the jurisdiction, you are not allowed to practise the law. That is obvious enough and Australia has very strict rules about that too.

There are other restrictions in Hong Kong about entering into partnerships and the employment of Hong Kong lawyers by foreign lawyers. They have given an undertaking to review these restrictions and make a decision about them. Their current plan says that they will undertake a review and remove them by 2006, which is quite some time to wait, I suppose. The point is that they have given an undertaking to review those restrictions.

CHAIR—Is that within one of the APEC or WTO guidelines?

Mr Bush—APEC, and that is part of the value of the APEC process in that it encourages members to give a forward indication of the way their policy is going. Even though there is not a decision to remove the restriction now, at least the government is committed to reviewing that restriction and liberalise it some time in the future. In the case of Indonesia, as I said before, their plan was not half as good as that of Hong Kong. They did not mention legal services in their plan at all. That is an area where, if there was a strong commercial interest on the part of the Australian legal profession in that market, we could take it up in bilateral consultations with Indonesia in the APEC format.

CHAIR—Have submissions been made to you or to the Attorney-General by legal people or chartered accountants? They are all in the same group and I wonder whether the professional bodies in fact see this as an area where they want us to proceed.

Mr Bush—Yes. We have had a series of consultations with the peak industry bodies, including services bodies, on the APEC process. We have given them the benefit of our analysis of these markets and received comment from them about what their priorities are in relation to each APEC market. That process of consultation is going on here domestically and we incorporate their priorities into the consultation process we have in APEC.

Ms Filipetto—This is another example of the mutually reinforcing nature of our bilateral, regional and multilateral efforts. We do have a consultation process in place which is ILSAC, the International Legal Services Advisory Council, which brings together industry, attorneys-general and interested departments such as DFAT. It meets a couple of times a year when we review legal services and market access issues. We see what can be achieved through bilateral means, regional means and multilaterally.

In terms of the multilateral efforts currently under way, some countries have scheduled legal services in their schedules to varying extents, but until we have the next round of comprehensive negotiations, there will not be an opportunity to ratchet those market access barriers back. We do have a working party on professional services which is currently meeting.

Although it is looking at accountancy in the first instance, we hope that some of the issues drawn from that, for example the mutual recognition of qualifications, will cut across a whole range of professional service sectors.

One of the aims is to develop guidelines on the mutual recognition of qualifications to make it easier for Australian companies to operate abroad, and also to look at issues such as the establishment, commercial presence and the sorts of foreign equity measures imposed on companies wishing to establish abroad. There is a consultative process in place looking specifically at market access barriers in legal service areas. We try to work together in whatever ways we can to improve the situation for Australian exporters.

CHAIR—Before I hand over to Senator Forshaw, can I ask one further question? Are Australian professional service exporters from your perspective at a greater disadvantage than those from other countries? For example, Victor Chang seemed to develop his medical contacts with Indonesia on the basis of the people he knew. I gather that the Americans and Europeans are still very much the leaders, whether it is educational or professional. There are so many American law firms registered in Asia. How does Australia fare against the others? As a nation are our professions disadvantaged or advantaged and is there anything we can do about it other than through these general trade organisations?

Mrs Fisher—Anecdotally, from the feedback I have had since I have been in this job over the last two years, it seems to me that there are advantages. I have also served in Malaysia. There are advantages in certain markets for Australian service providers. For example in Hong Kong, there are advantages based on language, and the Hong Kong real time zone. The fact that we are in the time zone for banking and other services gives us an edge over our competitors on the other side of the globe. There are all sorts of things you could point to, but that does not mean, in my view, that we do not need to do more. I think that we do. We could increase our presence quite substantially in markets like Hong Kong and, from the sound of it, Indonesia as well.

CHAIR—How do you see Indonesia?

Mr D. Fisher—I do not think we are disadvantaged vis-a-vis any other country, Mr Chairman. Impediments to access apply to everybody, and, of course, there are limitations on work permits for those that come in as consultants or advisers, and that applies to every country. Some of the factors that Mrs Fisher was talking about in relation to Hong Kong also apply to Indonesia, although the language factor is, perhaps, not as relevant—although I might say that in Australia there is a greater recognition of the importance of Indonesian and knowing Indonesian than in many other of our trading competitors. Our knowledge of Indonesian culture and language is increasing more effectively than in other countries.

Senator FORSHAW—I have one question with respect to Hong Kong. You indicated, both in what you said here and in your paper, that you are confident that after 1997 things will continue relatively smoothly and that this area should not be affected.

Mrs Fisher—Did I say that?

Senator FORSHAW—That is the way I read it anyway; if I am wrong please tell me. What are the opportunities for expanding some of those services into China?

Mrs Fisher—The first observation to make is that in recent years Hong Kong has shifted from a manufacturing base to a services base quite substantially. The updates I gave you show that services contribute 83 per cent to GDP—six points up on the figures I gave you last year. Services are a mainstay of the Hong Kong economy. The large part of those services service China. That is Hong Kong's role economically, and that is not going to change.

I would rather not make value judgments or predictions, but I can talk about what we know about the current situation—the regulations and so on applying to services—and what we know are the undertakings China has made. The fact is that China has, with Britain, agreed in their Joint Declaration in 1984 that Hong Kong will remain autonomous in everything except foreign affairs and defence matters for 50 years. It is quite a remarkable undertaking. There is no precedent as far as I know for a sovereign government to do that. China has made this undertaking, and that agreement is registered with the United Nations.

Subsequent to that, the Chinese put together the Basic Law which mirror images the Joint Declaration in these undertakings. That is going to be the mini-constitution for Hong Kong after 1 July. Its actions in relation to this sector—in terms of the consultation processes it has gone through with the Hong Kong government, particularly with this latest package that has just come out—are an encouraging and positive sign of the relaxation of regulatory measures and legislative measures to allow for more liberal involvement of foreigners in the Hong Kong economy.

Senator FORSHAW—Will there be an opportunity to expand on it beyond Hong Kong, say, into other parts of China where we currently do not have Australian firms with the same degree of access in services? That certainly appears to be the case in manufacturing exports or joint venture arrangements or whatever.

Mrs Fisher—There are real prospects for that. I am not across all the sectors, but I have had something to do with the legal services sector in the last couple of years. Six months ago I spoke to the group that Lisa was talking about—ILSAC. They are very interested in boosting the representation of legal services into China. From my research in addressing that group, I found that there has been a lot of two-way exchange, in the legal services at least, between the authorities in Hong Kong and those in southern China, and, indeed, there is some indication of it in commercial legislation and banking legislation. Beijing is using what Hong Kong has to offer now as a model in some of its drafting processes.

There is evidence that there is a lot of cross-fertilisation going on. I know of at least one Australian lawyer who lectures in Hong Kong and goes into southern China and does the same thing over there. Yes, there are possibilities. There is no doubt about that.

Senator FORSHAW—I will not ask you to answer any questions on DIFF. The chairman might jump on me pretty quickly.

CHAIR—You can ask anything you like. Far be it from a member of the House of Representatives to put a bar on the Senate.

Senator FORSHAW—In another inquiry—the Senate inquiry—we had some evidence from a company that was involved in a project relating to the development of a property law scheme. I cannot remember the name of the province, but I think it was north-west or north-east China. This was a scheme where, given that there was no system at all of property registration, they were in there looking at how that may be developed and how that interacted with the sort of legal system that the Chinese have about property. It was a thought which I found rather fascinating.

Mrs Fisher—It is interesting that EFIC, for example, currently has plans to send a delegation to Hong Kong. They will talk about extending their soft loan facilities. At the moment, they provide direct lending facilities, but they are now going to guarantee loans of other banking institutions for all sorts of ventures, including such ventures. There are strong possibilities for further activity in that field.

Senator CHAPMAN—The written submission—I think Mrs Fisher also made reference to it—referred to the announcement by the finance secretary for initiatives, particularly to strengthen Hong Kong's position as an international financial and services sector. Where does the balance lie in terms of Australia's interest? Obviously it provides some export opportunities for Australia, but does it also provide competition for our own wish to establish Australia as a banking and financial centre? Where does the balance between what Hong Kong is doing, which offers us export opportunities, but obviously competes against our desire to have a similar situation here domestically as an international base, lie?

Mrs Fisher—I think that is a good point, especially since we are trying to attract people to set up regional operation headquarters here in Australia. We have been quite active in Hong Kong itself in attracting people. In fact, this is one reason the EFIC people are going as well. Part of their brief is to talk about potential. Mr Tim Fischer is going up next week and will be addressing a luncheon group of a number of investment bankers and fund managers to talk about Australia as an investment destination. So that is very definitely one of our prime market objectives in Hong Kong.

Because Hong Kong serves not just a Hong Kong market or a China market, which in itself is significant, but beyond into the region, I think that activity by Australians—which is not on the decline; it is on the increase in Hong Kong—is going to continue to complement what we are doing back here. I note, for example, that of the Australian companies in Hong Kong, the ones that are successful are the ones that not only make a long-term commitment to the market but also pitch their services elsewhere, not only at Hong Kong or China. For example, South-East Asia and Vietnam are big markets. Their companies base themselves in Hong Kong.

That activity can be very complementary and I do not have the statistics, but I believe it can be very complementary to what we want to do from here in attracting people. I believe in people to people links, although it sounds a bit corny. Of the $900 million that we have for export to Hong Kong in services, more than half is tourism and students. We have the largest number of overseas students here in Australia from Hong Kong—12,000 of them. We have 250,000 tourists going to Hong Kong every year, and there are 100,000 the other way. We have about 50,000 Australians resident in Hong Kong—most of them Hong Kong-Chinese Australians. They come and go. There are lots of interconnections. I think that can only be good for what we want to do here in Australia in establishing ourselves.

Senator CHILDS—I just want to ask you a couple of general questions about Indonesia. What are the effects of the incidents surrounding Megawati Sukarnoputri on the political climate in Indonesia? Is a resistance to a more liberal regime in Indonesia having an effect on our trade development?

Mr D. Fisher—Yes. I can make a few comments on that. I think, in general, it is fair to say that Indonesia is going through a period of transition at the moment, and it might be a fairly lengthy period of transition. We are looking at the post-Suharto era in the next how many years we are not sure. Clearly the elite in Indonesia is thinking about all of that: what it means for what they have achieved under the new order, and what sort of Indonesia is going to come after that.

Suharto himself remains very firmly in power and control in the country. He has the support of the armed forces, which basically remains strongly united under him. I think it would be misreading the Indonesian situation to think that a successor regime to Suharto is going to be a regime which is radically different to the one that is there now. In Indonesia, the government comes from the top, not from the bottom. In that sense, the successor government to Suharto will come from the ruling elite. It will depend on strong support from the military. I think it would be a misreading of Indonesia to think that something like people's power in the Philippines is going to occur.

So our best judgment is that the successor regime to Suharto—obviously it is hard to be sure—will be a regime which is similar to the current one, which is basically committed to similar policies in the broader sense. The two fundamental focuses will continue to be domestic stability and economic growth, which are the two things that Suharto has given great priority to.

On the aspect of how this all impacts upon relations with Australia in the trading field and other countries, my judgment is that the Indonesian government under Suharto is firmly committed to an opening up of the economy and to progressive liberalisation—maybe not as fast as we would like to see. The economic benefits that have come to Indonesia over the last 25 to 30 years have come from that process of making Indonesia more competitive. There are forces in Indonesia which want to hold the process back—let's not kid ourselves about that. But, fundamentally, the direction is there, and we believe it will continue.

In a post-Suharto era, I think that fundamental thrust to internationalise Indonesia and

make its economy more competitive will continue. They will welcome foreign investment as they will welcome foreign trade and links with countries like Australia. So it is hard to be sure about the specifics, but I think the fundamentals will remain unchanged. Obviously there will be some bumps along the way, but I think the fundamental direction will remain unchanged. I hope I am right.

Senator CHILDS—Could you report on the recent developments in the Australian-Indonesian ministerial council?

Mr D. Fisher—The Australian-Indonesian Ministerial Forum, as we call it, will meet for the third time in Jakarta this coming October on the 24th and the 25th. Mr Downer will lead the delegation for Australia. The Deputy Prime Minister and Minister for Trade, Mr Fischer, will be in the delegation and lead on investment and trade issues. We hope that several other Australian ministers will go as well. We cannot be sure exactly who that will be yet.

The important point about the forum is that it is a two-year event, and it gives a sort of political boost to the activities in the economic field. It is designed very much to send the political message to people doing economic business between the two countries to get on with the job. We obviously discuss problems that there are—obviously including things in the services sector—and hopefully try to set down an agenda for the next two years.

As I said before, many of the barriers that prevent us from doing better in Indonesia apply across the board. So I think it would be misreading the ministerial forum to think that that grouping could solve problems which require a broader solution. Certainly, it is the height of our bilateral activity in the area every two years, and we are working very closely with all relevant departments here, and with the Indonesian government, to make it a successful meeting.

I think it will send a powerful message to the private sectors in both countries about getting on with the business of doing business. We hope to involve the private sector in the meeting in some way. We are still discussing that with the Indonesians, and we will obviously be in touch with the private sector here in Australia to work out how that will happen.

CHAIR—I want to follow up the first question of Senator Forshaw. You mentioned, Denise, that about 83 per cent of the exports of Hong Kong are now in services. Because it has always been an entrepot port—I presume that that is not just to China; there is also quite a bit of service exports into Taiwan—and because it is a place through which so many countries traditionally have exported, particularly into southern China, to what degree are those services also providing access to Korea, Japan and even eastern Russia?

Mrs Fisher—That figure actually was 83 per cent of GDP, for services. I know that you have been involved in this committee, Mr Chairman, for the last couple of years and that you would know the litany of pleas for the statistics on services, which are notoriously hard to gather. So I do not have any statistics on that. We could have a look at what we could find for you. I do not think that they would be very reliable, but we could get a general idea of the

breakdown of that 83 per cent—where the destinations are—if that would help you. The majority is, of course, to China.

CHAIR—Yes, no doubt about that. The other question, following up Senator Childs's question, regards Indonesia. With developments in ASEAN moving as they are, to what degree is ASEAN or the East Asian Economic Caucus, or any of those sorts of bodies, looking at services? Are the service exchanges within the Asian countries growing to any degree? Are they a threat to us? Have you any idea or handle on that?

Ms Filipetto—As you may be aware, there is an ASEAN free trade area, which is called AFTA for short. They are looking at the whole services area in terms of building an agreement on services. That is in the very initial stages. A framework agreement has been signed and negotations have commenced on some sectors. Yes, there is work under way within ASEAN on a services agreement.

Ms Dunn—It could affect Australia, but it is really too difficult to tell until we see what they put in place. The sort of liberalisation they might be proposing can be a benefit, in that it is a force for increased liberalisation in the region. APEC processes will help to transmit that throughout the region. So it is a bit hard for us to judge what effect it will have on Australian industry at this point in time. It depends what the external regime is like. Given that Australian services industries are so firmly entrenched in ASEAN through investment at the moment, there could be beneficial effects. It is just too early for us to tell.

Senator FORSHAW—This question might be slightly outside the nature of the inquiry, but it follows the chairman's question about other countries. When I was in Singapore earlier this year, one of the things that was said to us was that even though the traditional view of Singapore is as an economic hub of Asia, or that region, they felt pretty much under threat from other cities, such as Bangkok, Jakarta and Kuala Lumpur, which are aggressively out there and are endeavouring not only in a manufacturing sense but also in a services sense to promote themselves, whether it be in transport, telecommunications, finance or whatever.

In terms of these two countries, Hong Kong has certain pressures on it in view of the change in 1997. Indonesia, on the other hand, has got some other pressures, which you mentioned, relating to the post-Suharto era. But also it has been one of those countries that has been seen to aggressively promote itself in recent years.

Can you make any comment about other Asian capitals and what they are seeking to do in attracting services business to their area, as it might impact upon what is happening, particularly in Hong Kong? That is a rather strange question. I am not sure that I understand it myself. What I am getting at is that there seems to be a grab—

Mrs Fisher—Picking up any slack.

Senator FORSHAW—We have been talking about promoting Sydney or Melbourne, where there is rivalry, in getting more financial business into our major cities. How is all that

sorting itself out, and what impact would that have in the future, particularly for Hong Kong?

Mrs Fisher—I am speaking from my experience of Hong Kong over the last couple of years. Obviously we have our certain pitch which we are pushing quite hard, but discreetly. I am not aware of other missions represented in Hong Kong making a similar pitch. I am not sure; I would have to look further at that. We will certainly find out. I will ask the post whether there are other obvious contenders.

Senator FORSHAW—A very simple example, I suppose, is that, whereas a few years ago just about every plane that went to Europe went through Singapore, now, every second plane goes through Singapore and every other one goes through Bangkok, depending upon whether you are going to London or Frankfurt. That, in itself, has had a major impact. You have a country like Singapore building a huge new airport and a new port, even though recognising they are facing a lot stiffer competition now from other cities such as Bangkok and even KL that are now taking off, trying to get to where they were 10 or 20 years ago.

Mrs Fisher—In air services, certainly, there have been very detailed negotiations between Hong Kong and all the major airlines, including ourselves, and including the Australian aviation authorities, to set in place agreements for beyond 1997. These agreements have been submitted to the Joint Liaison Group, that is, the China-Britain Liaison Group, which is the mechanism which is paving the way for the transition. China has endorsed all those agreements. So in terms of air services, I think Hong Kong is assuming that it will continue. You know about the major massive investment in the new airport, which has been developing, in fact, with a lot of Australian participation in the services area—engineering, construction.

Senator FORSHAW—A lot of other services hang off that sort of activity.

Mrs Fisher—Exactly. Also, China is well aware of Hong Kong's role as a hub for civil aviation as much as for international financial services. There has been a lot of contact, for example, between the monetary authority of Hong Kong and the Chinese monetary authorities over the last two to three years. It is not just a recent thing; there has been a careful, painstaking process of consultation and drawing in the Chinese authorities so that they can see how the system works. I think the assumption is certainly that the growth rates of the last few years will continue in those areas. But as to your question about what other capitals might be doing, we would have to do a bit more research. I can see what we can get for you.

Senator FORSHAW—What I am thinking is whether or not we are attuned to the fact that, whilst Australian companies might have a significant presence in Hong Kong, there are other—

Mrs Fisher—We are well aware of that. I would like to take this opportunity to correct something I gave you. I do not want to give you any misinformation. When I said we

were the third largest representatives there, leaving aside the British colonial representatives, obviously, the United States, Japan and Canada are ahead of us, then we are the fourth largest community there. I think we do have a healthy knowledge of the competition.

Mr Humphries—One of the reasons why Hong Kong introduced its recent budget statement in terms of the services sector was to meet the potential competition which it saw coming from a number of the regional centres. Taiwan, in particular, is trying to set itself up as a regional operations centre, and there are other Asian centres. So Hong Kong is aware of the need to become more competitive in the services area and the potential growth that is in that area. We are very well placed in Hong Kong to grow with Hong Kong. It is in our interests to see Hong Kong remain an Asian regional financial centre, because of our large presence there.

Mr Bush—I think what Senator Forshaw touched on was a very important point. The whole exercise you are describing is the internationalisation of the Asian region. Singapore found out that it had competition with its airport. I think it toughened its rules on foreign lawyers practising in Singapore as well. I think it will find out that foreign lawyers will tend not to go there under tougher conditions and that will disadvantage Singapore in the long run because it will be less competitive. There will be fewer international lawyers prepared to establish there.

I think it is very sobering for these countries when they look at each other and find that their neighbours are liberalising. It behoves them to liberalise as well, otherwise they will be left behind. That is driving the current climate in that region. All those countries are looking at their foreign investment rules to see how they can liberalise them and attract foreign investment.

Some of the questions have hinted at: does this disadvantage Australia because it is providing more competition? Sure, it puts pressure on us as well, but it is inevitably the way we have to go in terms of removing the barriers to our own commercial enterprises who want to compete in that market and continuing the present micro-economic reform that is occurring in Australia, to make sure that we maintain our competitiveness in that region, which is becoming more and more a global economy rather than just separate ones.

CHAIR—I wanted to pick up a point that you made, Denise, about statistics. Where are we up to with this biennial survey that ABS used to undertake? I think there is a 1995-96 publication due fairly soon. Do you know where it is up to?

Mr Humphries—The figures have only just become available for 1994-95. There is quite a lag in terms of services statistics.

CHAIR—Is there anything we can do about that?

Ms Filipetto—We are part of a statistics consortium with the Australian Bureau of Statistics. The services statistics really require more funding. They cannot be produced annually, as we would like, unless more funding is provided. There was an arrangement

whereby DFAT was able to assist with some funding and that assisted in working with the Australian Bureau of Statistics and other consortium members to bring out the statistics on a regular basis. But there is still a paucity of information, for example, on the direction of trade. We could certainly benefit if there were more funds put towards the production of services statistics which at the moment are produced usually every two years. The most recent we have are for 1994-95. That tells most of the picture, but not all of the picture. Certainly, we would be happy to see more work done on services statistics. It would make our job much easier.

CHAIR—In an article that Chris Merritt wrote in the *Australian Financial Review* on 16 August, he talked about ABS data only covering the export earnings of Australian-based lawyers which, because of international statistical conventions, do not include the earnings of branch offices overseas. The article went on to say that your department has established a pilot project with the ABS aimed at examining what was involved in tracking the final destination of Australian investment offshore. What is that all about? Do any of you know anything about it?

Ms Filipetto—No. We could find out more about it, though.

CHAIR—Could you? You could find references. It was in an article in the *Financial Review* on pages one and 26 of 16 August. They were talking about having some sort of trial to see whether they could develop more of the follow-through investment than is presently available. Are there any more questions from any of my colleagues? If not, thank you very much for your submission to us.

We want to try to finish the report soon. It seemed to us that there were a few areas where we need to just brush up our Shakespeare as it were and see if we could get things as current as is possible because it is a little while since we last took evidence. As you mentioned in the Hong Kong instance, it is incredible that there has been a move to that degree, statistically, in the export of services from Hong Kong. So we want to try to get any information we can. We raised two or three questions, so perhaps you might be able to drop a note to us on them and we can follow through on those. Are there any further matters any of you wish to raise before we wrap up your evidence today? There being none, I thank you very much indeed for coming in.

Resolved (on motion by Senator Chapman):

That the subcommittee receives as evidence and authorises for publication submission No. 25b.

[10.10 a.m.]

FISHER, Mr Norman William Frederick, Chief Executive Officer, Australian TAFE International (ATI), Canberra Institute of Technology, C/- CIT Campus, Constitution Avenue, Reid, Australian Capital Territory

SMITH, Ms Margaret, Head, International Unit, Canberra Institute of Technology, GPO Box 826, Canberra, Australian Capital Territory

CHAIR—We are inquiring into the implications of Australia's export of services to Indonesia and Hong Kong. The inquiry began in the last parliament. We have taken quite a deal of evidence but we are particularly interested in educational exports. As such, I do not know that we have had much evidence—I cannot recall any detailed evidence—from the TAFE sector, but you are a very important part of it. I understand you have not made a submission. If you would like to make a few opening remarks then perhaps we could have a few questions.

Mr N. Fisher—I appreciated the invitation extended to us to participate. I do not intend to say a great deal. We were inadvertently omitted from an invitation to provide a submission otherwise we would have done so and might have facilitated your operations. The Australian TAFE is a relatively recent newcomer both to international activities and to the export of education. For most of its historical life through this century it has been fairly provincial, effective perhaps in regard to local communities but hardly with an international flavour.

The move into the international domain basically came from the mid-1980s as a result of an initiative of the national government which opened up the idea of export of education both to universities and to TAFEs, and we have taken off from that point. From effectively a zero base in the mid-1980s we now have in excess of 6,000 students in Australian TAFE pursuing mainly vocational but also other courses, including English language.

Our business, if I can put it that way, now in a sense has two or three elements. We are involved in the export of education through bringing foreign students to Australia to undertake courses in Australian TAFE. That is worth at this stage the best part of about $40 million in direct fees and probably half as much again in indirect gains to the Australian general income.

We are also increasingly involved in selling technical services, particularly technical educational services. If you wish to develop a vocational training program in an institution or in a company offshore, Australian TAFE both at system level and at the level of individual institutions like my own will provide it. Although the figures on that are difficult at this stage to gauge, it is my impression that the business on that side is probably on its way towards the first $100 million in terms of current projects, though the annual revenue flowing from those projects will only be known when we get a current national survey completed.

There is, as well, action taking place in a slightly different manner. Several Australian TAFEs, including my own, are in the business of joint venturing in the provision of vocational

services offshore. In my particular case, just to use that as an example, we, the Canberra Institute of Technology, are in a joint venture with a commercial college in Singapore selling technician level training. If you were to talk to some of my other colleagues, one of the Victorian colleges has a joint venture in Vietnam in hospitality. It would be possible to identify probably at this stage some half a dozen institutions that are operating either on a stand-alone basis or, more typically with joint venture private sector partners, in delivery of vocational services offshore.

I have looked at your terms of reference. Hong Kong has traditionally been the largest market for Australian TAFE for international students. In the last set of statistics for 1995 it represents about 20 per cent of our total student population. The same would be true for Indonesia—about 20 per cent. They are, however, as you must know, quite different markets—a fairly sophisticated British heritage operation in Hong Kong which has been substantially unregulated or, if you like, fairly open, whereas Indonesia still hankers a little after the Dutch and German logic in vocational education and has started with no substantial involvement in English language.

In terms of the commercial environment, which is a particular part of your terms of reference, I do not think there is anything particular we would wish to say that is pertinent there that perhaps has not been raised with you by others. We are very conscious that the regulations in Indonesia which cover the establishment of tertiary institutions constrain the initiatives we might take in that country. Hong Kong has been much easier in that regard in the past, but even there it is changing. Of course, we do not know what will be the situation in Hong Kong after next year. In a sense we will have to find it out as we go.

In terms of trade barriers, I am not sure we call them barriers; we call them problems or obstacles. The two major ones for TAFE are associated with the recognition of Australian TAFE qualifications. TAFE is a sector that has no ready counterpart in Asia or in many other countries. There is not the same status attached in most Asian countries to subprofessional, subdegree qualifications and no historical experience with them.

The recognition of TAFE qualifications as a valid and economically useful means of educating the population and pursuing a career is a headache for us, which is receiving some attention from our colleagues in the National Overseas Office of Skill Recognition, NOOSR, in DEETYA. But from our perspective, nowhere near enough is being done, especially to establish a strong lead by Australia. That has the potential for giving us competitive advantage amongst our competitor Western countries for a long period. I would be prepared to elaborate on that.

Our problems with recognition of qualifications has not been helped by the lack of effort to make the Australian qualifications framework known offshore. The Australian qualifications framework was approved by Australian ministers some two years back, I think it was, to establish a qualifications framework for schools, TAFE and universities. Although it has been approved in principle and although many TAFEs are now introducing courses in accord with that framework, there is very little publicity about it and there is hardly any

knowledge of it offshore because it is one of those good developments that has fallen down on implementation and one of which we are particularly critical.

Finally, I can talk a bit about competitiveness of Australian services in these markets. In terms of Hong Kong, its British tradition means that we can compete particularly with our colleagues from other British traditions like the United Kingdom and also Canada. We think, without boasting, we have a fair measure of both of our competitors. We think we can hold our No. 1 share but the markets are changing and the future is less sure.

In terms of Indonesia, again, we have the largest market share. Our Canadian colleagues are nowhere near as well organised as ourselves. Our British and German competitors are probably not as persistent and as thoroughly on the ground, so we think we have an edge. Our problem with several of our country competitors offshore, particularly US but also Canada and UK, is that there continues to be marked government funds subsidising their international activities and their international students.

I have on behalf of Australian TAFE International recently raised with DEETYA, the Commonwealth department, the need to start to think about pursuing World Trade Organisation or like mechanisms to establish in the education market a much more even playing field than now exists. We have taken that fight to my American community college colleagues in direct discussions, but I am not particularly optimistic we will make much progress unless we get national government support and perhaps the support of your committee.

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

Ms Smith—No, not at this stage.

CHAIR—You identified that you came wearing two hats—one being from the Australian TAFE International but also from the Canberra Institute of Technology. You mentioned that the various state institutes of TAFE have different connections in markets in Asia. To what degree is the marketing of the services in education you provide complementary or to what degree is it competitive? Are each of the state TAFE institutes out there fighting each other rather than trying to get business? Is that a problem? Would you like to make some observation on it?

Mr N. Fisher—We are not as bad as another sector; we are not as good as we collectively need be. That is my simple summation. Many of us who travel offshore, particularly in the pursuit of educational business, cannot be unaware of the problems that have arisen in the university sector as a result of the fairly direct and often unprofessional behaviour. There are examples of that in TAFE but, on the whole, I don't think they are gross enough or persistent enough to be a major international problem.

The situation with us is, in a sense, a halfway house. We have at national level a reasonably coherent approach to doing market research, to producing what we call generic

marketing materials—that is about Australian TAFE. We are often providing an Australian TAFE stall within which individual TAFE systems or institutions can operate. Nonetheless, there are some tensions. Our Victorian TAFE institutions are very much on a long lead with respect to their international activities. Even there, though, they have recently moved to establish a collective body of many but not all Victorian TAFEs to provide a more coherent approach in the marketplace, particularly for projects.

In other states—New South, for example—you have a highly centralised approach which, in my humble opinion, has actually been to the detriment of the success which could be won by a more active involvement offshore. In Queensland you have got a halfway house and a good record. In South Australia a small system has been very effective in marketing in a collective manner. Western Australia I think would also be an example of that. I think that across the scene there will be examples of close competition. Occasionally there will be concerns about undercutting in price or bad mouthing in discussion, but I have not had occasion to raise those with any of my state colleagues at either the level of international officer or at CEO for the last year because, because, if they are occurring, they are low key and are `noise' rather than a major problem for us.

CHAIR—There is the national accreditation. Each diploma, certificate and award you make is, in fact, recognised nationally, so that when you market as a state TAFE institute—or, in your instance, as the Canberra TAFE institute—the qualifications that an overseas student attains are recognised nationally? Has the government sought to get those certificates and diplomas accredited within the countries, particularly, as far as we are concerned, in Indonesia and Hong Kong, but generally in Asia?

Mr N. Fisher—Yes. I am sorry you could not be present at our meeting last Wednesday in Sydney to discuss the recognition issue offshore, because it took the best part of half an hour. It has been a continuing problem for us because, although accreditation is a reasonably thorough and identifiable process in most Australian states, in many countries offshore—Indonesia is a classic—it is not at all clear who is responsible for accrediting what. You will find examples where the accreditation for a professional body—say, accountants or engineers—effectively rests through a department. I cannot give you an example, but it could well be the department of tourism. In other cases it will be through the logic of schools. In Indonesia, perhaps, it would be through the Department of Science and Culture with respect to qualifications at senior vocational high school. Then it would go across to the polytechnics, which area of that department for us.

We have made two forays into the Indonesian scene to try to get a systematic response to the recognition of qualifications. We had a good report, but we have had little progress because it has been difficult to sustain initiative in such a disparate domain. Hong Kong is much easier, but even there we are having to proceed by dealing with professional bodies. In a visit to Hong Kong late last year I spent half a day talking to the Accountants Institute and the Bankers Institute to see if we could make progress in recognition of some of the accounting para-professional qualifications in TAFE. That has fallen into a hole because of the tight restrictions one of the states is imposing on overseas travel, which has meant that we have not

been able to follow up the opening rounds of discussion. As you probably know better than I, persistence in the Asian marketplace—whether it is about an educational process or whether it is about a market opportunity—is a key element of success. At this stage we believe that we will need much fuller support and more active pursuit of the TAFE sector by our colleagues in DEETYA if we are to make progress.

CHAIR—For many years in our aid program we have asserted that we have not only provided money but also left the skills behind. Whatever the particular project is, we have tried to introduce the skills to allow that particular community to continue whatever that particular discipline might be. Has the TAFE piggybacked at all, either in our aid program, for example in building roads or digging dams and providing qualifications, or in the secretarial area? You mentioned that to a degree a moment ago. What about business and the extent to which it is investing? If you are developing a CRA mine in eastern Indonesia somewhere, do you coordinate as national or individual TAFEs with a company like CRA and provide the skills and disciplines? What opportunities are there in both instances?

Mr N. Fisher—Let me answer the two parts of that with respect to the aid program first. One of the major disabilities for Australian TAFE has been the fact that, until almost a few years ago, there were no aid scholarships for offshore students to come to Australian TAFEs. Nearly 50 years of Commonwealth government support for students from other countries to attend Australian universities created offshore a substantial recognition of the quality of Australian university education and the value of the qualifications. We have hardly had that. This room would still be twice or three times larger than the number of people who come to Australian TAFE under the aid program. We are starting to see a few, but the number is small and they are often coming in for customised courses in ones, twos and threes. I am not unappreciative of the business, but it is not the same as creating a fuller market.

Until recent years, our aid program has also not fully recognised the importance of training within the overall program. That is changing. Vocational education and training in particular is now getting a reasonable chance, though the investment in that is coming late and is still not necessarily enough to counter the gains that our Canadian community colleges get from the substantial direct subsidy from the Canadian aid program for vocational education and training activities offshore. So my Australian TAFE International

in Canada would be funded $3 million a year direct just to sustain a presence in the marketplace offshore to identify key programs that will give a competitive edge to the Canadian economy in a way that I would never dare raise here.

Against that background, while we have not stopped lobbying our AusAID colleagues and over the last few years we have got a much better reception, we are turning our attention to the prospects of working with industry. There are very few large projects of the sort that involve either construction of a major infrastructure work or the establishment of an operating subsidiary which do not have the need for training.

In the past, the assistance that government has given through Austrade to those sorts

of exports has not particularly identified the need for assistance in Australian training, nor was Australian TAFE fast enough and good enough to pick the need for that as a market. During the last few years we have done work on that. We now have a national report out which identifies the scope for working with the Austrade industry cooperative groups, and we are inserting TAFE representation onto those groups as they step forward.

Several of the states have their own export enhancement groups—SAGRIC in South Australia, OPCV in Victoria and the like. Austraining is another. They have been more active in that market or in that particular development. From my perspective, that is a major opportunity, Mr Chairman, and, again, your committee giving some encouragement to Australian industry and to Australian TAFE to develop better partnerships would be helpful.

Senator CHILDS—I would just like to comment that, in view of what you have just said, we can hardly criticise other countries that do not recognise their TAFE system or a need for a TAFE system when we have neglected ours so well over the years. How diverse are the TAFE services that you have exported? Could you describe in detail the types of services that you have exported?

Mr N. Fisher—If I might respond to the opening comment: I think that is a fair comment about overlooking TAFE. However, the major developments of Australian TAFE came out of the Kangan committee report of the early 1970s. So national interest is a bit better, and the major developments in the last decade reflect well on national governments even though there is more to be done.

In terms of the exports, I think it is true to say that Australian TAFE institutions are probably offering courses in almost all vocational domains. Apart from English language, where the general offerings are short courses, the rest would be in the medium to long courses—that is, courses in excess of a year—because we need to amortise the costs over at least several years of fee revenue.

There are several areas where there is particular interest. Some of the commercial vocations like accounting, management and computing come quickly to mind. Tourism and hospitality is a substantial area and is growing. An institution like mine, which has a substantial science program, also attracts students. They also come for some of the engineering courses, but I think it would be fair to say that at this stage commerce and industry would be the dominant part.

Senator CHILDS—Could you indicate what the advantages are to individual TAFEs which are exporting and the individual teachers who might be involved? What advantages do you see for both parties?

Mr N. Fisher—The advantages are substantial to all three. From the viewpoint of Australian TAFE institutions, there is directly an increase in revenue flows. There is still to develop in the discussion about export of education services a thoughtful distinction between gross revenue and net revenue. Australian TAFE would be guilty of that sort of thing. But at

this stage, as I have indicated, I suspect that there is the best part of $100 million worth of revenue coming into Australian TAFE that might not otherwise have been there.

I would not want to emphasise that commercial note too greatly because I think there is at least as much to be gained by plugging ourselves into the competitive education scene offshore and being more aware of other developments in vocational training. If we are going face to face against Britain, Germany, Canada and the United States, you cannot help but be aware of the nature of their courses and the nature of their backup to students, which sharpens our courses and sharpens our response. Of course, last but not least there is a gain in the cultural improvement of the Australian TAFE student body, which I think is likely to be of continuing commercial advantage of Australia if more of our tertiary trained people are more familiar with dealing with people from cultures and countries from our region.

As far as the teacher is concerned, again I would make the same points but perhaps it is less so in terms of additional income to teachers. Certainly there is now a significant body of teachers who have travelled offshore. In the case of my institution, probably 10 per cent of my teachers have been involved offshore in their functional discipline domain in the last few years. It is rare for them to come back and not be better teachers, having had that experience. Again, their experience in the different countries and cultures translates into learning and the classroom.

Last but not least, I think students will benefit. There is a little bit of unease amongst students, especially about the commitment to study of many of their Asian colleagues, which is not necessarily the way that they were hoping to see their TAFE studies or their university studies.

There is also a wariness as to whether full fee paying students are displacing places for them. I recall an occasion nearly five years back where I was tackled by some students at a meeting over whether there was displacement. I was able to show that the revenue we gain, which the government permits me to keep, had in fact provided extra places. Two graphic design students came up subsequently and said they did not want to give me too hard a time because they now knew that there were business opportunities for them in Malaysia and Singapore when they graduated because they now had good friends amongst the student body from those countries.

I am not sure that it actually delivered but, ultimately, the more of my graduates that have that direct experience and can call up their friends, go and visit and then also bring back business opportunities, the better we will be. There are a million vocational students in Australian TAFE and there are about a million and a half or three quarters in all our programs. You are not investing enough in giving us the international experience that you gave to universities 50 years ago.

Senator CHILDS—If I could take you out of Canberra TAFE for a day and make you dictator of this place, what would be the program that you would want us to recommend to the government to implement?

Mr N.Fisher—The idea of a dictator in TAFE is a contradiction in terms, I can assure you.

Senator CHILDS—You could be a dictator here. It is quite common.

CHAIR—There are a few aspirant dictators here anyway.

Mr N. Fisher—I come back to the point I made in passing and that is that the recognition of TAFE qualifications within the context of the Australian qualifications framework is absolutely essential. The Australian qualifications framework is a unique educational advance that is not mirrored in our competitor countries. The recognition of our qualifications is an absolutely critical thing for our being more effective in the marketplace. It is not possible for TAFE to market the framework alone; it is not possible for us to pursue the recognition and accreditation alone. We need a much more full-blooded approach on the part of the national agencies.

Senator CHAPMAN—In your submission, you discuss as part of your strategic plan the goal of internationalising TAFE and also of providing offshore education facilities through TAFE. I am just wondering to what extent that has been achieved and where the balance lies between importing students to TAFE facilities and courses in Australia and providing facilities and courses offshore.

Mr N. Fisher—Given that the minister only gave approval in November last year, implementation is just starting but is, at this stage, encouraging without being satisfactory from my perspective. Work has started to internationalise the staff development programs that apply to TAFE staff, both teaching and other staff. There is also a move, which may yet be stillborn, to look harder at internationalising the curriculum in TAFE. That is an area where our Canadian colleagues are just a touch ahead, and I am anxious that I put them behind us.

At this stage, I would say that most Australian TAFEs that are pursuing the international marketplace are pursuing it from the viewpoint of recruiting students and are in the development or pursuit of major technical projects. In a sense, most of us believe that we cannot do one and not the other. The markets for technical assistance in voc. ed. are going to be huge in the region, particularly coming out of multilateral, as well as bilateral, aid.

Australia has the best vocational education system in the region. We are slowly getting the recognition we deserve. So a recent conference in Jakarta that ATI cohosted was a discussion with the Indonesians about how they could pick up part of the Australian TAFE system. The principal adviser to the Indonesian government on the next phase of their development of voc. ed. was an Australian colleague of mine from the Australian National Training Authority. The conference in Melbourne just a few months back, which I cohosted with the Taiwanese authorities, was again recognising that we have a lot to show.

We are going to have to proceed in marketing the system as a whole at the aggregate

level in order to get the technical projects, which are the big bikkies and will ultimately give us a continuing competitive edge and skill development, whilst continuing to invest in students. It is a large ask but I think it is possible. The uncertainties for the moment are whether the current policy priority to competition will make collaborative efforts at discount to the point that we will lose that possibility. If that were to happen, then we will sink back to the uncoordinated approach of the Americans which is a source of competitive advantage to us.

CHAIR—As you have referred to it, we will incorporate the *Australian TAFE International National Strategic Plan 1995-1997* as an exhibit.

I was not sure from that last answer whether we have started training TAFE teachers abroad or whether we are still essentially setting up systems to train students.

Mr N. Fisher—We are still primarily in the students' game though there would be examples of providing training to TAFE teachers. If I can draw on my own institute's experience, we are linked with a polytechnic in Bandung in Java. We now have a scholarship scheme under which we bring two of their best teachers in for a period to work with my teachers to raise their skills. We have also seen groups of teachers from Pacific and Asian countries coming in under the aid program. Our colleagues in South Australian TAFE have been particularly effective in TAFE teacher training. The one that comes quickly to my mind was in hospitality. So I think we have done a bit but, ultimately, there is a lot more to be done. The markets offshore are so huge that some coherent thrust into TAFE or technical and vocational teacher education development would be a priority.

CHAIR—You mentioned before cooperation with foreign aid delivery and also with business. What about with universities? Do you have any coordination in marketing TAFE services? I know that my own local university, the University of New England, has recently negotiated an arrangement in Malaysia, but I do not know whether it has in Singapore, Indonesia and Hong Kong, or whether there is a general basis for negotiation so that when you are marketing your TAFE systems you also look at how the university can perhaps provide that skill for the teachers and then link in with what you are doing for students. Has that developed at all?

Mr N. Fisher—The answer is in two parts for that. The first part is linkage with Australian universities. There are many examples of that across Australian TAFE. Tasmania would be an example. They market the Tasmanian education sector as a whole including schools, TAFEs and universities. Western Australia would be another example of where that has been done well.

There are also examples of joint programs. For example, my institution offers a program called foundation studies under which overseas students can come in, do their foundation studies with us and then go on to further study either with my institution or with the local universities, the ANU or the University of Canberra. There would be some other examples of collaboration with the universities per se.

Offshore, in terms of linkages there, I think you will find at this stage a reasonably diverse array of experience. My institute is linked with the Polytechnic in Indonesia and there would be other examples of that in Indonesia. My South Australian TAFE colleagues are linked with Chulalongkorn University in Thailand, and certainly others have talked with other institutions.

Part of our problems in those institutional linkages is that often it is not as easy to find the counterpart vocational institute offshore because they do not have the TAFE equivalent. So either you find para-professional qualifications within the university domain which are taught in a standard university way with the emphasis on theory rather than on practice or you find a vocational sector spread across the schools and into the Polytechnics as you find in Indonesia. In some places you will find technology universities which are effectively very good TAFEs. So it is a matter of horses for courses in the diverse market in which we face offshore.

CHAIR—Thank you very much, Mr Fisher. That evidence was very helpful.

[10.55 a.m.]

DAVIS, Mr Robert Brent, Director, Trade and Policy Research, Australian Chamber of Commerce and Industry, 24 Brisbane Avenue, Barton, Australian Capital Territory 2600

CHAIR—I declare the proceeding re-commenced and welcome Mr Brent Davis from the Australian Chamber of Commerce and Industry. As you know, we are inquiring into the implications of Australia's export of services, particularly to Indonesia and Hong Kong. Although the subcommittee does not take evidence on oath, obviously these proceedings are subject to the same privilege conditions as other parliamentary proceedings. I note that you provided evidence last year on 6 April 1995. Do you want to make a statement about where you see affairs at this stage and we might then ask a few questions?

Mr Davis—In fact, in the intervening 18 months we have actually done quite a lot more activity in the trade and services area more generally. A lot of that touches upon the one country, one colony approach that you are inquiring into. Much of our work is in fact on a non-partisan basis. We have been working with both governments, the previous Keating government and now the Howard government, on what we think is a very exciting potential to facilitate trade and services by liberalising business travel around the Asia-Pacific, especially in the APEC region.

The other very important issues that we are working on which are at an earlier stage of development concern the movement of data which is also very important to trade and services these days. To come back to the first point, which is the movement of people, at the end of the day the vast majority of trade and services happens by one person going from one place to another. It is either an Australian exporter or trader going offshore or another person coming to this country in the case of a medical service, for example. We are seeing technology used more and more, but again there is still an element of people movement.

For example, a growing number of Australian engineers and architects are operating abroad. More and more of them are going there and we are hearing that more and more of them are actually exporting their services from home. Conversely, tourism is one of our largest export earners. That is a case of people coming here and there is growing use amongst the medical fraternity of the export of services. Effectively, they are bringing foreign nationals for various advanced forms of surgery, both ordinary citizens and members of government.

One of the great laments for business is the need to obtain a visa. Anybody who has travelled regularly enough overseas would well realise that getting a visa is one of the most inconvenient parts of the arrangement. More often than not you have to surrender your passport for seven or eight days, sit on it, wait for it to happen and wait for it to be returned. More often than not, there is very unequal treatment and it is not uncommon in business to actually have to go through the visa application process twice. That is a great irritant to business.

We have been talking with the previous Keating government about an Australian business travel card. I think I brought a couple of them with me. Basically it is a little plastic card about the size of a standard credit card which would be issued by the Australian government to foreigners. When arriving at Sydney airport at 5.05 a.m. in a rush of jumbo jets, instead of standing in a queue behind people from the six previous jumbo jets, if you are a business traveller coming into Australia you can quite literally get your card and swipe yourself through in the way that many of us have to come into this place.

We think that is a terrific idea up to a point. If you want to travel regularly as a businessman or woman you do not want to have to have one card for Australia, one for the United States, one for Japan, one for Korea and so on. Your wallet or purse would fill up very quickly with these cards. While we think it is a distinct improvement on where we are now, we would like to have one card which would give approved business travellers fast access into any APEC country. When you get to your destination, you would quite simply walk up and swipe yourself straight through. In terms of throughput, instead of standing in the queue for five, seven, eight or 10 minutes, you would be through in less than 15 seconds.

We think that is a terrific idea—so much so that we have made three substantial speeches to our colleagues of other national chambers around the Asia-Pacific promoting the idea. We have had substantial discussions with four of them. We are making another presentation in Manila in the Philippines next week to promote it further in front of a forum of 400 business leaders. Every time we go out on this we get a very positive response.

I might say it is a cooperative arrangement between us and the Australian government. They have come to us for advice about how business would respond. We have taken a lot of guidance from them in answering questions from our colleagues abroad. At the moment, there are some commercial-in-confidence discussions going on about how we can form some joint venture cooperative arrangement to make the thing work.

The second part that we have been working on since our last appearance concerned data movement issues which principally arose from a number of our members coming to us. To use one broad example, they might say, `Look, I'm an architect. I operate in Sydney. I, in fact, do my trade in services with a colleague in Jakarta, and it works terrifically. We all work to Jakarta time. Those in Jakarta go out there and do the marketing. So, in fact, we export these architectural services from Sydney, and the person who actually draws up the plans does so in their office and may never set foot in Jakarta, Yogyakarta or Surabaya.' We think that is part of the way of the future.

You will have both elements: the people movement element and the data movement element. One of the challenges from many countries around the world—not just those in Asia, but it seems to be emerging first in Asia—is freedom of movement of data by companies. The Internet is the most obvious. Those of you who are as wired on to it as we are know that you can get to anywhere in the world in eight or 10 seconds. It is a wonderful system. It is not perfect, but it is a tremendous opportunity for business to move information around the world. Unfortunately, governments, for various reasons, are looking to filter, put in place barriers or

edit what goes across their national borders. We think that will act as an impediment to the trade in services. It will not be easily soluble. In some cases, it will be bilateral discussions; some cases will be regional, but we are already aware that there are some nascent steps under the World Trade Organisation to get something in place. Simply, we have been active in those two areas.

A third area we have been active in is helping small service exporters go abroad, which is an export access program created by the previous government and maintained by the current government, admittedly cut in the last two budgets, which is a disappointment to us. We are taking roughly 360 small companies offshore every year to teach them how to export. We estimate about 40 per cent of those are in the services area. A lot of them are looking to go into Asia.

CHAIR—As a chamber of commerce, I presume that you have quite lot of service professionals who are members of the various chambers. But what about the professional bodies—the accountants, the lawyers, the AMA and all the rest of it? Are any of those bodies members of the chamber? Do they, for the purpose of the interrelation between individual members of the chamber in a particular market, have their own indirect link with their individual client, or would they go through you?

Mr Davis—Simply, the answer is probably both. A lot of them do work through us. We run a lot of trade missions abroad each year and professionals do join those. We send about 35 to 40 missions abroad to various parts of the world through our various state chambers. We do a lot of cooperative efforts with them when we receive delegations, which number about 90 per year. We do try to join relevant people to it.

There is a great crossover of membership between the various associations. Indeed, in a number of collegiate or coalition type arrangements, we do sit down with various professional bodies. My colleagues, especially on the domestic business side in the taxation area, are intimately involved with the various taxation groups, the legal groups and the accounting groups.

In terms of exporting, a lot of the small companies in some of the professional areas do not go into it as much. The larger companies tend to be able to do it themselves, and some of them form cross-border relationships. The Deacons Graham and James group is one of the most obvious that have some set-up abroad. We understand from the lawyers that one of their great complaints is the various codes or the requirements to practise and set up shop in other countries. Quite simply, you can set up but you cannot practise local law, or, if you do set up, you must engage or join with a local firm and only the locals can practise the local law. A legal company like an Australian one can do international law. There are a lot of restrictions, but we do our best to help them go abroad.

CHAIR—If they are seeking the right to practise, do they do those negotiations through the chamber or do they do it through their own professional associations or do they come back to our government and one of our government agencies does it?

Mr Davis—Most of our work is, in fact, in export training. We skew it predominantly towards small companies where you have a market access barrier problem. We tend to have a working relationship with the department of foreign affairs through their export barriers reporting service and their new market development task force. Again, both of them are bipartisan propositions. We point them to those agencies within the DFAT structure, and it is their task to progress those forward.

Senator FORSHAW—You talked about the business card. As you were describing it I was thinking of the problems that may arise—which, no doubt, have been raised with you and you have thought about—regarding security, transference and so forth. Can you comment a bit more on how those issues would be handled?

Mr Davis—We spent 40 minutes with the Department of Immigration last week going through every one we could identify. You are absolutely right. There are some risks in there. The most obvious one you pointed out is what happens if it is given to businessman A and then he gives it to businessman B?

Senator FORSHAW—He may not give it to businessman B.

Mr Davis—I mean the person to whom it is issued.

Senator FORSHAW—He may give it to someone else.

Mr Davis—It could be stolen, expropriated or otherwise used by the person who it was not intended for. We understand the technology will be smart card based and, prospectively, will have microchips in it. So, when you actually swipe yourself through, in a split second a computer will take a photograph of you and marry the two photographs up. The only problem will be, obviously, if you have aged. At the moment, it appears to be a problem with males if they have put on or taken off a beard. For most ladies, it should not be much of a problem unless you dramatically change your hairstyle.

There are risks. You are absolutely right. Part of the process with this card is that chambers of commerce are going to be asked to act as first filter for many of the business people who are applying for a card. We know a great number of them but, of course, we do not know every one of them. For example, in some countries in the world, membership of a chamber of commerce is compulsory and the chamber acts almost as the corporate affairs Australian Securities Commission type function. It is not the case in this country. Indeed, you do not have to incorporate to be in business.

So early stages are that we will start from a tops down approach and learn for ourselves and learn with a number of other cooperative countries. But, as Immigration is well aware, there is an element of faith across all of it. We intend to roll it out very carefully and certainly not to rush into it.

Senator FORSHAW—I imagine that you could set up surveillance mechanisms whereby people could, as they were walking through an area where they swipe their card, nevertheless, be under some sort of camera surveillance in any event.

Mr Davis—I believe you are at the moment anyway.

Senator FORSHAW—That is right. You talk about business people having access to a card. What about people who may not class themselves as business people but who may be regular travellers? They may be academics or people working in organisations, government and non-government, involved in trade or services and they may not necessarily be business members of the ACCI?

Mr Davis—There are NGOs, say, in the aid area and there are academics. You are quite right. At this stage it is a pilot exercise amongst businesses which tend to be the most frequent travellers. Obviously they are the most competitively sought after, so we are going to start with that group and then roll it out over that time. You are quite right. The number of people who could make a good cause for having one of these cards will grow quite considerably. We have a ballpark estimate for business people of maybe 3,000 to 4,000 in the first round. But you are quite right. In time, once the bugs are out of the system, we see no reason that, say, NGOs could not play a clearing house role. The academic community could play a clearing house role and so on.

Senator FORSHAW—You could link it up with Amex and have your frequent flyer points totalling up as you walk through, couldn't you?

Senator CHAPMAN—My question is actually the same—it is on the potential for abuse of a card like that—but your answer related to that. I was going to ask about the situation now, where you have an individual identifying someone through the photograph and the passport. They see the person and obviously match them up, but you have answered that.

Mr Davis—I jumped over the first step, which is what is called an electronic travel authority, which is coming on stream. I think it has already come on stream for one or two countries, and it will come on stream for another four or five countries before the end of the year. In fact, you will not even fill out a visa form if you are coming from Australia to Japan. Whether it is tourism, academic activity or whatever, your visa will, in fact, be embedded in your airline ticket. So, in some respects, that deals with Senator Forshaw's question. That is the earliest trial and then we will go to the Australia card. But we hope to be able to leap over that and go to the APEC card.

Senator CHAPMAN—That is a visa situation, but you still have to have your passport that identifies you.

Mr Davis—That is right. You will still have to have your passport with a business card as well.

Senator CHAPMAN—But you would not show it to anyone, would you, if you were just going through and swiping it?

Mr Davis—It will be linked to a passport. Obviously, if the passport becomes invalid, the card will be invalid.

Senator CHAPMAN—My main concern was actually identifying the individual to stop someone swapping their card with someone else.

Mr Davis—That is right. It is a photograph based system. We have put a list of questions to the Department of Immigration because, if we are to engage in a joint cooperative arrangement with them, there are many assurances we would like to hear. We are only at the early stages of this exercise. Mr Keating has promoted it actively, and we understand Mr Howard is very enthusiastic about the idea. In terms of reasonable pick up, we would like to see—say, within the next two or three years—the thing operating between three, four or five countries. To pick up Senator Forshaw's question, we may have it open to a wider group of really high movement users at the end of the day. That is who it is aimed at—people who travel offshore a large number of times, and quite regularly.

Senator FORSHAW—How would it assist in overcoming the other delay problems that business people would experience, such as collecting luggage and that? Obviously, if they do not have any, then that is not a problem. From what I have experienced in my limited travel, sometimes you can get through the passport control checks pretty quickly, but then you can stand around for quite some time waiting for your luggage to arrive anyway, particularly if you were in Sydney or here. It may speed up a certain part of the process, but then you still have the other aspects. Sometimes it is a bit of a Russian roulette as to when your bag comes out on the merry-go-round.

Mr Davis—I seem to have observed in some places—places like Singapore, London and Los Angeles, on a good day—that your baggage is there before you are. You are quite right. In Sydney, your five jumbos come in at 5.06, 5.07 and 5.08, which is all too common, even on a Sunday morning. You are absolutely right. You can be through, but your baggage is not. A growing number of business travellers often go for only two or three days, so they effectively sling a suit carrier and a small carry bag over their shoulder. It is almost a walk on, walk off arrangement.

Senator FORSHAW—I appreciated that. I suppose I was thinking of those who do not fall into that category, but it is probably not that many.

Mr Davis—Most high movement travellers tend to travel fairly lightly. Those who travel with greater volumes tend to be the recreational tourists who may travel once every three or four years and are away for long periods. There are bugs in the system, and that is one of them. But we think governments are more and more aware of the need to be competitive in travel, and they do not want to frustrate people when they arrive. Indeed, we know this is one of the big challenges with the Olympics in four years time.

CHAIR—Senator Childs asked a question before about Megawati Sukarnoputri and the effect of the general disturbances on businesses and the perceptions. From the point of view of businesses, have your members commented about the extent to which the Suharto succession is becoming a factor in whom you are dealing with? Similarly, in Hong Kong there are problems about Chris Patten and his move to democracy and concern about 1 July 1997. Are you conscious at all of reports from your members on either of these issues?

Mr Davis—On the Indonesia question, when Mrs Suharto died earlier this year there was some questioning about whether Mr Suharto would stand down. That has obviously been disproved. The expectation amongst our contacts in business and elsewhere is that Mr Suharto will stay on. The expectation amongst business is that he will die in office. As to what happens after that, there is any range of views. No-one has a firm view.

The expectation amongst business is that a military man will probably succeed him. The broader business environment will largely continue—that is, Indonesia will continue towards growth policies. You will see a growing middle class, an emergence of a stable small business community, an emergence of democracy. Little change.

The Sukarnoputri question will remain difficult, but we do not see Mr Suharto changing his position much on that question. As one businessman observed: it is managed democracy. Again, that is not unique in the Asia-Pacific region. From our sources, in terms of Hong Kong we expect that Hong Kong will be treated as a special economic zone, in the way Guangdong, Fujian and others are treated.

The message that we have from our sister organisations in the colonies suggest that it will almost be a return to an arrangement pre Governor Patten: make all the money you like and all the commerce and investment you like, but politics will be kept separate. One would observe that it is only really under Governor Patten that we have seen a flowering of what we call democracy in the colony. So we see the situation returning to a position pre Governor Patten. Hong Kong will still be a great source of commerce.

There is an element of nervousness up there. That is understandable. We are not aware of any huge capital flights or business people looking to relocate. As someone observed: it is the case of the tail changing the spots of the dog.

CHAIR—Thank you very much, indeed. If there is any other evidence that you think might be relevant, it would be helpful. We are trying to finish these proceedings and get our report out. You have given evidence to us twice; it has been very helpful. I express my thanks to you.

[11.30 a.m.]

WOOLACOTT, Mrs Sandra June, Manager, International Education Unit, ACT Department of Education and Training, 186 Reed Street, Tuggeranong, Australian Capital Territory 2900

CHAIR—Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion. Evidence taken by the subcommittee is subject to the same privileges and conditions of other parliamentary proceedings. If you were to tell us a bit about the school education exports from the ACT, we might then throw it open to a few questions.

Mrs Woolacott—I only speak for ACT government schools; I cannot speak for the non-government schools. The ACT Department of Education and Training has been running a fee paying program for international students since 1990. We currently have 257 students enrolled in primary, high school and secondary colleges. Our major source countries are Japan, Hong Kong, Indonesia and Korea.

We provide a quality education program for the students. Once students come, the majority of them stay until they complete their secondary education in Canberra schools with the goal of entering tertiary studies. Most of our students up to now actually go to tertiary institutions in Canberra. So, once we have got them, they stay for a long period of time.

CHAIR—At what stage do they come in? Do they come in year 11?

Mrs Woolacott—Initially, the focus was for year 11 students, but we have come to the position that students do much better if we recruit them a little earlier. So we are looking at about year 8 as a good time for students to come. By the time they enter year 11, they really are competitive with Australian students. They can speak the Australian idiom and they are quite comfortable in our culture. But then we have 15 primary school aged children whose parents have made decisions to educate their children in Australia. So maybe mother will come and live in Canberra and bring one, two or three children with her.

CHAIR—Do you provide a special English language course?

Mrs Woolacott—Yes. Canberra is unique in the secondary sector because we have children of diplomats, postgraduate students. We actually have four special English schools that cater for this client group. Once we moved into the fee paying student market, we already had the intensive English schools there to provide those courses for our fee paying students.

CHAIR—In the nature of things, how many schools are involved? Or do you do it as the department and then allocate them around schools?

Mrs Woolacott—Yes, the management of the program is done centrally, but we take

the position that children should go to their neighbourhood school. Depending on where a particular student is enrolled, once their English is good enough for them to enter mainstream schooling, they go to the local school. In effect, all of our primary schools, high schools and secondary colleges have the opportunity to enrol fee paying students.

CHAIR—What sorts of fees do you charge?

Mrs Woolacott—I will tell you next year's because we have just increased them a little bit. For 1997, primary school children will pay $6,500, high school students $7,800 and college students $8,200.

CHAIR—When you seek the students, do you do it largely on a capacity to pay, or is there some educational prerequisite that they have to reach, an educational numeracy-literacy standard?

Mrs Woolacott—We certainly ask for academic records from their schools in their home country but we do not use English language as a criterion for selection because we say we have the capacity here in Canberra to provide English language training and we do it for the children of diplomats, refugees, et cetera and also for our international fee paying students. But the proviso is that you stay at the English school until qualified and the teacher says that you are ready to operate effectively in mainstream schooling.

CHAIR—We had some evidence earlier today from Mr Norman Fisher of the International TAFE Institute and also from the ACT TAFE commenting about technical education. Your education is more the broad school education. Do you have any coordination with TAFE or with any of the universities in Canberra in the promotion of your educational opportunities?

Mrs Woolacott—We have very strong links with CIT because that is the next logical step for our students. For example, recently in Hong Kong at an Austrade exhibition a member of our department shared a booth with CIT. We promote Canberra as a region of educational excellence with very strong pathways from the time someone starts school in kindergarten until they finish a PhD. So we do have a regional focus in recruiting overseas students.

CHAIR—But you do not provide an emphasis on one sort of education. At the college level at least there used to be an emphasis on streaming yourself according to the courses you went to.

Mrs Woolacott—No. Our colleges have moved a bit beyond that now in that there really are lots of options for all students and lots of options for international students. They may come with the mind-set that they are going to go to a traditional tertiary institution and study economics or something like that, but once they see the range of courses available, a lot of our fee paying students would go and do a hospitality course at TAFE or any of the other options that are available to them.

Senator CHAPMAN—To what extent do you liaise with education departments in other states about what you are doing and what they are doing? Or do you operate in isolation and in competition?

Mrs Woolacott—It is always difficult to eliminate totally a suggestion that there is competition. I do not know whether you are aware of a national committee called the Schools International Group which is convened by DEET. It meets about every two months. Roger Peacock is the chairman of that committee. In that forum representatives from all states and territory school education departments meet and discuss what they are doing and strategies to work together. We are in the process at the moment of proofreading what is called a national capability statement for secondary education in Australia. In terms of competition, everyone thinks that the market is large enough, that there are enough students to fill everyone's capacity.

Senator CHAPMAN—Do you play any role in the work of the independent schools in attracting overseas students or in the work they are doing in setting up some campuses offshore, or do you operate purely within the government system?

Mrs Woolacott—Purely within the government system.

CHAIR—You do not teach outside Canberra. It is all students into Canberra?

Mrs Woolacott—Yes.

Senator CHILDS—What are the financial benefits to the school system?

Mrs Woolacott—School systems are different from universities and TAFEs in that there are expected levels of resourcing. For example, for every 13 kids you have in the class you have to employ another teacher. So more than 75 per cent of the fees that the department brings in go to schools for buying teaching service points and also, for example, to pay my salary in the office. So in pure money terms it is difficult to quantify. But I could say to you that, because we had 260 fee paying students in Canberra government schools, another 25 teachers are employed.

Senator CHILDS—What are the benefits and disadvantages to staff?

Mrs Woolacott—Most teachers appreciate that we are a part of the Asian region of the world. There is an increased emphasis on recognising our place in the world and on helping students to be tolerant of other cultures. They are the kinds of advantages. We are trying to internationalise our students. Of course there are disadvantages when you have students in your class who need extra help with English or young students who are living away from their families. But on balance the majority would agree that the benefits outweigh the problems caused by having these students in schools.

Senator CHILDS—You just referred to problems, I presume, of isolation or

emotional problems in children being away from their families. Are there any hidden problems that would not be obvious, that would require psychologists or other people to assist?

Mrs Woolacott—We recognise that children of that age who are away from their families need support. In each school where there are international students in Canberra a special teacher is identified who has, if you like, a time allowance to provide extra pastoral care for those students. Hopefully, having that in place you identify problems very early. I could not say that we have got to the stage where we have needed to seek psychological counselling for students, but there are the same kinds of problems that Australian students have to deal with. Overseas students have those, but they are probably exacerbated by their being in a different culture and away from their parents.

CHAIR—How would the numbers in the private sector compare with yours?

Mrs Woolacott—In Canberra? The non-government schools have not really got into providing education programs for overseas students to any great extent. There probably would only be about 30, at the most, fee paying students.

CHAIR—What about from AusAID and some of the island countries? Do many of them go to the public sector or do they go into the private sector?

Mrs Woolacott—No. Unfortunately I did not bring figures on that, but it is of great concern to the ACT Department of Education and Training that we have a large number of students—and I am talking about hundreds—whose parents are sponsored by AusAID but who access school education on the same basis as Australian students and we do not get any additional income for them.

CHAIR—So AusAID brings them out and pays for them—

Mrs Woolacott—They do not pay for them.

CHAIR—But they are accessed through Canberra schools, about 100 of them.

Mrs Woolacott—I could get the exact number because we keep a register, but I would not like to commit myself.

Senator FORSHAW—Which schools were not included in the government sector you are talking about? You mentioned that you are not representing or commenting on the non-government schools. I was wondering about the Canberra grammar schools, but I presume they are in the private sector.

Mrs Woolacott—Yes.

CHAIR—In this paper you have distributed to us I notice you mention a few other functions—adult professional development programs. Are they for Australian students or

overseas students?

Mrs Woolacott—Really they are for overseas educators. We have a lot of visits by delegations and we provide them with information about the ways in which the ACT Department of Education and Training runs teacher training courses or the whole range of training services our department provides. We provide that information to visiting delegations in the hope that our future business could be selling that kind of service to education departments in other countries overseas.

CHAIR—Do you have teachers who are attached to schools to learn—trainee teachers, as it were, from other countries?

Mrs Woolacott—Not at the moment, but we are negotiating with a private university in Japan to send some of their diploma of education students here.

CHAIR—Would there be similar departments to your own in each of the other state governments?

Mrs Woolacott—Yes.

CHAIR—They would have similar sorts of programs then.

Mrs Woolacott—Yes.

CHAIR—The next point down is the provision of services and intellectual property on a fee for service basis. Could you explain to me just what is involved in that?

Mrs Woolacott—Yes. What happens is that the ACT Department of Education and Training will sell accreditation of courses to schools in other countries. For example, the international schools in Port Moresby and Lae buy the ACT year 12 certificate. What happens is that people from the department will go and inspect the courses that are offered by the international schools there and say whether those courses will be accredited within our accreditation system, and students in those schools actually finish school with a year 12 certificate and their appropriate tertiary entrance ranking to access Australian universities if they want to.

CHAIR—I see. You actually mark the papers. They get the same papers.

Mrs Woolacott—No. Because that does not even happen in our schools because it is all school based assessment.

Senator FORSHAW—You have said here there are 257 fee paying international students enrolled in ACT government schools. How many students who are children of overseas diplomats, consular corp, et cetera, would be attending ACT schools? Presumably they are not in there.

Mrs Woolacott—No, because they are exempt from fee payment. More than 380, I understand.

Senator FORSHAW—I am just trying to get an idea of the overall picture. You are servicing a market there. In some ways they are overseas students but not in the same category, if you like. Presumably it is all part of building a reputation for export.

CHAIR—I notice you also talk about secondary student exchange programs. Are they only inbound students or do you also handle outbound?

Mrs Woolacott—Both. The focus of the exchange is being budget neutral, so you need the same number of Canberra kids going overseas as you have overseas students taking place in our schools.

CHAIR—Short term, long term—three months, six months, 12 months, everything?

Mrs Woolacott—The maximum is 12 months for an exchange but anything within that.

CHAIR—What do you do about host families? Is there an exchange between the student going out and the student going in?

Mrs Woolacott—In exchange programs our unit registers the organisations but the actual day-to-day management of exchange programs will be with the exchange organisation; for example, Rotary or American Field Scholarships (AFS).

CHAIR—They are the sorts of scholarship programs you mean. They are very good. They seem to operate fairly effectively and they certainly provide a tremendous opportunity for those who are participants in finding out a bit about culture and language of other countries. There is no question of that.

If there are no further questions, thank you very much. I think it has been very helpful. We table this paper as exhibit 119. If you should think of any other information that might be helpful to us—we are endeavouring to finish this reference that began in the last parliament; we are trying to get it out of the way—we would be very happy to receive correspondence. If there is anything we feel we would like to ask you, we should get back to you. Thank you very much, Mrs Woolacott.

Mrs Woolacott—Do you know about this publication titled *Overseas students statistics* published by DEETYA? It just gives you the whole picture.

CHAIR—I don't, but we will obtain it and table it as exhibit 120.

Luncheon adjournment

[1.37 p.m.]

HARRIS, Mr Ian Geoffrey, Director, International Education Office, Australian National University, GPO Box 4, Canberra, Australian Capital Territory 0200

CHAIR—Welcome. As you know, Mr Harris, the committee commenced this inquiry in the last parliament. The committee did take quite a deal of evidence, but we did not quite conclude before the election and we felt it was necessary to update the evidence before we concluded the report. It means that we do not have to go back to the beginning again, but it is particularly necessary in the education sector where so much is happening, particularly with the two countries with which we are particularly concerned. Of course, it is with particular reference to Indonesia and Hong Kong that we have been dealing in our inquiry. So, if I may, I would invite you to give evidence on ANU educational exports.

Although the subcommittee does not require you to give evidence on oath, the proceedings are the same as though they were before parliament and, of course, are subject to the same privilege conditions as other parliamentary proceedings. Perhaps you might like to make a few introductory remarks and then we might proceed with some questions.

Mr Harris—I should preface my remarks by confessing that I do not know of any other submissions you may have received from the ANU in the previous guise of the committee. It is quite likely you did. The ANU is a big place, and we do not all get told about what everybody is doing. I am not sure whether you have received anything else or—

CHAIR—We will check that. We will let you know and you can have a look at that to see whether it correlates with what you have said.

Mr Harris—That was my concern, yes. International education at the ANU is a feature which you would find very common around lots of universities in Australia, I believe. International students have been a feature of the university since its inception, most particularly through the Colombo Plan. Large numbers of students, particularly postgraduate students, who have gone through the ANU have now graduated back in their home countries.

In relation to the area which has become known as education exports, which is something worth discussing in a bit more detail later, the ANU is a relatively late comer to the activity, having established in only 1989 an international education office with the specific role of promoting the university and also providing services for international students. So it is probably one of the last four or five universities in the country to do that.

Since we have been involved in the more definitely export side of international education, the numbers of international students at ANU have grown from originally 300 to 400 to now 1,000. They come from about 75 different countries, with 75 per cent of those international students coming from the region which you could generally describe as Asia but let us say south Asia, South-East Asia and north Asia. In that context, Hong Kong and Indonesia are certainly very important to us.

Again, if I can just refer to when the ANU was first involved in active promotion: it was certainly seeking principally undergraduate students—that was where the major growth occurred—and, in seeking those undergraduate students, focused very much on just Hong Kong, Singapore and Malaysia. Again, that is pretty typical of some of the more traditional Australian universities. As they got involved in international education, they were rather limited in their focus because they were looking to take in students who did not create too much difficulty for them in terms of their admission requirements—comparability with Australian students, conforming with the notion that international students should come in on the same academic admission requirements as Australian students. But over the last three or four years our targeting of countries has certainly broadened, and Indonesia is one of those.

If I could say a little bit about ANU's involvement with Indonesia in again a historical context: you would probably find that throughout Indonesia the ANU is very well known in academia, principally because of the number of academic staff in good universities in Indonesia who have received their postgraduate training—PhDs typically—from the ANU. But the ANU is not very well known in Indonesia—and this is something we are trying to address—as a significant university in Australia for undergraduates and other course work masters degree students.

As is emerging from Indonesia now, there is more and more emphasis on people of Chinese ethnic origin seeking to study in Australia. That is something which is expanding rapidly for lots of Australian universities but for which ANU does not have a very high profile. This is involving quite a shift in our contacts, the way we work in Indonesia and what our expectations will be over the next five years or so. That is a reasonable sort of summary.

CHAIR—Thanks very much indeed, Mr Harris. The other universities which have given us evidence are La Trobe, Monash, Deakin, the Royal Melbourne Institute of Technology, the University of New South Wales and the University of Western Australia. IDP and DEET have also given us evidence. I am told that there is a submission from a Mr Shannon Smith, who is a student. So there has been quite a spread of universities.

Obviously there are, or there seem to be, quite exciting prospects through the educational facilities offered at various levels. We have had evidence on TAFE and schools, and it seems as though that at all levels there is quite a deal of activity. One of the concerns a number of us had in the last parliament when we heard in Melbourne about the way in which some fairly vigorous competition is taking place is that there seems to be greater vitriol expended in Australian universities in trying to get a particular contract for a group of students or a student than there is in trying to get that for Australia and then trying to come to some rational agreement on where the student or students should go.

Have you had any discussions not with just the University of Canberra but on a wider basis? Is this something that the vice-chancellors have discussed? Have they looked at where you go in terms of export of services? There have been some reports that that competition has been to our disadvantage. Do you have any comments or observations to make on that?

Mr Harris—I think it is very appropriate to say that the bulk of those comments are based on anecdotal evidence and very often generalise in particular. They also relate to activities which were probably more obvious in 1988-89 and 1990. We all know that perceptions take a long time to dissipate or build up. Also, it could be said that active promotion of those concerns within the Australian context helps legitimise some of the changes which are occurring in the international education field at the moment. I refer particularly to the change in the way that the Australian International Education Foundation is functioning. I think that is fair general comment.

In terms of what discussions have taken place in relation to those issues, I can point to a couple of tangible examples. There is a group called the Committee of ACT and New South Wales Directors of International Programs—an acronym of CANDIP which you may have come across. That is a grouping of 13 university international office directors. Aside from working very closely in terms of information exchange and their own professional development, their most visible activity is joint promotion of those 13 universities—which represent a third of the country's universities—in a very cooperative fashion throughout the region and further afield in Europe and the Middle East.

This is a tangible example of the fact that there is not only potential but actual considerable cooperation among groupings of universities, with a recognition that there is still competition between them. They work very cooperatively and recognise that a greater profile for Australia means more international students for all of us. That is important.

You will also find that here within the ACT—I presume my colleague Sandra Woolacott might have referred to it—there is quite a degree of cooperative promotion and sharing of information between the sectors: the secondary schools, the CIT—particularly their foundation programs—ANU and UC. Those of us who are working in the area are quite concerned that this type of issue is constantly brought up. We do question the motives of bringing it up and we also question the currency of the issue.

CHAIR—Thanks very much. Have you any suggestions to us as to what sorts of policy changes or other directions the committee might recommend which might help you in your task of promoting the international acceptability of the ANU for students?

Mr Harris—We do find quite a degree of conflict in some ways, and certainly inconsistency in government policy between different departments. If you look at the objectives of Immigration, for example, as opposed to Education as opposed to Foreign Affairs and Trade—and then within that AusAID—you find policies and practices which are inhibiting to us because of the lack of coordination between departments.

A mission that the foundation in its establishment saw as an important role to pursue was better coordination between departments. So far, it is hard to point to any tangible examples of how that has been achieved. You have, for example, active promotion of Australia in Indonesia through DEET and Trade, but then quite severe immigration regulations

are put in place which act as quite a considerable barrier. It is not just the regulations but the interpretation of whether somebody is bona fide or not. We would like to see some consistency there.

In terms of Immigration, countries are categorised as gazetted or not gazetted. Indonesia is not gazetted. They are categorised on the basis of overstay rates in Australia but no actual emphasis is put on analysing those overstay rates in Australia. They could be tourists; they could be people coming for language training only. We feel that there is a role there for much more careful analysis. We, from the university sector, believe that by far the majority of students who get through all the hoops of filling out application forms, assessing what course they want to do, qualifying for entry and paying quite substantial amounts of money—they have to pay one semester's fee in advance before they can even get to the visa issue stage—are in general bona fine students. Certainly, we believe that if you were to look at the evidence more closely in terms of overstay rates it would show that they do not present the problem that perhaps other categories of people do.

CHAIR—I think that is probably quite a wise admonition as far as departments are concerned, not just in the field of promoting educational exports. One other area emerged from evidence that we had from Mr David Fisher of the TAFE sector this morning. He was talking about recognition of credentials and qualifications. Do you have difficulty? Obviously, an undergraduate degree has status up to the point that it requires registration for a professional practice. I do not know whether you offer professional degrees—presumably engineering—

Mr Harris—Yes, engineering, accounting, law.

CHAIR—Do you have difficulty with recognition of those degrees, particularly with Indonesia and Hong Kong?

Mr Harris—First of all as background, the foundation is doing quite a bit of work which I believe a report will be coming out on soon in reference to the qualifications framework. I think that will be quite a valuable bit of work.

In terms of difficulty of recognition, the recognition is at two levels, of course. One is rather more informal in terms of reputation, international status and so on. ANU does not have any problem in that area at all. You can show tangible indicators like ANU graduates getting into PhDs in Harvard and Oxford and so on. The other level of recognition though is through the professional programs. In Indonesia and in Hong Kong, the professional boards tend to be inclined towards reciprocal recognition.

So if you are recognised as providing an appropriate accounting qualification, and that is certified by the Australian Society of Certified Practising Accountants, then there is reciprocal recognition for that in Indonesia and in Hong Kong. It becomes more complicated in places like Singapore where there are other social engineering aspects to the recognition issue. They just want to reduce the number of lawyers—which may be a reasonable thing to

do.

CHAIR—Unless you are a lawyer.

Mr Harris—No. But they are quite restricted in law, and also in medicine, but that is in terms of wanting to restrict the number of people practising in those areas in Singapore. As a general issue, no, ANU does not have a problem. Only just recently we obtained formal recognition for our engineering degree within Australia because we have only just gone through the full four-year program, so it will take some time before we have that formally registered in the countries that we are targeting. But again we do not anticipate any problem with that.

Senator CHILDS—This inquiry, when it commenced, chose Indonesia and Hong Kong to be just different examples of Asia. In view of the fact that you have had the experience of 75 nations having people here, what are the problems that students have from different countries, different cultures and things like that? Were we right in picking those two countries as being typical examples and, just generally, what are the differences between those students and their problems here?

Mr Harris—It is interesting, actually, that you describe it that way because, when I saw the two countries listed in your terms of reference, I assumed that you were looking at one as being an example of a fairly mature service export market for Australia—Hong Kong—and at Indonesia as being relatively new and with great potential.

Senator CHILDS—That is true, too.

Mr Harris—Certainly we see it that way, for sure. In terms of the actual problems or otherwise of students from the respective countries, it is probably fair to say generally that Hong Kong students are more inclined to stick together, and that creates its own set of welfare problems when you are living on campus. Hong Kong students generally do not integrate as well as Indonesians do. We think that is a reasonably fair general cultural trait. Indonesians have a far more gregarious outlook on lots of matters. That issue really underpins quite a few other aspects of their life on campus.

It is hard to categorise any other sorts of problems that are typical of one country or the other. One thing we have observed over time is that, whereas Australian institutions were first actively promoting in Hong Kong in 1987, almost all students who came here would have been very well prepared in English, so that just was not an issue. In fact, a lot of institutions would have been inclined to take Hong Kong students without any test in English at all. But that has changed now. Certainly you would not take a Hong Kong student without some test of English unless they could show in their year 12 or A levels they had done a subject which tested their English adequately, whereas in Indonesia we have always expected that there would be a requirement for pre-course English. You are no doubt aware of the Indonesian-Australian Language Foundation in Djkarta and Bali, which has an important role.

Generally speaking, we still find that Indonesian students, to succeed here, need to do some pre-course English, either on our campus or closely associated with it, before they can go into a formal degree. That is just a fact of life.

Senator CHILDS—Earlier you mentioned, almost as an aside, the overstay problem. How much is the overstay problem a factor in this field?

Mr Harris—For these two countries?

Senator CHILDS—Just take these two for the moment.

Mr Harris—I have found it amusing—having worked in this area now since 1985, I guess, when I was the IDP officer in the Philippines—that the overstay rate is affected by the economic development in the home country. As the economies in the home countries of these students have been improving generally more quickly than Australia's, there is a bit of a rush to get home so you can earn lots of money and get on with life.

Hong Kong was a bit of a problem back in the 1980s because of the perception that you needed to get some sort of immigration status here as an insurance policy for what might happen after 1997. We are through that phase now, and anybody who had that intention is through it. I guess we are all holding our breath to see what happens in July 1997, but there is generally not an expectation that there is going to be such dramatic change that people will be staying here, I would not think.

Senator CHILDS—Just generally on the problem of overstay, are there any ideas you would have on how that might be addressed as far as the student side of it is concerned? Are our regulations adequate at the moment?

Mr Harris—The regulations are adequate but, unfortunately for the immigration department, I guess, the resources for the follow-up of those regulations are not sufficient. So while we at the university can be very well aware of somebody who has a visa, who has enrolment at the university but has not turned up, we can report that but we know also that there are not resources to actually follow it up. So, unfortunately, as word might get around that this is the case, you can see a weakening in the effectiveness of the regulations.

We would be very keen, actually, to further support our contention that a relatively small number of students do come here for illegitimate reasons. To support that, we would like to see more active policing, if you like, of the regulations in terms of overstay so that people know that if they come here and don't do what they promised to do, then they will find themselves in trouble.

Senator CHILDS—So there is no reporting at the moment if a student fails to achieve the minimum attendance or anything of that nature? There is no obligation on the institution to report to anybody at all?

Mr Harris—We do report back through the international division of DEET, but we are not confident that there is a follow-up from that.

Senator CHAPMAN—I note in an article in the *Australian* on Wednesday of last week that a Curtin University economist, Steven Kemp, refers to the rapid growth in the export of education. This is not a direct quote from him, but I will quote what is written about what he said. The article states:

. . . the risk now was that universities were becoming very dependent on overseas income.

Firstly, is that the case and secondly, if it is, is it of great concern? We have a number of industries and in fact our most significant industries over Australia's history have been very dependant upon overseas income, such as the wheat, wool and beef industries. What is different about education that it should be a great concern that they are generating significant export income?

Mr Harris—What is different about education that should be of concern is that you are dealing with people not widgets or whatever. That is significant. If the people concerned gain the impression that Australian universities are only in this for the money, then that creates a very negative impression for Australia. People are less concerned about Australia only being interested in wheat exports for money. That is not such a problem.

Yes, it is a concern and more particularly since the release of the current government's budget. Already you can see it in university newspapers, higher education supplements and so on. There is an attitude—and even the current minister has stated this—that a large proportion of the need for additional funding to keep universities going at the level they want to go at can be obtained through doubling your number of international students and the income from it.

That is a concern because you are leaving yourself vulnerable to some very dramatic changes that can occur around the world which affect international education. The Gulf war was one significant example and political situations in individual countries is another. When a prime minister refers to another prime minister in a less than favourable term, then situations can arise from that. Those factors do make the whole situation rather vulnerable.

If you translate that vulnerability to income which is being used to employ academic staff, who at the very least need to be employed for three and five year terms, that is risky. Certainly something I had noticed is that when international education was first actively promoted by universities as an export industry, it was regarded very much as discretionary income. Additional buildings, computers or staff would be purchased with this discretionary income. Now that it is very much more a part of the mainstream, the universities are relying on it, yet the sources of that income are just as vulnerable as they ever were five or seven years ago.

Senator CHAPMAN—Is there an ideal proportion of overseas students to domestic students? Has anyone done any work to indicate what it might be?

Mr Harris—The only work I am aware of that attempts to even specify that ideal proportion was done way back in 1984, the Goldring report on overseas students in Australia.

He and his committee referred to a maximum of 25 per cent in any one course and no more than 15 per cent overall in the university. It is not a bad sort of number. Experience shows that if you go beyond those numbers you fairly rapidly run into cultural backlash, jealousies and negative statements from Australians.

That set of numbers is complicated though. In big city universities where they have significant migrant children populations, and particularly if those migrants are from Asia, then the appearance can be that they have a higher number of international students than they really have. If you take New South Wales University for example, they have a very significant number of Chinese looking students who are Australian, but it seems as though half the campus is of Asian origin.

CHAIR—Has the ANU yet embarked on providing teachers overseas and recruiting students to a facility or courses offered overseas, as distinct from recruiting students into Australia?

Mr Harris—That is commonly referred to as twinning programs. Yes, we are negotiating one such arrangement in Malaysia, but then probably just about every other university in Australia is as well. As to views that I have on that, I have some personal views based on working in international education for 10 years which are not necessarily the views of the management of ANU. The personal views are such that I believe you can offer programs overseas which are for Australian qualifications. That is fine. That is just getting a credential which happens to have an Australian tag on it.

If you really believe that international education is about getting people to experience Australian education and the Australian quality of life and then to translate that experience back into positive views of Australia in the future when they return home, then I do not think there is any substitute for on-campus enrolment. The other thing—and this is getting more into the corporate view now and at least I can be consistent with the corporate view—is a recognition that when you run a twinning program it cannot in any way, shape or form generate as much discretionary income as an on-campus enrolment. An on-campus enrolment has a very low marginal cost. Running a program over in Malaysia is good for profile, staff development of your own academic staff and so on, but you have to recognise that it is not good for generating additional income.

CHAIR—Is there an obligation on those who pay fees other than through the migration procedures to return to their country after they have completed their degree here? As a university you do not impose any disciplines requiring their return, do you?

Mr Harris—No. There was a little bit of a leakage in that obligation anyway. You get a visa for the whole course, but having completed your course you are required to return home. If you choose to apply for migration the day after, you can, but you have to go home to do it. The small amount of leakage from that was that for a period, in recognition of the fact that there was going to be a huge shortage of academic staff in Australian universities by the year 2000, a number of people doing certain categories of research degrees were given the option to seek permanent residence in Australia, but I think that regulation has changed again

now.

CHAIR—I knew of the visa requirement, but I was not too sure whether the universities themselves imposed any discipline.

Mr Harris—We do not have the means, really.

CHAIR—No, I guess you would not have. What about the percentage of those who are fee paying students doing postgraduate courses? Would that be very high?

Mr Harris—The percentage of fee paying students as opposed to a scholarship of some sort?

CHAIR—Fee paying in the sense of being overseas students in Australia coming under one of these exchange programs for undergraduate study. Would there be a greater percentage of those who graduated from their first degree who are from overseas and who would continue to do a senior degree than there are of Australian students following the same course?

Mr Harris—The ANU is unusual in that a larger proportion of our international students are graduate students. That proportion of graduate students as a proportion of our total graduate students is also very high. Twenty-five per cent of our graduate students are international students and 60 per cent of our international students are graduate students. Now, that is not normal. Around the rest of the country the numbers would be almost the opposite of that. I think that reflects the ANU's status as a very strongly research oriented university.

But bear in mind that that picture will change. More and more Australian universities are offering a very wide range of course work masters degrees—one year or two years high level masters, but just course work, not research level. That is very attractive to people who are looking for rapid career development. They are prepared to pay cash to go into those. So whereas the ANU graduate enrolment is principally research based—so, therefore, principally, with some sort of scholarship; it could be an Australian government or another overseas government scholarship—you will find that New South Wales, Monash, Melbourne and even Sydney have a growing number of course work masters programs. So it is reasonable to expect that, out of Malaysia and Hong Kong, for example, where there has been a generation, if you like, going through doing undergraduate programs here, they would be attracted to come back here for a course work masters.

CHAIR—Mr Harris, thank you indeed for those views. I gather this is the brochure of the International Education Office. We might incorporate that as an exhibit in the inquiry.

If you should think of any additional matter that you might like to add, please let us know. Certainly, from our point of view, if we think of anything we want to ask of you we might write to you, but I do not expect that will happen. Thank you very much for making

your time available.

Mr Harris—Thanks for the opportunity.

[2.11 p.m.]

MAY, Ms Sue, Director, International Section, Australia New Zealand Food Authority, 55 Blackall Street, Barton, Australian Capital Territory

McCAUGHEY, Ms Winsome, Chairperson and Chief Executive, Australia New Zealand Food Authority, 55 Blackall Street, Barton, Australian Capital Territory

INGRAM, Ms Sue Patricia, Assistant Secretary, Public Affairs and International Branch, Department of Health and Family Services, Furzer Street, Woden, Australian Capital Territory

TUCKERMAN, Mr Philip Ronald, Director, International Development Section, Department of Health and Family Services, Furzer Street, Woden, Australian Capital Territory

CHAIR—I welcome the officers from the Department of Health and Family Services and the Australia New Zealand Food Authority for appearing to give evidence before our subcommittee's inquiry into the implications of Australia's export of services to Indonesia and Hong Kong. Although we do not require that you give evidence on oath, the proceedings that are taken are the same as if they were before parliament and are subject to the same privilege conditions. Of course, they are, as a result, of some consequence.

We already have a submission from you and we have received a further submission which, regrettably, none of us had seen. Consequently, you might do well to explain a little of the contents of it. Could I suggest that, perhaps, Sue and Philip make a presentation—I do not know whether we ought to get the food authority to do the same—and then we will ask a few questions. I think that will be the best way to go because, obviously, for us, it is fairly new material we have here, and I do not know if we are going to be able to scan read it in the time we have.

Ms Ingram—That sounds like an excellent way to proceed. Could I thank the committee for giving us the opportunity to update our previous submission to it, which went in in about March of 1995. Eighteen months on, we have taken the opportunity to bring the committee across developments over that period. The supplementary submission touches on our strategic approach in the export of products and services in the health sector, focusing, obviously, on the services side. It also looks at specific activities that we have undertaken over the last 18-month period.

Broadly, the strategic approach that the department follows is to build on our unique access to ministries of health—and other ministries, but particularly ministries of health—in other countries, and also to pick up on our special relationships with some of the international agencies, most importantly the World Health Organisation. Increasingly, we are also looking at the activities of the international funding institutions and multilateral banks such as the World Bank and the Asian Development Bank.

Broadly, the approach we are taking is that, through these special access arrangements and the mechanisms we develop under them—such as memoranda of understanding, trade missions, investigation of procurement opportunities, and collaborative policy development activities with other governments—we are seeking to strengthen the framework for developing opportunities for private and voluntary sector ventures. We work very closely with a range of other government departments—importantly, with Austrade, with Foreign Affairs and with the Department of Industry, Science and Tourism. But it is very much a partnership, where we are contributing that special relationship that we have with the overseas ministries of health and some of the UN specialised agencies.

The submission touches on the sorts of activities in which we are involved, and I might just allude to them very quickly in the circumstances. The kinds of activities that we are following within this strategy are: the strengthening of relationships with health ministries in selected countries, through contacts and through formal agreements; the development of specific programs of mutual activity; and active engagement on health sector procurement with the international funding institutions, the World Health Organisation and other UN agencies.

It is probably useful to refer in that context to the level of international procurement, because it is quite relevant in the services sector. In 1995 the UN and its agencies procured a total of $US3.69 billion in products and services, of which the Australian share was quite small. If you look at WHO, there is a similar pattern. WHO procured a total of $US159.6 million. Again, the Australian share of that is quite small. The multilateral banks combined with the UN and its agencies account for around $US30 billion annually. So we are looking at a very significant market, which we are certainly keen to see Australia and Australian businesses participate in much more actively.

The other areas that we are focusing on are the development of opportunities to showcase Australian health competencies and expose the health sector to potential markets; closer networking with other agencies of government and other levels of government with a role in industry assistance; and participation in Australian government trade promotion projects, such as `Australia Today: Indonesia' and the one coming up this year—`Australia-India: New Horizons'.

We have flagged in our submission a number of activities that we have engaged in over the last 18 months. Probably the most important, from the point of view of the committee's terms of reference, is the work we have engaged in on developing a plan of action under our memorandum of understanding on health cooperation with Indonesia. We are hopeful that ministers will be in a position to sign that plan of action at the forthcoming Australia Indonesia Ministerial Forum in late October this year. Certainly we have flagged that intention with our Indonesian counterparts.

As an interim step against the plan of action, we have already put in place six projects, and we have obtained funding for those projects under the government sector linkages

program that operates in respect of Indonesia. The six specific projects that we have developed are flagged in our submission. They are monitoring poliomyelitis eradication, community mental health and psychogeriatric care, drug evaluation, good manufacturing practice for therapeutic goods, and a feasibility study for upgrading C and D class hospitals in Indonesia.

We will also be participating again this year in the Indonesian Hospitals Association conference and seminar series. This year, for the first time, Australian participation will be developed under the auspices of Austrade. Again, we have participated alongside the health sector in that conference for the last three years. This will be our third year. I think it is a very important symbol of change. Australian industry is now participating under a single banner in that conference activity. It is very much managed through the Indonesia Focus Group, which has developed under the Australian Health Industry Development Forum. Again, that is something that the department has been very closely involved in.

Our submission also refers to the recent work of the Australia New Zealand Food Authority—again, under the framework of the Australia Indonesia Ministerial Forum—and I will let Ms McCaughey pick up at that point.

Ms McCaughey—Thank you very much, Mr Chairman. We appreciate the opportunity of appearing before your committee. The work of ANZFA is really a cooperative venture between the eight states and territories and now New Zealand, as for the last two months. Our job is to bring the states and territories together in order to enable us to have consistent and uniform standards across Australia and New Zealand to protect both the safety of food and the food supply and also to enable industry to get on with this job both internally and externally.

The relevance of your committee to our work is very acute at the present time in that we have been asked to generate funds, post the budget, to help with the carrying out of these functions. Up until this time the Commonwealth had supported the overall cost of the ANZFA activities together with, more recently, the New Zealand government. Your government is now saying that it would like to see us entering the revenue generating activity in order to have the money that is needed to keep all these functions going.

So we have already—and my colleague may wish to add to what I have to say—been doing a lot of work within the APEC region. Because of our obligations in setting food standards, we are obliged under the WTO agreements to make sure that the standards we are setting comply with and conform with the international standards.

We have been working internationally over our whole period of existence, cooperating with other countries to make sure that our standards align. We have also been providing advice to the countries in the region who are very interested in our system, because it is seen as being the envy of countries around the world in terms of the quality of the food standard setting processes. So we have been providing advice on a sort of as-needs basis, wherever countries have been seeking it out. We had the privilege of making a presentation to the

Indonesian minister for food very recently, and the Indonesians have asked whether they can place a person with us to gain experience in our system.

What we are now looking for is the opportunity to see how in a systematic way we can start to sell our services into the Asian region on a fee-for-service basis in order to achieve a number of objectives, not only to generate income for the organisation in order to carry out the functions for Australia and New Zealand but also to encourage the further alignment of standards between the countries, which of course in turn leads to improved trade opportunities for Australia and New Zealand.

We see a synergy there, if you like, in the fact that we are being asked in any event to provide services; this is something that those countries need. They see our food standard setting arrangements as well as our food hygiene production standards that are now coming into place as being highly desirable—ones that they are very interested in. If we can provide the advice to them on a fee-for-service basis, then we hope to see standards developing which align with ours and help to both protect the food supply coming into Australia and enable our exporters to be in a much stronger position.

It is interesting to note that the New Zealand bilateral arrangement that really was established initially to simply cooperate on the setting of the food standards has already seen the taking down of the trade barriers between those two countries in relation to food, except for high-risk activities. So it is a win-win situation if we can move in it.

But we are very new, young players when it comes to looking at selling services. I guess one of the things we really want to be saying today is that we would like to add value to other departments that are looking at providing services into Indonesia and Hong Kong. We know that those countries are interested in what we have to sell, but we are in a situation where we very much need a lot of advice and support from my colleagues as to how to go about that. Sue, did you wish to add something to that?

Ms May—No, thank you.

CHAIR—Ms Ingram, do you want to say anything more then to finish up?

Ms Ingram—No, I will leave it there, thank you.

CHAIR—Thank you very much for those submissions. One of the aspects of your submission that interested me, Sue, was that you talked about systems rather than people. I would have thought there was a whole range of professional services where there is enormous potential—apart from Victor Chang and the relationship he had with Indonesia.

I am conscious of a number of sport related medical exchanges that have taken place at a different level again. I do not know quite where it has got to; I suppose it would be 15-odd years ago in respect of developments relating to doctors and hospitals in the Middle East. We have not really done much to try to export hospitals and full hospital services.

I do not know whether it is the way to go, but it does seem that—with the increased percentage of people, for example, in Indonesia who are conscious that the standard of medicine is better in the West than within their own country—Suharto went to Germany for his own health check-up—we ought to be also looking at the way we can either get Indonesian doctors to come out here or get our doctors in some way to practise in clinics there. Is anything being done in that area?

Ms Ingram—Yes, there are actually a number of developments. The private sector and governments are working in this area. I am aware of a few projects. I am not sure about the business in confidence status of those projects, but they certainly involve state governments looking at actually having projects in place to develop units or specific facilities within hospitals in the Asian region or Australian consortia having approval to develop hospitals within the region—and that is the complete product: from the construction, to the equipping, to the training; it is a whole product. One of the aspects of trade within the region in this area is the interest of the purchaser to have a total product. Certainly the Australian sector is looking much more closely now at consortia so that it can supply a total product.

There are developments on two fronts. One is introducing the complete product into the overseas country. The other element, which has been growing steadily over the last five years, has been people coming to Australia for medical treatment; the number of medical visas, I understand, has nearly tripled over the last five years, but from a small base. Much more exciting and certainly very potentially significant in terms of export earnings is the actual development of the hospital product or the component of a hospital in an overseas location.

CHAIR—What about individual units—for example, CAT scanners or pathology labs? Are those things happening?

Ms Ingram—I am certainly, as I say, aware of one example which involves a state government and a country within the region where it is a specific unit, a specific type of service such as a cardiology unit—I do not believe it is cardiology; I cannot recall what specifically it is.

CHAIR—When those are proceeding, where do you become involved? I ask that because one of the other aspects of the evidence we have received is the extent to which it might be able to piggyback other services. Obviously, with a hospital you have the design, the building, the materials for the hospital. At the same time, you have the education of the nurses, the education of the administrators, and all the rest of it, running right through to the doctors. Do you become involved? Is there any involvement in those other aspects of services, or are they all done on a unilateral, unique basis?

Ms Ingram—Probably the character of the development over the last few years has been in networking. In that sense, we do have an involvement. It is really operating on a couple of levels; you are very correct. The entree of one facility or activity opens the way to a whole series of others. It is kind of a geometric progression, and that is something that we are

very aware of.

We have put our emphasis both on using our networks as a government agency to establish stronger links with our counterparts and, through that, to open the way to wider Australian interests, and also on our work with the Australian Health Industry Development Forum, which is a growing network of individuals and businesses who have a commercial interest in the health sector.

Some very interesting groupings are developing under that. There is the Indonesia Focus Group, which I referred to in my opening remarks and which now has around 230 active members. The group is consolidating very strong ties with Indonesia, such that its counterparts in Indonesia are talking about developing an Australia Focus Group based in Jakarta.

A Malaysia Focus Group started up quite recently. Again, it is developing very good networks and contacts with that country and networks with other businesses in Australia which have an interest in the health sector in Malaysia. A China Focus Group has also just started up.

This networking—and we have an involvement in those focus groups—is really putting people in touch with each other. Again, I mention the importance of consortia, of packaging a total product for doing business in the region. I think that is where this networking is of great assistance.

Mr Tuckerman—The model you described, Mr Sinclair, is very good. There is a company called the AMASE group, which is the Australian Manufacturing and Services Exporters, which is a network of some 36 companies that have come together. They are actively doing work in Thailand, which is their primary target at the moment. They are also interested in Indonesia.

They go in and, in a joint venture with Thai partners, will be in a position to design, construct, fit and provide the service administration and training for a hospital. They have done a number of hospitals in Thailand at the moment on that very model. I think that is a good example of `hard network', if you would like to refer to it this way.

On the question you asked at the very beginning, it is important to realise that our department has no specific program funds available for us to operate in any particular way within the industry. We are reliant upon the goodwill of our secretary to ensure that we still have a priority to support industry and to have an overseas or international presence.

CHAIR—One of the aspects of your department's involvement which had me a little bit intrigued is aged care, particularly in Hong Kong, where the Chinese family tradition is so strong. I can understand things like meals on wheels and a few Alzheimer's patients, but I do not think they form a big percentage among the Chinese. What sort of aged care services are

you really handling?

Ms Ingram—It is probably best to go back to a bit of history. The department commissioned a consultancy in 1993 to look at the potential for export of aged care services in the region. That looked at eight countries. Hong Kong and Japan were seen as the countries with most potential. Although I do not have a detailed knowledge of the report or its findings, I could speculate that, with the high and growing participation rate of women in the work force, aged care services models closer to those in Australia become more relevant. So it is a function of stage of development in a particular country and the service requirements that go with that.

We have used the Australian and Asian officials exchange program, which DFAT administers, to place an assistant secretary in the relevant ministry in Hong Kong for a period of five months. He is assisting the Ministry of Health and Welfare to develop a consultancy plan for the development of aged care services.

CHAIR—Thinking of Hong Kong, for example, I do not think that the Chinese want a whole lot of aged people's homes around the place.

Mr Tuckerman—I think that the concentration is not particularly on residential care or institutional care. It is more in the context of the way you can provide services to aged people within their own domicile or their own group. As well, there is the ongoing issue of old people's diseases—if that is the right way to say it—in the field of geriatric care, especially in the training of nurses and occupational therapists and those sorts of ancillary health people.

CHAIR—I have another question, relating to the Australia New Zealand Food Authority. Given, as a cattleman, the difficulties we have had in trying to get a grading system in beef, I wonder how you are getting on in terms of quality specifically. We are moving more towards quality assurance, and presumably that is the sort of image that you are trying to establish. If you have got certain gradations, then it is obviously more satisfactory to the customer. Is that the sort of service you are trying to sell? If so, how far along developing that system are you?

Ms McCaughey—We do not actually do quality assurance. The responsibilities we have are for setting the standards which food manufacturers, processors and handlers must meet in terms of the safety and composition and labelling of food. We are negotiating at the present time with DPIE to work through a memorandum of understanding to get a more whole-of-food-chain approach for standards. ARMCANZ has developed one set of standards for meat, for example. We have already over the years developed this other set of standards for when commodities become food, and we are now trying to take a much more whole-of-food-chain approach.

That is a dilemma or a challenge which faces all countries. Our Asian neighbours are looking to us to see how we are trying to handle that challenge. It is not so much a matter of certification of safety at this present stage, other than the fact that if the producers and the

manufacturers reach our standards, that is in itself a certification, because they are seen to reach the standards.

At the present time, as you know, AQIS is handling the border issues and the domestic stuff is very much handled by ANZFA and the states and territories. If we can arrive at a much more whole-of-food-chain approach with DPIE and AQIS, and can thereby agree on certification systems for the safety and composition of the domestic food, that becomes a much more powerful trade mechanism than simply saying it was checked at the border that this was safe, because other countries will have much greater confidence in the safety assurances of the domestic food supply. At present, the safety of the domestic food supply is really overseen by the eight states and territories all doing their compliance and surveillance arrangements in a very different manner.

What we are trying to sell, if you like, is the way in which you develop, with the consensus of producers, processors, handlers, consumers and all government agencies, a standard which, if the producer meets it, will guarantee the safety of that food. So there is what is called an Australian-New Zealand food standards code. That way of meeting the standard, as well as that whole approach—the philosophy and the policies underlining it, the training mechanisms that support it for food handlers and processors—is seen as one which they really need to look to, especially at this point where the demographic patterns and the consumption patterns in Asia are changing.

They are wanting to be part of the exporting of products themselves and they are also wanting to be sure that our people selling into them are not in any sense dumping an inferior product on them. For both reasons, they want to get their food standard arrangements and their safety compliance arrangements in place so that they are able to be traders in that combination market.

CHAIR—With diseases like BSE and whatever was the complaint that the Japanese suffered from a week or so ago, do you see yourselves offering some type of health guarantee in the standards that you set? We have had a few problems around Australia.

Ms McCaughey—Nothing can guarantee the safety of food. But the new standard that is being developed by the eight states and territories in association with the Commonwealth is the standard for the hygienic production and processing of food. For the first time we have a situation where, instead of food safety depending on a very limited number of inspectors running around, and maybe getting once every three or four years to one restaurant or one factory, every food producer, processor and handler will be responsible for putting in place what is called a hazard based food safety plan—that is, it is based on the hazards analysis of the critical points along the production chain.

The food safety plan of the individual food producers, manufacturers and processors will be generally designed by government, with probably third party auditing underpinning that. Being able to sign off on the fact that you have complied with your own food safety plan will be a form of accreditation. That is what we are aiming for. The food industry is very much

behind this. The National Farmers Federation have also indicated their strong support. So we are really moving towards a whole-of-food-chain approach, with the Australian Food Council and the National Farmers Federation all getting in behind us to say that they want the health departments, the Department of Primary Industries and Energy and, at the state level, the agriculture departments, to move together on getting this whole-of-food-chain food safety approach. That has been watched very closely by a number of other countries to see how we are going to do that.

Senator CHILDS—I have one question on the generating of revenue. You said you were inexperienced. What happens if you do not generate the revenue that you are being asked to generate? What suffers?

Ms McCaughey—There are a broad set of fronts on which the government has suggested to us we should be pursuing revenue. We see this as one of the key ways of doing it. We are conscious of the demands that are being put on us that at present and we really have been responding, but it is a bit like the health portfolio, I suppose—without any resources allocated, it is a matter of trying to receive all these countries coming through, help them and advise them in between all the other work we do. What we are now saying is that we will try to do that in a systematic way and put a proper entrepreneurial commercial basis on it.

With regard to your specific question about what happens if the funds do not come through, obviously, the number of functions or the level to which we perform those functions will have to be set aside. So that is part of the challenge. We are looking, not only in this area but in a number of other areas, to generate that revenue.

Senator CHAPMAN—The 1991 Industry Commission report highlighted some impediments to the export of health services. Are those impediments still a problem? Have they been reduced or eliminated, or have some been eliminated and some are still there?

Ms Ingram—I think we have probably evolved beyond the impediments identified in the Industry Commission report. The report itself really set to one side a couple of them. One was the issue of medical visas and one was advertising by the medical profession. The report did not come down with an expressed view as to whether or not either of these were impediments as suggested by participants in the inquiry.

I am trying to recall the other three. One was training and accreditation of medical practitioners in Australia. We have seen a further development of the system for training of overseas students in Australia, and I understand you have taken evidence on that. Accreditation is a difficult issue because there are a number of perhaps at times conflicting policy imperatives in that area. But I would say of accreditation that you are talking about people who will be living permanently in Australia rather than going back to home countries for the purposes of potentially referring patients to Australia.

The other area touched on was reported attitudes on the part of Commonwealth and state health authorities and the public generally about treatment in Australia. Over the five

years since the Industry Commission report, and certainly as evidenced by the growth in the number of medical visas, there probably has been a rather more strategic approach to treatment of overseas patients in Australia. I am certainly aware that, importantly, the state health providers have dealt with some of the problems that were evident and are now taking a much more structured approach to treatment, making arrangements for payment at the outset of treatment so that it is a proper commercial arrangement and ensuring that the treatment is properly lined up in advance so that the place is available in the hospital et cetera. Some of the difficulties which might have been ambient background noise at the time of the 1991 report have properly been dealt with in the intervening period.

Senator CHAPMAN—What about the perception of a conflict between health and medical services as a wealth creating industry on the one hand and the equitable access for Australians to health services on the other? Is that a problem or not?

Ms Ingram—It is a question I would sooner take on notice because it is a fairly specialised one. But I have a sense, from the point of view of my own department, and it is probably a factor also in the export of education, that as long as an Australian patient is not displaced, then there can be no difficulty with the provision of a service to someone coming in from overseas. It is important always to maintain the standard and availability of service to Australians.

CHAIR—Thank you very much indeed. That is very helpful. We obviously do not pretend to be experts. We will read your submission and, should we have questions from it, we might well want to write back to you. If there is anything else you wish to add, we would be grateful to hear from you. As you know, we hope to finish this inquiry expeditiously because it has been around for a long while. As you remark, it has been 18 months. The difficulty has been that we have not really met since the beginning of the year. The nature of the health potential certainly is there and we will be looking into where we go from there. Before you go, I should ask you whether there is any particular area where you believe that changes can be made which might help in your area in the export of health services.

Ms Ingram—What I would reflect on rather is the character of the sector in Australia: many small and medium enterprises. The scale of the businesses involved is often such that they cannot know all of the ropes for themselves. So networking and access to key business information and opportunities is critical, as is the flow of information about opportunities. I flagged procurement and the significant amount of funding within the UN and international financial institution system. So it is that kind of flow of information and the opportunity to network and build consortia that I believe are important and are developing, but I would emphasise the importance of that development continuing.

Ms McCaughey—The terms of reference of your committee talk primarily of Australia's export of services generally. We spoke of our interest in exporting our services. I would not want you to think from that that we were not also very interested in the way in which Australia's food services generally become exported. Australia does have a great capacity in the whole food technology area and is a real innovator. The industry is admired

and respected globally for that capacity.

What we experience is in some ways not dissimilar to quite a few of the smaller food processors and developers who have services that they could be exporting as well as their product. Therefore, we are experiencing something which they are also experiencing, which is how you begin to get into this business. The committee could look at that. Look at the export of Australian government services: it is the availability of a central, coordinated networking advisory capacity to export Australian government services in which the states and territories might also want to be involved in some sort of resourcing-advisory capacity.

Similarly, we are aware that the knowledge and contacts that we have across the food bodies that we deal with both in government and in private enterprise are of value to the people in the food industry and also to some of the food consultancy people. But, again, we are just providing this advice on a very informal, ad hoc basis with people ringing in saying, 'Do you know who to talk to in Hong Kong?' or wherever. It is the availability of a more coordinated resource and advisory capacity to both government and non-government that could be of mutual benefit to all of us.

Resolved (on motion by Senator Childs, seconded by Senator Chapman):

That this committee authorises publication of the supplementary submission from the Department of Health and Family Services received into evidence at public hearing this day.

Short adjournment

[2.53 p.m.]

ROWLING, Mr John, Assistant Secretary, International Operations and Marketing, Department of Employment, Education, Training and Youth Affairs, and General Manager, Australian International Education Foundation, 10 Mort Street, Braddon, Australian Capital Territory, 2600

CHAIR—Welcome. Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the evidence you give. It attracts the same privilege conditions of other parliamentary proceedings. The subcommittee has already received a submission from you. Perhaps you might like to give us evidence on portfolio developments since your original submission. I know you have a further submission or some statistics which you wish to lodge. We might follow whatever you have to say with a few questions.

Mr Rowling—I would have liked the opportunity of having updated our original submission but we are struggling, like a lot of people, with the post-budget process. What I have supplied to the committee is an update of some statistics we provided at the last hearing. It provides some information about students from Hong Kong and Indonesia. It provides some statistics on Australia's share of the international market, but I put a caution on those figures. One of the problems with international education statistics is that they are extraordinarily rubbery. I have provided a new table which shows Australia's competitive position in our top 10 markets. It shows where Australia ranks in that particular market.

Since we last met in June 1995 Australia has moved up from being the No. 2 provider in the Hong Kong market to equal first. The most recent statistics we have from last month suggest that we are now issuing more student visas than the United States, which was the No. 1 competitor. We are a significantly long way in front now of the UK. We have also consolidated our No. 1 or equal No. 1 position in Indonesia in the last 12 months, although, having said that, USA is still the leading provider of higher education. We have a dominant share in English language and schools and vocational education.

When we last met, the Australian International Education Foundation was very much in a gestation phase, coming into being. Since then we have had the opportunity to consult widely with the international education community and to develop a strategic plan for the industry for the next five years. That would see growth in the international education export industry from its current position of about $1.9 billion a year to an estimated position of $4.5 billion by the year 2001, which is a continuation of some pretty dramatic growth that has occurred over the last 10 years.

We have provided some business plans for the AIEF for 1995-96. We are in the process of finalising our 1996-97 business plans. We have just finished consulting with the education and training community about that. When we finalise those—which we expect in the next fortnight to have completed—we will provide those business plans for Indonesia and Hong Kong as well, which will provide some further market information about what is

happening in international education and outline the sorts of plans we are aiming to pursue over the next 12 months or so.

The other thing in terms of environmental change since 1995, when we met, has been a shift in competition in the market. It is now becoming evident that both the USA and the UK have recognised that Australia has entered the international education market and is starting to win significant market share, and they are now starting to respond. I think we commented last time that the Canadians were starting to respond and starting to emulate some of the things Australia had been doing. We are now seeing the UK starting to do the same thing in markets such as Hong Kong.

The other thing we are starting to see is an emulation of Australia's internationalisation of education in places like Malaysia and Singapore. We are also seeing Japan, India and Thailand starting to position themselves to enter the international education market. So to some extent there is starting to be an environmental change in terms of international competition shifting from, effectively, the three or four major English language suppliers to other competitors as well. The entry of those players will obviously have some impact on competition for Australian providers over the next five years or so.

The other thing we are seeing is some fairly aggressive import substitution in countries like Singapore and Malaysia with significant shifts in their domestic education policies aimed at reducing the flow of students and the cash drain on their economies as students go offshore. That, in itself, provides some challenges, but it also provides some opportunities because the shift in policies in those countries is actually opening up their markets for Australian providers to move in through domestic provision.

Broadly, that is all I want to say in terms of some opening comments. It is clear that Hong Kong is still our number one and most important market for international education exports. It is a market that runs some risks over the next 12 months with reintegration in 1997, but at the moment it still looks a fairly strong market. Indonesia is our fourth most important market, but a market which has tremendous capacity for growth. It is a market where, over the last 12 to 18 months, Australia has, through government to government relations, established itself as both the number one student service provider and also the number one policy and systems provider to the Indonesian government. That in itself provides a platform, we think, for continuing growth, not only in terms of students but also in terms of in-country delivery in Indonesia.

CHAIR—Thanks very much indeed, Mr Rowling. If I could just ask you a couple of questions before I pass over to my colleagues. We heard from Mr Ian Harris of the Australian National University earlier today that he felt that something of the aggressive competition between tertiary institutions that we sensed when we received evidence in Melbourne about 12 months ago might not quite be as intense as it was. I do not know whether that is wishful thinking or whether it is because the ANU is a latecomer and really things are a bit different in Canberra. Does your department in any way try and coordinate and present the universities as one? He mentioned 13 universities. Those in New South Wales and the ACT apparently have

a marketing consortium, and that seems to be very sensible. But I have been aware that, in marketing external learning courses, there seems to be a good deal of competition. Some of the universities certainly seem to have been very aggressive. I can think of one particular Melbourne institution in particular. Have you tried to buy into this? Have you tried to get the vice-chancellors or somebody else to do something about it?

Mr Rowling—The original rationale for establishment of the Australian International Education Foundation as a partnership between the Australian government and the education and training community was, in part, a government response to what was becoming counterproductive competition between institutions offshore and was resulting in expressions of concern from regional governments about some of that competition. A lot of the work we have done over the last 18 months—particularly around building a strategic vision—has been to demonstrate to many of the institutions that, by collaborating at a national level and collaborating in terms of positioning Australia as a high quality education and training provider in the region, they could actually develop and grow their market without necessarily getting into fairly unproductive bagging of each other.

Over the last 18 months, as part of the dialogue we have been running with the institutions—particularly the universities—there is a recognition that the effect of some fairly aggressive competition amongst themselves offshore was not, in fact, an increase in their own market share at an individual institutional level, but a loss of market share to competitors such as Britain and the US where they were much more—if I can use the word—gentlemanly in terms of positioning themselves and, to some extent, more culturally sensitive in the sense that many of the regional markets in which we work really react quite adversely to fairly crass mercantilist approaches to selling of education. Some of the approaches our universities were taking do not connect very well with many of our regional neighbours.

I think Ian is right in the context of his comments. I think there is increasing cooperation and collaboration to develop the market in ways that are more positive. I think he would have been referring to the group called CANDIP. There is also a marketing group in Western Australia, which runs across all sectors, called the Western Australian International Education Marketing Group, which is probably the most successful regional marketing group that we have seen so far in our industry. They are really vertically integrated, picking up schools, ELICOS, vocational education and the universities and selling Perth, for example, as an education destination first and foremost, and the individual institutions behind that umbrella.

CHAIR—Another thing came out of evidence this morning. Mr Norman Fisher, who is the chair of Australian TAFE International, mentioned the problems with accreditation of TAFE courses. Is that something in which the department becomes involved? If not, what are you doing about it?

Mr Rowling—Australian TAFE International is actually one of the associate members of the Australian International Education Foundation and one of the peak bodies we have been working with quite closely. At an international level, we are in the process of completing the

development of a promotion strategy for the Australian qualifications framework so that we can position in particular vocational education qualifications internationally.

It is quite clear from recent consultations we have just finished with member education institutions that to a large extent qualifications recognition is still one of the significant issues that prevent and can be a barrier for the sale of education services. So we are in the process of working with both the vocational education sector and the institutions as a whole to develop an overall strategy to confront the qualifications recognition problem.

CHAIR—We also had Sandra Woolacott of the ACT Department of Education and Training. I presume you are also involved in coordinating marketing and standards issues across Australia between the various state departments of education. After the fiasco in English language teaching in China some new standards were set, but I do not know whether that was for only private sector institutions or it ran right across the board.

Mr Rowling—It runs across the board. Institutions who want to market and sell courses offshore have to be registered through their state accreditation bodies. Through that and through the ESOS legislation they become registered providers on what is called CRICOS. That in itself provides the quality assurance for marketing programs and courses offshore.

Senator FORSHAW—I am looking at the table of statistics that you have presented to us today. I want to clarify something, and I apologise if you may have covered this while I was out. You have listed there Australia's position in the market. This is in attachment E. How big is the market? For Hong Kong, are we first out of 10, 20, five or what? Does it vary from country to country?

Mr Rowling—It does vary from country to country. The last set of international data that we have is some UNESCO statistics from 1992-93, so it is getting a little dated. But it is estimated that the total education market is approximately a million students a year and growing. Australia has about three per cent of that market at the moment.

The vast majority of that market is dominated by Europe and the flow of students across European borders mainly for one-semester programs or English language upgrading. Taking Hong Kong and Indonesia, which we are talking about, the number of students for the Indonesian market is approximately 30,000 students a year and, for Hong Kong, approximately 50,000 students a year.

Senator FORSHAW—So one can safely say that, in addition to those two countries, the other results—second in Thailand, third in Taiwan and fifth in Japan and China—would suggest that we are fairly high up the list and getting a good proportion of the students of the overall market.

Mr Rowling—Yes. Particularly in our region we are moving steadily up the market order all the time. When we entered the market 10 years ago, it was dominated by the USA,

Britain and Canada. Germany was a major player in our region as well. Basically the top three are now usually the USA, Australia and Britain—not necessarily in that order—with Canada and New Zealand tucking along behind. Canada was a major player when we entered the market, has declined steadily in market share and is starting to respond to that by emulating a lot of the things that we do. But, overall, our position is pretty strong.

Senator FORSHAW—Is that position based upon just straight numbers of students comparable between one country and another, or do you do an analysis which looks at the size of the education sector or the total population—a per capita type comparison—rather than straight numbers?

Mr Rowling—No, at the moment it is done on a straight numbers basis. It is not a very sophisticated analysis.

Senator FORSHAW—Which would suggest that we are better again or that it is a better performance because the number of students is a lot less than, say, that for the States or Britain?

Mr Rowling—Absolutely. Having said that, you also—

Senator FORSHAW—We are closer too.

Mr Rowling—However, you also need to take into account that in our regional markets we may be quite strong in, for example, English language and schools—we certainly have a competitive advantage in vocational education in the region simply because our vocational education system is emerging as the regional market leader, or standard bearer, if you like—and in higher education we are strong in undergraduate, but the USA is very dominant in postgraduate. With countries like Indonesia, where we are nip and tuck with the Americans on student numbers and we are strong in English language, school students and undergraduate, they are very strong in postgraduate.

Senator FORSHAW—I have one other question, and it follows on from what you just said. Is there any market for areas such as special education—I am talking about education for the disabled and intellectually handicapped and other forms of special education needs—in these countries at the moment? If there is, is it something that we are able to target? I would have thought that that is another area that at least we have a fair amount of expertise in in this country. It can always be better, as we know. But, in terms of the problems that may exist in Asian countries, is that something that is looked at or is that too far down the track, given that you are competing in the first place for straight primary, secondary and tertiary education?

Mr Rowling—It is a very interesting question. Last time we met, Mr Sinclair asked a similar question which related to the fact that nearly all our students were concentrated in business, accounting, economics and applied sciences. We were not seeing much in the way of students outside those areas yet.

Senator FORSHAW—Sorry, are you talking about students in Australia?

Mr Rowling—Yes. I was going to go to the next step from that.

Senator FORSHAW—I was more directed at what we can export offshore.

Mr Rowling—A lot of the dialogue we have been having with the Australian education institutions is around the increasing export of services through in-country delivery. We are starting to see increasing investment by Australian institutions in bricks and mortar offshore, although there are some difficulties with that. For example, in relation to vocational education, through industry education linkages in countries like Indonesia we are starting to see growth in in-country delivery of education and training connected with the telecommunications industry and building and construction and mining areas where Australian companies are investing quite heavily.

We have seen—and we are in the process of working up—some strategies for delivery of in-country export development around environment where we have a competitive advantage, and around law in countries like India, where deregulation and their need to enter the international marketplace means they need upgrading in international legal skills, and around, say, study tourism in Asia, which is an undeveloped market. We have not yet had propositions put to us as market opportunity of the kind that you are talking about, although there is no reason why it should not emerge as a market opportunity.

One of the things that we were working to is to try and encourage Australian education and training providers to identify where they really do have competitive advantages and internationally recognised skills and to become a bit more aggressive about marketing those into the community.

We are also working a lot harder at picking up regional infrastructure development programs such as those funded by the World Bank. If you take Indonesia, the World Bank is funding about a billion dollars worth of development in the education sector currently. That provides in its own right substantial opportunities for Australian institutions to provide consultancy and project services and related matters. There are a whole range of infrastructure development opportunities that the Asian Development Bank and the World Bank are funding which have education and training components. Where we are picking that up is in terms of telecommunications and electricity generation, power supply and health, community service type developments. There are usually significant education components connected with that. We are looking to increase our part of that supply in-country.

Senator CHAPMAN—A few moments ago, you alluded to the high percentage of accountancy and business students coming from overseas. I note Attachment A and B highlight that with the percentage break-up you have there of the fields of study in 1995 for higher education, both for Hong Kong and for Indonesia. Do you have figures as to how that compares with the break-up of the different fields of study for domestic Australian students? If

there is a significant difference across that range, has there been any analysis done as to why there is a difference?

Mr Rowling—I do not have an analysis of domestic versus international in that area, although my gut feeling would suggest that it does not look anything like that. There are a couple of reasons why we have such a heavy skew. One of them is that it is an area where, first of all, we did have capacity in terms of education capacity and we also had regionally a well-established position as a quality supplier of those services. I think the other side is that it connected quite well with a part of the marketplace, particularly out of Hong Kong, Malaysia and Singapore where there was a very strong Chinese interest in business, administration and economics related studies and then, to a lesser extent, in the mainly applied science type areas, not pure science.

One of the things that we are seeing as the regional markets and economies develop, as they go into more developed phases of economic development, is demand for labour market upskilling, which is having an impact on vocational education, but also a shift into other studies—science and related studies and postgraduate studies. The difficulty with that at the moment is that it appears that the USA is getting the main proportion of that growing interest and we need to work much harder to establish Australia's postgraduate supply position in the region.

Senator CHILDS—You mentioned a number of issues where Australia is at an advantage, and you now say other countries have been copying, and you mentioned vocational guidance. Do you have a list in your mind of all those attributes that Australia had that you were referring to when you mentioned that?

Mr Rowling—In terms of competitive advantage?

Senator CHILDS—Yes, competitive advantage.

Mr Rowling—I think a number of things point to it: obviously, English language speaking in a region where the language of business is English; being close, relatively speaking; being in the same time zones; being recognised, if not world leader, in quality; at least having a good overall standard; being safe as a destination. All of those have helped in establishing the market.

I think the other thing that we should recognise is effectively the Colombo Plan, and particularly for Hong Kong, Malaysia and Singapore, actually created an enormous ground swell of knowledge and goodwill for the provision of Australian education and training, and in the international education industry it is still true that between 60 and 70 per cent of all students who come to any country come on the basis of word of mouth recommendation. The extent to which one has good relationships and maintains good relationships with a country and builds an alumni with that country obviously has significant long-term flow-on effects.

Senator CHILDS—A large amount of money has been allocated to compensate the

whole English language-Chinese issue. First of all, do you know the exact amount of money? There has even been a recent amount of money allocated, I think, hasn't there?

Mr Rowling—Yes. I don't know the amount of money; it is an area in which I have not been closely involved. I can find out for you.

Senator CHILDS—My main interest in the question is this: what have we learned from that experience, and what application does it have to this current discussion on common Indonesia—

Mr Rowling—And the development of new markets. I think, first of all, the need for some quality assurance and protection for the student as a consumer is obviously a fundamental underpinning for international education development. Quite clearly we have gone through a maturing phase after the difficulties of the ELICOS industry in particular. If you take our experience with China as distinct from the current development of, say, the Indian market, one could imagine running into similar difficulties if you did not go about it properly.

The difference in approach is, for example, that we and the Australian education and training community are building a very strong promotion this year as part of the Australian government's New Horizons promotion. We are building a very big education and training effort into that. A lot of that is about building long-term institutional and personal links with educationalists and education institutions and academics in India on the basis that a sound market will build from word of mouth rather than straight out mercantilist or immigration flows.

We are seeing quite substantial growth in the Indian market. At the moment that growth is coming on the back of the fact that the USA has actually tightened up on student visa processing because they found many Indian students were actually seeking to go to America for migration purposes rather than for bona fide study purposes. We have been very careful in the development of the Indian market to ensure that we do not get the sorts of problems we got out of China, while at the same time building it as a long-term, viable market for education and training provision. A lot of that provision, however, will not be just simply student flow. A lot of it will come off in-country provision through entering into joint ventures with Indian professional bodies and with Indian academic and educational institutions.

Senator CHILDS—You have just mentioned that the United States is having a problem with students overstaying. This afternoon we have had evidence that might suggest that the immigration department is under-resourced to chase up people who apparently fail. Does your department have a role in trying to make sure that that system works?

Mr Rowling—I am not sure. I have seen recent evidence that suggests that we have an overstay problem. Indeed, in the areas where there might be some sensitivity, in places like India where we have seen substantial growth in student numbers, in actual fact we do not appear to have an emerging overstay problem at all. We want to work with the immigration

people to establish a student visa processing system and student visa system which on the one hand provides the quality assurance necessary to protect Australia's overall interest, but at the same time does not put us at a competitive disadvantage with countries such as Britain and the USA.

I did not mention this earlier, but one of the reasons we have been successful in developing in markets such as Taiwan is simply because the immigration department has been quite innovative and flexible in developing arrangements that mean visa processing for students from Taiwan is actually much easier and more efficient than other competing countries. So our interest generally is in terms of an equitable and risk management approach to visa processing.

As to the issue of overstay, certainly there is a need and an interest in the education and training community as a whole to ensure that students are here for bona fide education purposes, so if we see emerging overstay problems that are not being picked up and reported by the institutions which have some responsibility in that regard we would be concerned.

Senator CHILDS—You say the institutions have the responsibility to report somebody who has, say, not attempted to study or something like that?

Mr Rowling—They are supposed to monitor their student attendances, yes.

Senator CHILDS—And report to whom?

Mr Rowling—They are supposed to provide information. Usually, as I recall the process, it is supposed to be to the state accreditation authorities.

CHAIR—Could I go back to the questions that Senator Chapman was asking. On the statistical analysis—and those statistics do not necessarily cover everything; they conceal as much as they reveal—I am interested in some of the disciplines that are not here. For example, in health you have 1.8 per cent but presumably it does not include any doctors or, if it does, it includes very few. I thought there would be quite a few more nurses. There used to be a lot of nurses, not necessarily from Indonesia, I know, but certainly from our region. I thought that figure would have been higher. I am interested in others that are not there because when Senator Chapman was talking I was looking at it. For example, I would have thought that computer science might well have rated special mention. Then you have military studies.

We have quite a few students from Indonesia and other countries who come out either under one of the defence cooperation programs or in some other relationship on an exchange basis with Australian military institutions. None of those seem to be here. Is that because they are not there or does another department handle them?

Mr Rowling—No. The basis of collections is actually off the regulation framework, rather than a whole of industry approach. There are significant gaps in the industry statistics. The data that we have does not pick up much of a story about what is going on. For example,

in Hong Kong we know that there is substantial delivery of education and training by Australian institutions. Professional bodies such as accountants and engineers have very strong professional development programs in Hong Kong. We know there is substantial distance education activity in Hong Kong. At the moment our data does not pick that up.

One of the things that we are planning to do in 1997 is develop a methodology for measuring what is happening with in-country delivery. We would not pick up the defence aid related programs, basically because they are aid rather than the income flows. We do know, however, that ADFA is now starting to sell places to some countries. Over the last 12 months, I understand it has sold officer training to gulf state countries, which is interesting because it is having a flow-on effect to interest in general education and training in Australia, but it is very early days at this point and would not be picked up. In terms of computer science, it is probably buried in the science figure, which is mainly all about applied sciences rather than pure sciences, and picks up computer and information technology type sciences, or it would be picked up under engineering, if it is an engineering related program.

I do not know what the story is in relation to health, other than the fact that a few years ago nursing was a very strong earner for many institutions. It seems to have slid backwards a little, possibly as a consequence of the fact that a lot of the people who were trained went back to be trainers of other nurses in country.

CHAIR—There was a feeling too, once nurses were being trained in universities instead of in hospitals, that it was not quite as relevant for the average requirement of other countries. There has been some comment generally about the problem in getting statistics. Are these statistics from the ABS or elsewhere? Have you any views about this funding of the annual survey and availability of an annual survey of the international trade in services?

Mr Rowling—These statistics are not ABS statistics. They are actually gathered by a survey conducted by the Department of Employment, Education, Training and Youth Affairs at 30 March each year. They are a point in time census. They do have difficulties in that sense because they tend to under-enumerate, for example, in the English language sector which has quite substantial flows, particularly short term flows through it. One of the things that we wish to do in conjunction with the industry is to develop a much more soundly based set of data, both for national and international comparison purposes. To the extent to which there is services sector survey activity, that would be, I suspect, from our point of view, a valuable addition.

We are in the process of conducting some work at the moment which the ABS has agreed to use as a baseline for measurement of education export flows for the future on the basis that at the moment they do not have the resources to pursue it on our behalf.

CHAIR—Thank you for your submission. We are trying to conclude our report and hope that, if you have any last minute thoughts, you will let us know them fairly soon.

Resolved (on motion by Senator Childs):

That exhibit No. 6 from the Australian International Education Foundation be received and treated as confidential.

Resolved (on motion by Senator Childs):

That the Trade Subcommittee receive as evidence and authorises for publication submission No. 41B as part of its inquiry into the implications of Australia's exports of services to Indonesia and Hong Kong.

Resolved (on motion by Senator Childs):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

Subcommittee adjourned at 3.37 p.m.