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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Trade Subcommittee

Monday, 2 December 2002

Members: Senator Ferguson (*Chair*), Mr Brereton (*Deputy Chair*), Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, O'Brien, Payne and Stott Despoja and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Subcommittee members: Mr Baird (*Chair*), Senator Cook (*Deputy Chair*), Senators Eggleston, Ferguson (*ex officio*) and O'Brien and Mr Brereton (*ex officio*), Mr Hawker, Mr Jull, Mrs Moylan, Mr Nairn, Mr Prosser, Mr Scott, Mr Somlyay and Mr Cameron Thompson

Senators and members in attendance: Senators Cook and Eggleston and Mr Baird and Mr Hawker

Terms of reference for the inquiry:

Review of Foreign Affairs and Trade portfolio annual reports 2001-02.

WITNESSES

ADLER, Ms Ruth, Assistant Secretary, Trade and Economic Analysis Branch, Department of Foreign Affairs and Trade.....	26
BINGHAM, Mr Frank, Acting Director, Market Information and Analysis Unit, Department of Foreign Affairs and Trade.....	26
CARAYANIDES, Ms Anastasia, Assistant Secretary, Trade Policy Issues and Industrials Branch, Department of Foreign Affairs and Trade	26
DEADY, Mr Stephen, Special Negotiator for Free Trade Agreements and Processed Food, Department of Foreign Affairs and Trade.....	26
GOSPER, Mr Bruce, First Assistant Secretary, Office of Trade Negotiations, Department of Foreign Affairs and Trade.....	26
HILLMAN, Mr Ralph, First Assistant Secretary, Trade Development Division, Department of Foreign Affairs and Trade.....	26
HOLLY, Mr David, Director, International Economic and Finance Section, Department of Foreign Affairs and Trade.....	26
JOFFE, Mr Greg David, Corporate Adviser, Strategic Development, Austrade.....	1
LISSON, Ms Frances, Director, Trade Policy Section, Department of Foreign Affairs and Trade	26
LYONS, Ms Margaret, Executive General Manager, Corporate, Austrade	1
McCORMICK, Mr Hamish, Assistant Secretary, APEC and Regional Trade Policy Branch, Department of Foreign Affairs and Trade.....	26
PENDLETON, Ms Denise, Client Service Manager, Austrade	1
TANNER, Ms Sue, Assistant Secretary, Market Development and Business Liaison Branch, Department of Foreign Affairs and Trade.....	26

TODD, Mr Andrew, Director, Trade Advocacy and Outreach Section, Department of Foreign Affairs and Trade 26

TOOMEY, Mr Tim, Acting Director, Trade Liaison Section, Department of Foreign Affairs and Trade..... 26

WARD, Ms Elizabeth, Director, E-APEC, Business, Economic and Ecotech Issues Section, Department of Foreign Affairs and Trade 26

Subcommittee met at 9.01 a.m.

JOFFE, Mr Greg David, Corporate Adviser, Strategic Development, Austrade

LYONS, Ms Margaret, Executive General Manager, Corporate, Austrade

PENDLETON, Ms Denise, Client Service Manager, Austrade

CHAIR—I call to order this hearing of the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade in its review of annual reports 2002-02. This hearing is part of the subcommittee's program to review annual reports under the joint committee's resolution that the annual reports of relevant departments and authorities tabled in the House of Representatives stand referred to the committee for any inquiry the committee may wish to make.

Today, we have invited Austrade and the Department of Foreign Affairs and Trade to meet with the subcommittee to discuss a number of topics. With regard to Austrade, we wish to discuss their key performance indicators with a focus on—though not limited to—client satisfaction and export impact, including the operation of KPIs at posts. In the case of DFAT, we wish to discuss the department's delivery performance in the area of trade development policy coordination, with a focus on the Market Development Group, trade policy coordination and business liaison.

On behalf of the trade subcommittee, I welcome representatives from Austrade. The subcommittee prefers that all evidence be given in public but, should you at any stage wish to go in camera, please advise us and we will consider that at the time. Although the subcommittee does not require to give you evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. I now invite you to make an opening statement before we proceed to questions.

Ms Lyons—Thank you. As always, Austrade is delighted to be here before the trade subcommittee. What I would like to do, though, because you have asked us to particularly focus on the key performance indicators and the client servicing arrangements within Austrade, is to point you to page 11 of the annual report. If you have had a look at that, figure 4 perhaps may not have made very much sense to you. That is because the legend attached to the graph has been transposed from the previous two figures, and the legend should in fact read replacing 2000-01 with 'the percentage of export impact by value' and replacing 2001-02 with 'the percentage of export impact transactions'. I just wanted to draw that to your attention before we started.

CHAIR—Okay. So would you like to make an opening statement?

Ms Lyons—No; that is sufficient, thank you.

CHAIR—Could you explain to us how you believe you have achieved the objectives established by the minister, which were set out last year, of doubling the number of exports from Australia over the next period of years? How have you have met that objective to date, or are you on track to do so?

Ms Lyons—Perhaps I can answer that in general terms. The programs and strategies that have been put in place in relation to doubling the number of exporters commenced only in this reporting year. So, for the reporting year that is the subject of this annual report, there will be very little impact or reporting on how we are going in relation to doubling the number of exporters by 2006.

CHAIR—But in terms of how you have seen the level of exports from Australia increase over the past 12 months, which is the area of this report, what are the key areas that have increased and where have the disappointments been?

Mr Joffe—As Margaret Lyons was saying, for this financial year under consideration Austrade still had a focus heavily on export impact dollars and on the number of transactions or the number of clients who achieved those sales. We were particularly happy with the dollars. Our target had been \$7 billion for the year and we actually achieved over \$15 billion. As we always say to the board, that is a highly volatile number, because one wheat deal, particularly in this current year—

CHAIR—I am sorry, can you explain the figures you are talking about—the \$7 billion was what?

Mr Joffe—It is the dollars of exports that Austrade is directly involved in, where the client actually will validate in writing Austrade's assistance.

CHAIR—So you had \$7 billion that you were targeting for this year and you actually got \$15 billion—is that right?

Mr Joffe—Yes.

Senator COOK—Can you point out in your annual report where that figure is?

Ms Lyons—It is on page 11, paragraph 4, under the heading 'Export impact', in the first column.

Senator COOK—It says in this section of the report:

Austrade's total export impact result in dollar terms was \$15.35 billion (target \$7 billion) ...

Mr Joffe—That is also on page 9.

Senator COOK—It is in 'Tracking our performance'. Is that an audited figure?

Mr Joffe—Yes and no. We have an internal team and we use our internal auditors to audit it, but it is unlike financial reporting, where you can sit down and check every statement. At the end of the day, the clients verify it in writing, it goes on file and we and the auditors check it.

CHAIR—Who are the auditors?

Mr Joffe—KPMG.

Ms Lyons—Can I draw to your attention the paragraph in that second column underneath the ‘Export impact by top industries’ graph, there is a statement there that says:

Austrade’s internal auditors, KPMG, were engaged to perform a set of agreed-upon procedures to assist management in verifying the export/investment impact data to be reported ...

Senator COOK—So do I understand therefore that the figure you were talking about—the \$15.35 billion—is an assertion rather than an audited fact?

Mr Joffe—It is—

CHAIR—I suppose that Senator Cook, having been the minister, and myself, having been a trade commissioner, remember how we used to get figures at trade fairs that were guesstimates, which we would encourage exporters to do—and the more optimistic the better. Trade fairs would have these very high figures that were supposed to have been produced. I am interested in trying to understand—and obviously my information is very dated, a bit like me—whether this is a valid figure or the exporter is just being kind: they think they might need the assistance of Austrade, so keep them on side.

Ms Lyons—Would it be of assistance if Mr Joffe were to explain to you how we get to the export impact dollar within the organisation?

Senator COOK—Yes, it would be, but, at the end of the day, the validity of these figures stands if they are independently verified by an auditor. If they are not, I do not have the capacity to conduct an on-the-spot audit to ascertain their validity. I would be interested to hear about that, but I am cutting into Mr Baird’s questions.

CHAIR—No, please do so. We are the on the same topic. Performance indicators must be the No. 1 issue.

Mr Joffe—In the early 1990s, we did a phone survey of every client whom we had worked with, to try to assess whether they had achieved any sales. In the late 1990s, the ANAO suggested that we were being overly zealous—which was unusual for an ANAO report—so we worked on a new system of written verification. Nowadays, if Austrade works with a client and the client achieves a sale, the Austrader will say to the client, ‘I understand that you achieved the sale,’ and will ask the client to fill in a written verification form. That is faxed or emailed to the client. The client then fills in both the dollar amount and a rating of Austrade’s assistance. If the client had a \$3 million sale, the question would be: ‘Did you get a sale?’ The client would say yes. Austrade would ask: ‘Was Austrade involved?’ The client would say yes. Austrade would then ask: ‘How much was the sale?’ The client would reply, ‘\$3 million.’ The client would then give a rating of Austrade’s assistance, such as: ‘Would not have made a sale without Austrade,’ ‘Austrade was a key factor,’ or ‘Austrade was a positive factor.’ We are trying to understand where we are having the most impact. I guess those words are self-explanatory. That is then put into our systems and reported. Our managers of finance and administration, and our internal auditors, also review those documents. We have worked with the ANAO to try to establish as robust a system as we can, and that is the system that has been put in place.

Senator COOK—Are the written returns from clients audited?

Mr Joffe—Yes.

Senator COOK—They are.

Mr Joffe—Not every single one is checked, but there is an audit of some of them to try to make sure that they are correct.

Senator COOK—A spot audit.

Mr Joffe—Yes.

Senator COOK—Is it a random spot audit?

Mr Joffe—I think so.

Ms Pendleton—Yes. They do a sample of one in 15 of the transactions, plus all of the transactions over \$100 million.

CHAIR—Do KPMG do that?

Ms Pendleton—Yes.

CHAIR—Do they phone the people? What do they do?

Ms Pendleton—They have a copy of—

Senator COOK—Did you say all transactions over \$100 million?

Ms Pendleton—Yes.

Senator COOK—There would not be many of them, would there?

Ms Pendleton—No, but one in 15 is the average of all of the EI transactions in the system. They do a random sample of them, but it also includes—

CHAIR—A random sample of those over how much?

Ms Pendleton—The random sample of all EI transactions is a sampling of one in 15, but all \$100 million transactions are included in the sample.

Mr Joffe—Over the last few years we have tried to get a focus on both the dollars and the numbers. Particularly with the new doubling, there will be a focus on how many of them are new exporters. We have found that it has been important to balance the big dollars with how many companies we have helped, so we have tried to emphasise within Austrade both the dollars and the number of clients achieving sales.

CHAIR—Are the people who write the letters the export guy or girl or the managing director?

Mr Joffe—They are usually the export managers.

Ms Pendleton—The person we have been dealing with.

CHAIR—Is there a benefit in having a sign-off by the managing director as well? We are impressed, but we want to be sure that these figures are really valid and that this is not a spin. Sometimes you can get the old boys' club going: they have been on missions together and they want to keep it going. I make that suggestion so that we as parliamentarians can have confidence that this is the real thing and that an organisation which the government funds is really doing the job it sets out to do. I do not have any more questions on that. I am interested in going to a discussion on some other areas.

Senator COOK—I have a couple of questions on this before we move on. Is the \$15.35 billion figure a rounded-up figure of all categories of Austrade assistance to exporters?

Mr Joffe—Yes.

Senator COOK—I forget the ascending order of Austrade involvement that you set out earlier, but it was something like 'lightly involved', 'medium involved' or 'heavily involved'. Is that a total of all of those categories?

Mr Joffe—Yes.

Senator COOK—Is there a breakdown of Austrade's performance according to its clients for each of those categories, and if so where do I find it?

Mr Joffe—If I could take you to page 11, the orange triangles there show the breakdown by percentage and by number of clients and dollars in each of those categories.

Senator COOK—I see. What is the definition of a 'positive factor'?

Mr Joffe—We have not defined it for the clients, because we decided to let them choose which of those three options best suits their assistance.

CHAIR—In other words, must they choose one of those three?

Mr Joffe—Yes.

CHAIR—Is there another category which says, 'Nothing to do with it whatsoever—in your dreams'?

Mr Joffe—Yes.

Ms Pendleton—It is phrased as 'Neither helped more hindered'.

CHAIR—There is another category?

Ms Pendleton—There is the fourth one, and we do not count that in export—

Senator COOK—'Neither helped nor hindered': is that it?

Ms Pendleton—Yes.

CHAIR—Why is that not set out there as well?

Ms Pendleton—We do not count those as export impact, if the client has not said—

CHAIR—Fair enough.

Ms Pendleton—We give them that choice.

CHAIR—Of those that you surveyed, what amount did that account for?

Ms Pendleton—We do not count it.

Mr Joffe—There is a small number of those every year; it is certainly less than one per cent.

Senator COOK—But you do not set that down anywhere?

Mr Joffe—No; because we are trying find the people who gave us a positive or better rating.

CHAIR—I think that Senator Cook's comments are right in that it is focusing on those who are dissatisfied or who feel that you did not do very much for them.

Mr Joffe—We try to address that in two ways. We do know those numbers internally and we do look at them. We tend to use the client satisfaction indicator, which is set out on page 10, as more of a driver of dissatisfaction. Obviously, within that, there are negative ratings; and we then do quite a detailed survey, trying to understand what the drivers of that negative are. We have had improving results on that for a number of years, but there is still enough in there that we need to keep working on.

CHAIR—Do you also do reviews of satisfaction by looking at which regions have not been performing?

Ms Pendleton—Yes. We break them down to a region or to a post level.

CHAIR—Are you able to say which areas have been performing the strongest in terms of satisfaction?

Ms Pendleton—Yes.

Senator COOK—Is that in this report or in another document?

Ms Pendleton—It is in an internal document.

Senator COOK—I see.

CHAIR—I suppose that is fair enough.

Senator COOK—Yes; but since it looks like a complicated document perhaps we could just have it on the record?

CHAIR—Yes; that would be good.

Ms Pendleton—The region with the highest satisfaction is North-East Asia, which is at 85 per cent. South-East Asia is at 82 per cent. Europe and the South Pacific are at 80 per cent, while America is at 77 per cent.

CHAIR—America is the lowest. It always was, actually.

Senator COOK—It is a tough market.

CHAIR—Presuming that there is no problem with confidentiality, could we have a copy of that for our records?

Senator COOK—I hardly think that it would be confidential.

Mr Joffe—Would it be all right if we kept it until the end of your questions?

Senator COOK—If you submit it now, we could have a look and see if any questions arise from it.

CHAIR—We might have some other questions—do not relax!

Senator COOK—The issue, for me, about tracking performance—which is the section of this report we are looking at—is that Austrade is a not-for-profit organisation. It is an organisation that is funded mostly by an allocation from the budget. The issue is that you do not have a profit motive for determining how well you are performing. So how do we find out how well an agency like Austrade performs? That is the purpose of the performance indicators: to set down some guideposts against which we measure, given that we are not shareholders—although, I suppose that corporately we are the sole shareholder—and we are not getting a shareholders report. That is what the performance measures are. My only concern is that those performance indicators be a true and accurate measure of Austrade's performance.

My concern is that maybe to some extent—and maybe we should read these things more closely—they are an indication of how good Austrade is doing for public relations purposes rather than, as a shareholders meeting might demand, a rigorous appraisal of Austrade's performance against these sorts of tests. The public that has to be impressed is, in fact, the parliament or the executive that apportions the funds. And there needs to be ongoing public approval for Austrade. I come to this discussion with a great deal of good will towards Austrade but I think the performance indicators should be pretty rigorous. That is the basis of my comment.

CHAIR—I think that the report is pretty weak in terms of that and you might want to think about how the reporting can be strengthened next time around. I notice, by the way, that you did not mention that the one with the lowest performance was the Australian operations.

Ms Pendleton—Yes, that division has a role which is an interface between our posts and Australian clients. Its satisfaction level is always much lower.

CHAIR—There is a side question which interests me. Do you think that your superannuation policy may mean that you are losing some of your experienced people? As I understand it, once you hit 55 you go backwards in terms of your superannuation payouts, and you lose a lot of your experienced people because of that.

Ms Lyons—My understanding is that Austrade's superannuation policy is the same as pertains throughout the APS. I think that is a question that could be asked generally within the APS.

CHAIR—It just seems to me that if you have a whole experience base and you lose it at a critical point then that is an issue.

Senator COOK—Your point is valid in this sense. Austrade is more like a commercial entity than it is like the APS and Austrade competes, I imagine, for staff and retains staff at market rates rather than at APS levels, necessarily. I guess that goes to a turnover question. Are key staff being headhunted?

CHAIR—They are, and some of them leave because they are worse off if they stay on. In a particular case someone, who I know is very talented, was not even considered for a senior job—even though the high commissioner of a country was strongly pleading that they be considered—because they were superannuated out to meet that time criteria. That is by the bye, but in administration I would like somebody to look at that.

Ms Lyons—I would like to make a further comment. I think the 55-year age limit relates to some specific provisions within the Commonwealth Superannuation Scheme. There are some members of Austrade who are still a part of that scheme because of the length of time they have been in the organisation but there are other people within the organisation now who are not able to access the old CSS.

CHAIR—When management planning, commercial organisations look at their best performers and say, 'What do we need to do to keep these people?' It seems to me that Austrade is still tied into the Public Service so much that they are not thinking commercially about who the key people are and what they need to do to keep them if their performance is very strong. By all means, those who do not perform according to indicators should be encouraged to go, as would happen in the private sector.

Ms Lyons—This discussion should probably take place this time next year when we will have greater detail about it. I think it is sufficient to say that the new managing director of the organisation has a very strong commitment to keeping people who have experience within the organisation. He has a very strong commercial orientation that he is trying to overlay into the organisation. So probably this time next year the discussion will be quite different.

CHAIR—Perhaps you could indicate an area that will show some interest.

Mr HAWKER—In relation to figure 4, you might have already been asked this, but the figures against each category are dollars, aren't they?

Ms Lyons—I will explain. Before you arrived we had to let everybody know that the legend that attaches to figure 4 has been transposed from figures 2 and 3. So the legend should read for 2000-01 'the percentage of export impact by value' and for 2001-02 'the percentage of export impact transactions'.

Senator COOK—With regard to that last comment you made about the new managing director and his commitment to keeping people and running the show in a commercial way, I think that is a commendable thing. Has he made a statement about that or is he bringing down a new corporate plan or something that we can look at that points to implementing those values you have referred to?

Ms Lyons—I am relatively new in this organisation but my understanding is that a corporate plan will be developed by February or March next year to go to the board. That corporate plan will then be submitted to the minister, at which time it becomes a public document.

Senator COOK—So some time around April or May could we have a look at what might be a new corporate plan?

Mr Joffe—Yes, I think that is correct.

Senator COOK—Because I think it goes right to the point the chair made. Irrespective of the commitment of the managing director—and there is no reflection on him—he has to work within certain given parameters. If those parameters inhibit the ability of Austrade to deliver to its objectives, which are signed off by everyone, and to perform as a commercial entity, then that is of interest to us. It may be that we would simply say, 'Tough! They are the parameters you should live with.' Or it may be that we would have a view that Austrade is an agency that adds value and a little bit of extra leeway adds a lot more value, and if we made that judgment we might form that view.

CHAIR—That is right. Also, we might need to consider areas where you might need to retain more flexibility as a body that interfaces with the private sector. We have two comparisons and this is why I am interested. I know of someone, who I consider to be really talented, who has basically gone because of the super policy in Austrade. And, yesterday I had lunch with somebody who was on their way to London, who was considering retiring from his private sector organisation. Senior management said, 'What will it take to keep you, to get you to stay?' The incentives were provided. We seem to be working in the reverse pattern. We do not consider those factors and that is why I am strongly interested in that. I would like to take you back to the issue of which sectors are performing the best in terms of Austrade's involvement. Does this relate to your graph here?

Mr Joffe—That would be tied to figure 4.

CHAIR—With respect to your involvement in agribusiness, what commodities in particular are performing best and in which countries?

Mr Joffe—I do not know the answer. I will hazard a guess and then ask Ms Pendleton if she has more detail. Certainly, if there are large wheat deals—as you would remember from your days—they have a big impact on the dollars but not on the number of clients who achieve a sale. Denise, do you have any details on that?

Ms Pendleton—No, I have not.

CHAIR—When you talked about the \$100 million plus, how many have you got in that category? I imagine that you are probably talking about wheat deals, predominantly.

Ms Pendleton—Those kinds of transactions would certainly be in that category.

CHAIR—If we take out the agricultural products and the food, which is aligned, then what are we looking at? Are we still tied into the major benefit to Australia still being in providing an introduction at a government level for primary products?

Mr Joffe—I think there has been a big shift, both in Australian exports and in Austrade's involvement over the last 10 or 15 years. As you say, if you look at the dollars, it is 41 per cent between agribusiness and food which means it is still 59 per cent outside of those two areas. As I was stressing to you before, we are also focusing more and more on the number of companies, because that creates a focus of 'Greg Joffe Pty Ltd' as being as important as the Wheat Board. We are in the middle of a shift from agribusiness and food to a more balanced portfolio of exports as is Australian exporting overall. The particular area of focus in this financial year is starting to be what we call BIS—biotech, ICT and services—which is really to push Austrade to be as comfortable in handling the new services company as they are in handling a product or an agricultural good. Australia is moving and Austrade is moving. The beginning of the spread of those figures reflects that and I would expect you to see that continuous shift over the next 10 years.

Ms Lyons—Some of the research that Tim Harcourt, the chief economist, has done would indicate that the areas in the next five to 10 years that we would be focusing on are probably away from the agribusiness type areas. My recollection is that in the *Knowing and growing* research one of the greatest growth areas is in construction components. That is what his research shows.

CHAIR—We had a presentation from the trade commissioner from the UK a few weeks ago. She was saying that 50 per cent of the work that is carried out by the trade commissioner in the UK is IT related. One would expect that that was the case overall. I presume that is in the business and finance area. Which area would that come under?

Mr Joffe—That would be in business and finance.

CHAIR—You would actually have a larger quantum there?

Mr Joffe—The IT companies tend to be very small companies so that is why the number of companies is much bigger than the dollars. Our San Francisco office also during the 1999 boom saw hundreds of companies. The dollars were not often that large but there were lots of little companies.

CHAIR—Is there the danger of running after the rats and mice? Are we into the dotcom version of the ugh boots of my era?

Mr Joffe—There is always a risk of that but the work in the *Knowing and growing* report specifically looked at this issue of whether we should target dollars or numbers of companies. One of the things we found was that there were a whole lot of microeconomic benefits from the little companies and medium companies getting to export. At one end of the spectrum there is always the ugh boot person but equally there is a case study in *Knowing and growing* called Lochard and they do aircraft monitoring at about 16 sites around the world. It is a tiny little company; it would be very easy to overlook them. The research shows that that is where the growth is in the exporters. Austrade is making a concerted effort to make sure we are able to support those kinds of companies while continuing to support the bigger dollar export earners.

CHAIR—As long as that does not take up the resources you have got chasing the rats and mice and not having time to service the bigger dollar exporters. That is my concern. Mr Hawker, please feel free to join in if you have separate questions of your own as we are going through these. I do not want to seem as if I am hogging the questions.

Mr HAWKER—I get a bit nervous when you talk about rats and mice because a lot of successful businesses start off in a small way.

CHAIR—All I am doing is reflecting probably my past experience as a trade commissioner. I know we have moved on from that situation where a lot of the time demands as a trade commissioner were from people who had a pocketful of opals and claimed they were EMDG schemes.

Mr HAWKER—There is always a risk of that.

CHAIR—I just wanted to make sure that we were not repeating that in the dotcom era.

Ms Lyons—Chair, you suggested that we should not neglect the larger exporters. I think it is important to realise that one of the four foci that we are going to have in trying to double the number of exporters is to continue to look after the existing exporters. That includes those who have the bigger deals.

CHAIR—How do you get involved? Looking at some of our major deals to export steel, I can certainly see that you might be involved in the States where you have government to government relationships. How is Austrade involved in the export of things such as alumina, copper, iron ore et cetera?

Mr Joffe—It varies depending on the company involved and the product or commodity involved. For example, the major iron ore producers have their own export officers working with all the major buyers, so we do nothing and we are not involved. But for the recent \$25 billion LNG deal in China, we had a person working almost full time in China to make sure that we had the right contacts so that the right people met the right people in China. The company was very happy to validate our level of involvement for this year. It really does come down to the deal, the company and whether we can add value.

CHAIR—Does that happen in Europe or North America at all, or is it mainly in developing countries and the Middle East?

Mr Joffe—Can I take that on notice. I would not want to mislead you. The question you have asked is: if we take the major commodities, where do we tend to be involved in the deals. Is that correct?

CHAIR—Yes.

Senator COOK—I have a couple of questions on figure 4, but I will just comment on that last point. I do not doubt that Austrade played a role in that LNG negotiation, but as you know success has a thousand fathers and failure has none.

Mr HAWKER—Failure is an orphan.

Senator COOK—Failure is an orphan, is it? I accept that; it is still a bit early for me. I have heard all sorts of people claim responsibility for winning that contract.

CHAIR—It is like the Olympics in Sydney.

Senator COOK—Has Woodside—or anyone—returned your client satisfaction rating? If they have, how did they rate Austrade's performance?

CHAIR—That is an interesting question.

Mr Joffe—There are two components within that. One is the verification of the export impact, and that has been returned. I do not remember the level of rating within that, but that has been signed and returned—I think by LNG Australia, not Woodside. Client satisfaction is determined by a telephone survey at the end of the year of a random selection of clients who received a service. If they are one of the roughly 1,900 or 2,000 who get surveyed, then they would comment on their client satisfaction. I am aware of this because it was such a big deal. I have certainly seen lots of emails suggesting that they were very happy with our involvement. Again, if it is useful for you, I am happy to—

Senator COOK—I would be curious to know how they rated you on your own scale. I will move on to figure 4, which is a hard figure to read. My suggestion is to have different colours for the columns rather than have them shaded differently. That may just be idiosyncratic of me. Of these seven categories, this year we did better in three of them—although not by a lot, other than in food and beverages—and we did worse in four of them. Is that right?

Mr Joffe—No. That ties in to the point that Ms Lyons was making about the legend. The top bar is the dollars of exports and the bottom bar is the number of transactions.

Senator COOK—I see. I did not pick that up. I know you said it, but I did not pick it up in quite those terms. So it is not a year by year comparison.

Mr Joffe—No.

Senator COOK—The top is by value and the bottom is by export transactions. My experience is that most mining and mineral companies do their own marketing. Does the figure refer to the smaller companies?

Mr Joffe—I cannot add much to what I said to the chairman on that, which is that in some cases they are and in some cases they are not. The fact that the dollars are bigger than the number suggests there will be a few large deals in there. The fact there is still six per cent of the total in the number of transactions suggests there will also be a lot of smaller companies in there.

Ms Lyons—Would it be helpful if we took that on notice?

Senator COOK—Sure. My interest too is in automotive, which is, as a proportion of the whole, quite a small category although I know Austrade has worked manfully to lift the export of automotive component parts. Is there any reason why automotive continues to be so small?

Mr Joffe—I have a much more optimistic view of it.

Senator COOK—I am not expressing optimism or pessimism; I am just saying that it is small on this chart. Is there a reason for it?

Mr Joffe—Six per cent of \$15.35 billion is in automotive, which is a reasonably high percentage for Austrade. What you tend to see, again, is that there are one or two very big sales. I know that there were a lot of sales to the Middle East by Holden. The one per cent is interesting because it suggests that there is only a small number of companies getting those sales.

CHAIR—The one per cent is?

Mr Joffe—The one per cent is how many transactions, actual sales, there were, whereas the six per cent is dollars.

Senator COOK—Job lots are big in automotive.

Mr Joffe—Then, as you would know, there is a medium sized group of auto parts manufacturers who would be working in the one per cent.

CHAIR—What about the one that used to loom large and seems to have dropped off the chart, sporting goods and equipment? What has happened to them? Is that related to the selling off of the Speedos and the equipment suppliers to overseas suppliers?

Ms Pendleton—In terms of percentages it is probably less than one per cent. It does not even rate a number on my pie chart.

CHAIR—And medical equipment?

Senator COOK—And services?

Ms Pendleton—Services is spread across many categories.

CHAIR—Should you have a separate category for services—accounting, education et cetera?

Senator COOK—Are universities users of Austrade?

Ms Pendleton—Yes, very big users. In terms of education and training it is about two per cent of total dollars. The rest of the services can be embedded across many industry categories. It can account for about 43 per cent. That is very rough because you can have services in mining or in automotive or in a range of categories.

CHAIR—It might be interesting to have a separate breakdown for services.

Senator COOK—Eighty-one per cent of the jobs in Australia are in the services sector, and 76 per cent of GDP is in the services sector. Our export balance in services is slightly in the negative but it is mostly in balance or in surplus. It is the big area of debate in the WTO.

Mr Joffe—Can I stress that, as I said before, we are very conscious of that, particularly the new folks in biotech, ICT and services. It is exactly about making sure that Austrade is consciously thinking about services and seeing it as important and as the growing area in exports.

CHAIR—The problem with these charts is that they are glossy and predominantly PR, which is good. There are lots of nice photos and so on. Coming back to the point made by Senator Cook about an organisation that should be judged as a commercial one, the problem with this is that it is pretty minuscule in terms of performance indicators. With services being such a big factor, a breakdown in that area would be very useful.

Senator COOK—What about clothing? We are an exporter. Which category is that? Would that be consumer goods?

Ms Pendleton—I am guessing—probably consumer.

Ms Lyons—Would you like us to also take that on notice and provide you with details of where clothing comes in and whether it is under consumer goods?

Senator COOK—Yes, for clothing and textiles. I think we are a net importer of footwear. I do not think we export any footwear. There is not much of a market for thongs or ugh boots.

Mr HAWKER—There are Blundstones and running boots.

Senator COOK—That is right.

CHAIR—And R.M. Williams and other designer labels.

Senator COOK—Textiles, clothing and footwear then.

CHAIR—With regard to client satisfaction being based on tailored services, what does that include? Is it the full range of services provided by Austrade?

Ms Pendleton—Up until last year our services were split into three tiers of service. There was tier 1 or general services, which was readily available information. Then our tailored services were where we worked more intensively with one client. So it could cover the range of in-market briefings and market selection advice all the way through to in-market support, logistics, troubleshooting and research.

CHAIR—Do you do this research internally or contract it out?

Ms Pendleton—We contract it out. Last year the firm was the Wallis Consulting Group.

CHAIR—Do you share it around? Do you think there are dangers in giving it to just one organisation?

Ms Pendleton—Previous to the survey for last year, it was conducted by Newspoll research.

CHAIR—Do you use the middle order of not just McKinseys but the other general consulting organisations, or is it only specific in terms of international market research? If somebody comes along and they want to have a look at automated equipment in Thailand, what happens with that in terms of your tailored services?

Ms Pendleton—Our staff would do that research usually in-market or they may tap into some of our databases that they can access through our Australian end.

CHAIR—What are the people that you contract out doing the research on?

Ms Pendleton—Our client satisfaction research is generated by Wallis, who do it independently for us. If we are doing the research for clients it can be smaller or slightly larger scale pieces, and it can be on market entry conditions, the size of the markets—

CHAIR—So who does that? You do that internally?

Ms Pendleton—Yes, based on our in-market people and their experience.

CHAIR—Where are these people that do this drawn from?

Ms Pendleton—Our posts or some of our A-based people here.

CHAIR—When they are back from posts?

Ms Pendleton—We have a number of staff in our Australian operations.

CHAIR—Let us talk about those people. What type of salaries do you pay them for market research?

Mr Joffe—Maybe I should make sure we are clear. There are two components of this discussion. One is that when Austrade does work on behalf of a company—and there are various types of work, ranging from someone calling us up and giving them a quick piece of information through to a detailed market entry strategy—

CHAIR—That is what I am talking about. What kind of people in Australia are doing that and how do you remunerate them? That undoubtedly has something to do with the degree of satisfaction, if they are inexperienced or they cannot make the cut in the commercial world. We have to ensure that we do not have a sheltered workshop within Austrade, to which you send off this research, and the research does not stack up in terms of the commercial environment.

Mr Joffe—I will leave Ms Lyons to handle the question of salaries and their level but again this is one of the things we do try to do through the client satisfaction survey. As you have noticed, we get quite detailed reports and a lot of that is about trying to work out where clients are happy.

CHAIR—That is fine.

Ms Lyons—It is a difficult question for me to answer on the basis that I am not overly familiar with the people in Australian operations who undertake this market research. However, the annual report does set out the levels of remuneration and the numbers of people within the organisation but that is only in relation to the 2001-02 year. For example, appendix C, which is on page 120, will give you an overview of the staffing of the organisation.

CHAIR—But where does it break it down? One of my problems relates to the Public Service rules that people hit 54 and they are ushered through the doors. I am also concerned about the expertise that is developed within the organisation and whether people are paid enough. Corporate salaries are moving in one direction and the Public Service is not necessarily keeping up with that—in terms of the expertise that is needed when you are selling your client services.

Ms Lyons—If you have a look at page 99, it does not entirely answer your question but it gives you an indication of the number of people within the organisation within particular package brackets.

CHAIR—That is very light on. What highlights the fact that people are based in regional operations or are the people who do the market research based in Austrade head office?

Mr Joffe—Of the roughly 1,000 Austraders, about 600 are overseas. Of those 600, about 500 are local staff and 100 are Australian. Most of the more complex work and almost all of the market specific work is done overseas. Australia acts as a kind of funnel and helps the client select the market, working with the overseas staff, and then passes to the overseas staff. As to the part of your question about where the work is done, the more market specific it is, the more likely the overseas staff will do it.

CHAIR—Perhaps you could take that on notice, including the average salary paid to those involved in market research in Australia. In regard to overseas, could we have the average that is paid in regional breakdowns—for example, the average for Europe—so that there is a benchmark? That would be interesting and then we can move on to other questions.

Mr HAWKER—I have a question on the outward investment impact. In the section on pages 11 and 12, you quantified investments and so on. Can you give some indications as to the benefits of those investments in terms of exports?

Mr Joffe—It tends to be broader than export. What we are often finding is that we are working with Australian companies like Ansell which, as well as exporting, are also beginning to go multinational. For those types of companies, we provide both export assistance and outward investment assistance. Often it is about globalising and surviving in the globalised world. Even some of the software companies, in order to compete, have to set up in the US as well as in Australia. We help them do that in order to survive. It is a small part of what we do but, for those companies that need to be global, it tends to be a component of what they do.

Mr HAWKER—I am sure it is beneficial. Can you quantify what the advantages are for Austrade doing this work as opposed to someone else?

Mr Joffe—Only to say that it is often directly linked. We are often working with a company on export and this is their next step in globalising. It is within our mandate, so we do both. If there were another agency, we would have to say, 'We helped you to export; now you have to go this other agency that does this other thing' to about 91 companies—

Senator COOK—It is 93 companies.

Mr Joffe—and it would not really make sense.

Mr HAWKER—Is there always a direct link there?

Mr Joffe—Yes. It is very much a path to globalisation. The first thing companies will generally do is sell and then the second thing they will do is actually go multinational.

Senator COOK—We assisted outward investment to the tune of \$1.49 billion, which was above our target, and that involved 93 companies. As I add up the sums, we assisted inward investment to the tune of \$1.335 billion.

CHAIR—I suppose that is because Invest Australia have their own people as well.

Senator COOK—The annual report says:

... in attracting and facilitating 69 new investment projects to Australia, valued at \$867 million (target \$920 million)—

that is below our target but not by much—

—in greenfield and expansion investment and \$468 million in acquisition investment.

So Austrade facilitated \$468 million in buying out Australian companies. Is that what it means?

Mr Joffe—Yes. Working with Invest Australia, often in cases where the company was in a position of going out of business, we would help attract investment to keep it in business.

Senator COOK—Did you bring in equity to prop it up?

Mr Joffe—Yes, with Invest Australia. I cannot think that we would do that alone.

CHAIR—What do you do in terms of assisting with investment advice?

Mr Joffe—Often it is the same as the example I gave to Mr Hawker in relation to the outward investment. Let us use our office in San Francisco as an example. They might be visiting Sun Microsystems and talking to someone about an Australian company and it may actually end up with Sun Microsystems deciding to make an investment in that company in Australia. Or, another example: Invest Australia may not have representation somewhere so they ask us to approach a client, an overseas potential investor, build a relationship with them and build their knowledge of Australia. It can be reactive—somebody we are visiting gets interested in a company we are introducing them to—through to actually being targeted by Invest Australia to go and do something on their behalf because we have the networks in the offshore market.

Senator COOK—How does it work when you are facilitating acquisition investment? Does the Australian client put up their hand and say, ‘We’re looking for X number of dollars. Can you find an international investor?’ Is that how it works?

Mr Joffe—Basically, Austrade’s entire business is two pipelines: getting Australian companies going offshore and getting overseas companies looking to buy or do something in Australia; and the inward investment is much the same. We have got a database—again, with Invest Australia—of projects or of companies that are interested. Then, overseas, we are constantly meeting people, some of whom express an interest in investing in Australia. Sometimes those matches work. We are much more focused on the overseas side in getting who is out there, who might be able to invest, and then working with Invest Australia to make those connections happen.

Senator COOK—Do you have any sort of division between those pipelines in terms of acquisition investment, where the Australian client of Austrade is an originator of a request saying, ‘Can you find an international partner or an international investor for my company?’ and where an international investor knocks on your door and says, ‘I’d like to find areas to invest in in Australia,’ and you facilitate that request? Is there some sort of division of that?

Mr Joffe—I do not know the answer to that off the top of my head. Would it be okay if we took that on notice? We could do a breakdown of the 93 companies.

Senator COOK—Yes, sure. The other question is really about the Export Access program.

CHAIR—I am interested in terms of the survey of 1,900 clients. What percentage responded to the survey?

Ms Pendleton—That was it: 1,900 responses.

CHAIR—How many did you invite to respond?

Ms Pendleton—I am sorry, I will have to get back to you with that. I know it was a very good response rate but I just cannot remember the percentage.

CHAIR—That, surely, is a pretty important aspect of it. Any surveys conducted by Newspoll that you see published normally indicate the numbers interviewed et cetera.

Ms Pendleton—It was 1,900 interviews. I am not sure, I am sorry.

Mr Joffe—Let me just clarify: we work backwards from the 1,900. We know we need 1,900 in order to get a valid regional, post and corporate measure, and then there is a certain larger number which we contact. Of those, we get through to 1,900. So if we contact someone and they say no, we will actually go out and find someone else.

CHAIR—I understand, but it is quite useful to have those who knocked you back because otherwise it can skew the result.

Senator COOK—In terms of the Export Access Program, is there a list somewhere of who your allies are for that program and for the TradeStart program?

Ms Lyons—They are not contained in this annual report but it is easy enough to get that list. I should add that the Export Access Program per se has been rolled into TradeStart from 1 July this year so this will be the last year, and the last annual report, in which it shows up as a separate program. It is easy enough to get that list for you.

Senator COOK—Is there any sort of rule for allies of the soon to be rolled in Export Access Program? For example, if I am an industry organisation and I am a participating member of that program, am I able to say that I am a provider of information on trade opportunities in partnership with Austrade?

Ms Lyons—If you have entered into a contract with Austrade to provide export access services to clients, you are entitled to do that.

Senator COOK—Am I entitled to say, ‘And access to our information bank is at a particular rate for members of the organisation, but at a much higher rate for nonmembers of the organisation’?

Ms Lyons—In a sense, that is a difficult question for us to answer because Austrade has a contract with the providers to provide certain services to potential exporters under that agreement. What happens outside of that agreement is very difficult for us to comment on. The only time that we would ever get involved in that is if we believed that, for example, the organisation was in breach of that agreement with us.

Senator COOK—But you provide the information to your ally, essentially, as a free good.

Ms Lyons—As I understand it, we provide some information to them.

Senator COOK—Which they then market to their members as a reason why they should be members of the organisation.

Ms Lyons—I suppose they could; certainly, I am not familiar with that.

Senator COOK—I see. I am aware of the ACCI in Western Australia advertising that, for members of the organisation, access to information they have in partnership with Austrade is at some given rate, but if you are a nonmember of the ACCI then you have to pay almost double in order to get access to the same information. It would seem to me that a particular company could go straight to Austrade and get the information without paying, essentially, anything.

Ms Lyons—Could I ask if that is a recent advertisement?

Senator COOK—It is over a year ago that I saw it.

Ms Lyons—Because my recollection is that, as of this current round of service providers, the Chamber of Commerce and Industry Western Australia has not been as successful as it was in the past. I would like to take that matter on notice, have a look at it and get back to you with a written response about it.

Senator COOK—I am interested to know if there is a policy of Austrade about using these agencies to disseminate trade information or enabling Austrade information to be used as a membership recruitment device for those organisations. At the back of all this, Chair, there is a political point here: this is preference to unionists. The union members in this case are corporate members. I would be interested to know if the government has a view on that; it does not seem to be consistent with anything that the government has said.

CHAIR—That is the minister. Perhaps you could take that on notice and look at that.

Ms Lyons—Yes, we will take that on notice.

CHAIR—I would like to have a look at the posts and how the KPIs are measured at the posts. Do you go through the same process in terms of KPIs? Is it as rigorous in terms of assessment?

Mr Joffe—KPIs are something that Austrade has focused on for a number of years, probably for many years, in an ongoing attempt to drive consistency from what we report corporately through to our regions and through to the posts. Particularly in response to Senator Cook's earlier comments, unlike many government agencies, we have tried to focus Austrade on results. The results we have driven have been the ones you have seen listed. I often draw it as a spider web—export/impact dollars, export/impact number of transactions, client satisfaction, upward investment dollars, number of transactions. Then we had these two other measures: how many new exporters received tailored assistance and how many existing exporters moved into a new market. That spider web of measures has been our core measures corporately, regionally and for posts, and even down to individual performance agreements.

CHAIR—Tell us about these performance agreements. Are there any bonuses paid for performance by trade commissioners?

Ms Lyons—The certified agreement that Austrade currently works within has established within it a performance bonus system that is available to all employees within Austrade.

CHAIR—So, if I am the trade commissioner in San Francisco, what is the most I can earn, for example?

Ms Lyons—I am not familiar with the detail of the bonus system. Broadly speaking, if you are rated exceptional, which is the top rating, I understand your bonus is either seven or 12 per cent.

CHAIR—And who rates them? Is this based on your pie chart and the rankings, is it done by the person they next report to or is it done as an objective measure?

Mr Joffe—The measures are compiled at all the different levels by Denise Pendleton and my team, they are then given throughout the organisation and the person above you would be the person who rates you. If you were a senior trade commissioner, the executive general manager above you would do your rating—based on those results but also on other things such as how you led your team et cetera.

CHAIR—So there is a bit of subjective variation in that: even though you perform very strongly on the measures, whether the boss likes you comes into it. Is that correct?

Mr Joffe—There are weightings to the different categories. The KPIs have particular weighting and then your leadership and team management would have another weighting. There are some things we found in Austrade—and I am sure it is the same for many government departments—upon which you cannot put a quantitative measure. The best, I think, is whether you turn up at the airport to meet the minister!

CHAIR—We will not go there! You can see from our previous questions that, as a commercial organisation, it is useful to be able to measure these factors objectively, especially as people are put on contracts. In the last 12 months, have people had their employment terminated because they did not perform according to your objective measures?

Ms Lyons—I would have to take that on notice; I do not know the answer.

CHAIR—Obviously, on the one hand we have the performance bonus, which is good to see, but on the other hand we have the people who clearly do not meet those criteria—or perhaps they are all outstanding performers. It would be interesting, again, to look at the private sector where people who do not perform have their contracts terminated and so on. What we really want to know is what happens at the other end of the spectrum. Does the organisation have a standard distribution in the rankings or is it skewed to the top end, with most of your people being in the top quartile? What happens to trade commissioners who are in the bottom quartile?

Ms Lyons—All right.

Senator COOK—Back on TradeStart and those other schemes, are we through this era when the states compete with Austrade at the state level? Who are the offenders—if there are any state agencies that hold themselves out to be export promotion agencies duplicating the work of Austrade?

CHAIR—All of them.

Mr HAWKER—I notice your smiles. Is that something to do with pensioned off ex-state ministers being sent overseas on a posting?

CHAIR—In New South Wales we abolished the position.

Ms Lyons—Are you talking about state agencies who currently have contracts with Austrade?

Senator COOK—I am asking: are there any state agencies that compete with Austrade by holding themselves out to be export promotion agencies that have the same sort of work objective as Austrade?

Ms Lyons—My understanding is that a number of state agencies play a similar role within the states to the role that Austrade might play nationally. Part of the objective of trying to double the number of exporters is, in fact, to try and get Austrade working with as many allies as is possible, and that will include some of those state organisations. Generally speaking, they are state departments that have a responsibility for industry and business within their particular jurisdiction. Do they compete? You would have to look at the detail of exactly what they do, but they probably do compete with us. If you are linking this back to TradeStart, the recent round of TradeStart contracts has some state departments who will be providing services to potential exporters, but there are also quite a large number of non-government organisations that will be providing those services.

CHAIR—There are a couple of people in London who are former trade commissioners. Again, it highlights the fact that they were offered more money to go and work for the states. It comes back to the fact that it should not have happened. These people are some of the top performers who are being headhunted by state agencies.

Senator COOK—Under the Constitution, trade is a federal provision not a state one, but that does not stop the states from having trade ministers.

CHAIR—That is right.

Senator COOK—Although, they would only have a constitutional head of power, it seems to me, to justify that. The fact that they all have them and they all promote is to the greater good of the broader effort, so I am less offended by that. I am not offended by that at all if it means that more people are paying attention to export and are finding export opportunities. What I am really trying to work out here is: are taxpayers getting a good deal for their dollar or is there unnecessary and wasteful duplication? Where you have state trade agencies—that is almost in every state now—if they are soaking up a client base which they hand on to you and which you would not otherwise get, that is a plus sign. Where they are soaking up a client base which competes with you and, therefore, they are trying to deliver the same service with a less credible network and less expertise than you have, and the same taxpayers are paying for it, that is not so good. That is the issue that I am trying to direct my attention to. Can you provide some helpful comment?

Ms Lyons—As I indicated, one of the flow-on effects from the strategy to double the number of exporters has been a fairly strong focus on Austrade working with all sorts of allies—and that includes the state government agencies. Those state government agencies never put the word ‘trade’ in their portfolio description. As a rule it is always ‘business and industry’, ‘state and regional development’ or what have you.

Senator COOK—In Western Australia you have the Department of Commerce and Trade. They used to be commerce and industry—

Ms Lyons—But they have changed it. What we are attempting to do within the process of the national trade consultations is to have some written agreements with the states about how we are going to work cooperatively with them—not so much that they go off and have their own export base but rather that they are, to some extent, locked into this national strategy, so that we will have cooperation, not competition. Thus far, that seems to be on a very positive footing.

Senator COOK—I understand that. You are moving in the right direction and this is a direction that, eternally, we are always trying to move in. Whenever there is a change of government or a change of minister, someone has a rush of blood and away goes a parochial operation again, which undercuts or has the potential to undercut the whole national effort. This is the basis of the bidding wars that occur between states to attract inward investment. These are wasteful bidding wars in which the costs just escalate. Maybe it is something to take on notice, but what I am really looking for is a critical appraisal of how well it is going, rather than what we need to say to put forward the best and most positive view.

CHAIR—There is also consolidation—the moves that are made to bring state agencies together with federal agencies so that they can share common services et cetera. It is disappointing when you go to Berlin and find that the Scandinavian countries have come together, while we have all these state agencies.

Can I take you back to the setting of the targets. Is this an ambit claim where you put in an amount which is pretty conservative so that you can look good at the end of the day? If you were a commercial organisation and your estimate was \$7 billion, but the actual amount was \$15 billion, the manner in which your estimate came to be so unrealistic would have been examined. It is a good thing in one way, but one would suspect that you have been very conservative in your estimate. What was the target for last year, for example?

Mr Joffe—While Ms Pendleton tries to find that number, may I say that we try to set these targets in the same way as do most businesses, which is by using historical trends and our own estimates of what people should be able to achieve, often by using best practice within Austrade. For instance, for export impact we would look at previous targets and previous actuals, but we would also be looking at what we might achieve given the best performance.

Mr HAWKER—The chair's point is a very good one. Would you say that you have increased last year's estimate by 10 per cent?

Mr Joffe—I would stress the point I made before, which is that the \$15 billion was an exception. There were a few very large deals in there and that is why I have consistently stressed that we also look quite heavily at the numbers and the other measures. If you focus just on the \$15 billion and say, 'Next year we want \$20 billion'—

CHAIR—Really, the more appropriate figure, as Mr Hawker said, is what you did last year. What was that?

Ms Pendleton—Last year's target was \$5.384 billion and the result was \$9.309 billion.

CHAIR—So, one would say that after achieving \$9.3 billion last year, to estimate \$7 billion this year is—

Mr HAWKER—Cautious.

CHAIR—setting yourself up for a positive result.

Mr Joffe—There is a timing issue. We were setting our targets with the board between January and March of the year, and the results were not available until September of that year. So, we did not actually know the end-of-year results until several months after we had set the targets for the next year. There are year-to-date details, but our numbers tend to ramp up in the last few months.

CHAIR—Can I test you and see whether you can give us the figures for the year before?

Ms Pendleton—I can give you the result, but not the target for the year before.

CHAIR—While you are doing that, I will ask a kind of ‘left-of-field’ question. Was your managing director unavailable today? While I feel that you have all performed very well, usually when there are estimates and reviews the heads of department attend. I am just wondering where the managing director is today.

Ms Lyons—My understanding is that he is in Sydney, but I am not absolutely sure about that.

CHAIR—Would you let him know that we are a little disappointed that he did not attend today.

Ms Lyons—Yes.

Ms Pendleton—For 1999-2000 the result was \$7.47 billion.

CHAIR—So your target was less than it was two years ago as well. It is interesting in terms of how these targets are met. It may be worthwhile also if we were to have a graph of performance indicators showing how much we have achieved in terms of your measure of assistance and whether we are improving or going backwards—

Mr HAWKER—And the targets and the outcomes.

CHAIR—Yes, that is what I mean.

Senator COOK—For some of these key indicators, perhaps we could have some time series graphs so that we can see what has happened over time; otherwise we run the risk of having something like the old Soviet production targets.

CHAIR—That is right.

Mr HAWKER—On another issue, raising the community awareness of trade, we all support your efforts in this regard. As you say, there are low levels of community awareness about

which exports and investments contribute to job creation and so on. You said about 4,000 teachers in schools requested copies of books for years 9 and 10, and they have been used in 77 per cent of secondary schools nationally. Is there an ongoing commitment to use those resources or was it a one-off occurrence? Having kicked off the program, is interest continuing, growing or stable? What is the situation?

Ms Lyons—Yes, the interest is growing. Again, this does not relate to this reporting year, but in July this year we launched further curriculum material for years 11 and 12. The take-up rate of that has been roughly the same as this—about 70 per cent. That is right across the nation. It is quite a high take-up rate.

Mr HAWKER—So the 70 per cent refers to 70 per cent of all secondary students?

Ms Lyons—Yes, 70 per cent of all secondary schools, yes.

Mr HAWKER—That refers to the percentage of schools that are running such a program but not necessarily to 70 per cent of all students?

Ms Lyons—Yes.

Senator COOK—I conclude with a parochial question: I see in Western Australia you have an Austrade export access office—

Ms Lyons—Yes.

Senator COOK—and four TradeStart offices. But the biggest city outside of Perth is Bunbury and the biggest inland city is Kalgoorlie, yet there is nothing in either of those centres. Is there any reason for that?

Ms Lyons—I would have to take that question on notice, Senator, because I do not know the answer.

Senator COOK—Comparisons are odious but, for example, you have one office in Whyalla and one office in Berri—an export access office, which is a higher level presence. It seems odd to me that two of the biggest cities in Western Australia, which have a more diverse base than perhaps the other two, do not have an office at all.

Ms Lyons—I will take that on notice and get you the answer.

CHAIR—It might be appropriate to have a short break before we begin our discussions with DFAT. Thank you very much for coming and for your answers, which we found very useful. With respect to the questions that you took on notice, please send the answers to the secretariat. You will be sent a copy of the transcript of your evidence to which you can make corrections of grammar and fact.

Proceedings suspended from 10.25 a.m. to 10.34 a.m.

ADLER, Ms Ruth, Assistant Secretary, Trade and Economic Analysis Branch, Department of Foreign Affairs and Trade

BINGHAM, Mr Frank, Acting Director, Market Information and Analysis Unit, Department of Foreign Affairs and Trade

CARAYANIDES, Ms Anastasia, Assistant Secretary, Trade Policy Issues and Industrials Branch, Department of Foreign Affairs and Trade

DEADY, Mr Stephen, Special Negotiator for Free Trade Agreements and Processed Food, Department of Foreign Affairs and Trade

GOSPER, Mr Bruce, First Assistant Secretary, Office of Trade Negotiations, Department of Foreign Affairs and Trade

HILLMAN, Mr Ralph, First Assistant Secretary, Trade Development Division, Department of Foreign Affairs and Trade

HOLLY, Mr David, Director, International Economic and Finance Section, Department of Foreign Affairs and Trade

LISSON, Ms Frances, Director, Trade Policy Section, Department of Foreign Affairs and Trade

MCCORMICK, Mr Hamish, Assistant Secretary, APEC and Regional Trade Policy Branch, Department of Foreign Affairs and Trade

TANNER, Ms Sue, Assistant Secretary, Market Development and Business Liaison Branch, Department of Foreign Affairs and Trade

TODD, Mr Andrew, Director, Trade Advocacy and Outreach Section, Department of Foreign Affairs and Trade

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CHAIR—On behalf of the Trade Subcommittee, I welcome representatives from the Department of Foreign Affairs and Trade. The subcommittee prefers that you give all evidence in public, but should you wish to go in camera please let us know. Although the subcommittee does not require you to give evidence on oath, I should advise that these are proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. I invite each of the two lead speakers with responsibility for the areas under discussion to make an opening statement before we proceed to questions.

Mr Hillman—Thank you for the opportunity to make an opening statement. I understand that the Trade Subcommittee wishes to examine the department's delivery and performance in the areas of trade development and policy coordination, with a focus on the Market Development Group and on trade policy coordination and business liaison. I will focus my opening remarks on those issues. The government pursues an integrated trade policy agenda whose aim is to secure the best possible access to overseas markets for Australia's exporters. Market access efforts at the regional and bilateral levels complement each other and also provide support for Australia's goals in the Doha Round of global trade negotiations now under way in the WTO. The Trade Development Division focuses on efforts to increase market access for Australian exporters at the bilateral and regional levels.

One important strategy for ensuring a coordinated approach to the removal of bilateral market access barriers and the promotion of market development opportunities is the Market Development Group. The Market Development Group, or MDG, is supported by a secretariat in the Trade Development Division of DFAT and coordinates the efforts of a number of portfolios and agencies on Australia's bilateral market access and market development priorities. The MDG focuses on high-priority, short-term opportunities identified in consultation with business; and since mid-1996, when it was set up, it has contributed to significant results in key markets for Australian business across all sectors of the economy and all regions.

The MDG has the participation of a range of portfolios, including: Austrade; the Department of Industry, Tourism and Resources; the Department of Communications, Information Technology and the Arts; the National Office for the Information Economy; the Department of Agriculture, Fisheries and Forestry; and the Department of Education, Science and Training. The government established the forerunner of the Market Development Group, known as the Market Development Task Force, in 1996 as a whole-of-government initiative to open markets to Australia's exports of goods and services. The task force was internally reviewed in November 1999 and again in late 2001 to improve its performance in securing market access for Australian exporters.

The reforms undertaken in 2001 resulted in the following changes: inviting industry to provide written input into the process of identifying priorities; allowing some priorities to be set for 24 months to ensure that worthwhile priorities were not excluded simply because they were not achievable within the standard 12-month time frame; inviting agencies responsible for education, IT and telecommunications to participate in the MDG; and separating the task force into two groups, one of which focuses on big-picture, strategic issues while the other does the more detailed work of setting targets and evaluating progress towards them. The name of the group was changed to the Market Development Group to reflect its ongoing role.

The criteria against which we select our priorities are the following: there needs to be an indication of where the additional coordination and focus by the Market Development Group can contribute to practical outcomes; they need to contribute to the government's goal of doubling the number of Australian exporters by 2006; they need to offer reasonable prospects of return within 12 months, although we sometimes allow them to run for 24 months; they need to offer a minimum return of \$5 million or have important symbolic value, for example, getting Fuji apples into Japan; they need to genuinely match industry priorities; and they must be expressed in terms of clear outputs and outcomes. The MDG selects 10 priorities in Asian markets and 10 priorities in non-Asian markets. Since 1996, the MDG has contributed either directly or indirectly to the export success of some 202 priorities to an estimated value of \$3.04

billion. I can table a document showing priorities by sector, value of sector, number of priorities by region and approximate value by region of the total priorities considered since 1996.

I will now turn to trade policy coordination and business liaison. Trade policy coordination takes place across almost all divisions in the department—for example, the Office of Trade Negotiations, the South and South East Asia Division, and the North Asia Division, all of which contribute to trade policy formulation. It also involves consultation with other portfolios. The particular role of the Trade Development Division is to coordinate the provision of advice to ministers on the implications for Australia of global and regional trade and economic issues, including, for example, Asian regionalism and economic developments in regional countries such as Indonesia. The division also formulates and coordinates departmental advice to ministers on Australia's trade performance.

The Trade Development Division also represents the department's participation in the International Economic Policy Group, which is a high-level interdepartmental group—including the Department of the Prime Minister and Cabinet, DFAT, Treasury, the RBA, the Office of National Assessments and AusAID—which considers economic and trade policy issues. It was established in 1999 in the wake of the Asian financial crisis, and it contributes to policy debate on topical international economic issues and coordinates policy responses among the key participating departments.

Turning to business liaison, the wide scope of the work of DFAT means that many divisions of the department promote outreach activities. They conduct consultations with business and industry, state and territory governments, NGOs and community groups on all aspects of the government's trade policy agenda, including the Doha Round and free trade agreement negotiations. In regard to the government's program of FTAs, the department has sought public submissions on the negotiation of FTAs with Singapore, Thailand and the United States. It has also sought views on these agreements from state and territory governments, as well as companies, industries or organisations whose interests may be affected, and has used the input received in developing Australia's negotiating position. The department is undertaking a similarly broad process of consultation in developing proposals for new bilateral trade and economic agreements with Japan and China. Officials from the Office of Trade Negotiations are present to answer questions concerning consultations with business on the Doha Round and bilateral free trade agreements.

In addition to the specific liaison it does with business and other community groups on particular trade agreements and the Doha Round, the department at a more general level also provides briefings and arranges seminars on a range of trade issues of interest to the community. These are usually held in the department's state and territory offices. The department also undertakes research and analysis of emerging issues that will affect Australia's international trade and investment performance. It prepares regular publications which give information on overseas markets. These range from country profiles and statistics to detailed reports which analyse long-term political trends and business opportunities. Publications produced by the department such as the annual trade outcomes and objectives statement and the work of the Economic Analytical Unit fall into this category. Recent examples of the Economic Analytical Unit's work are the reports entitled *China embraces the world market* and *Emerging opportunities in East Asia's ICT and e-commerce markets*. These provide targeted information to the business community, among others.

An important part of the department's trade advocacy and outreach program is the department's web site, which provides a range of current and useful information on trade related issues to the general public. This includes TradeWatch, which is managed by a trade development division and is a free, interactive online information service for Australians doing business overseas. TradeWatch provides Australian business with current information about the international trade and investment environment and Australian government action to open international markets. It enables business to feed in market-specific concerns that will be factored into the government's market access strategies.

As one element of the department's overall business liaison program, the Trade Development Division manages two particular consultative processes for the Minister for Trade: the Trade Policy Advisory Council, TPAC; and the National Trade Consultations, NTC. I will talk first about TPAC. Members of the Trade Policy Advisory Council provide advice to the Minister for Trade on trade, business development and investment issues. Its membership comprises 14 senior business representatives from both large Australian companies and small and medium enterprises involved in exporting services, manufactures, agricultural products and minerals. Members are appointed in a personal capacity, and membership is reviewed every two years. The secretaries of the Department of Foreign Affairs and Trade, the Department of Agriculture, Fisheries and Forestry and the Department of Industry, Tourism and Resources and the managing directors of Austrade and EFIC are ex-officio members. TPAC meets, on average, three times a year. Discussion at TPAC meetings ranges across all aspects of Australia's trade policy and commercial interests.

The National Trade Consultations meet at ministerial level and also at official levels. At ministerial level, they provide for consultation, coordination and cooperation on trade and investment issues between the Commonwealth, state and territory governments on at least an annual basis. The Minister for Trade chairs the meeting, with the participation of his state and territory counterparts, and discussion focuses on significant trade policy issues and opportunities for practical cooperation between the Commonwealth and the states on trade and investment issues. Ad hoc teleconferences are held when warranted. For example, a teleconference was held in February this year to discuss progress in negotiations on the Singapore-Australia free trade agreement.

There are two other elements of the national trade consultation process: an intersessional meeting usually held twice a year involving senior federal, state and territory officials, representatives of major industry associations and the ACTU; and meetings several times a year between heads of key industry associations and the members of the senior executive of DFAT. Ad hoc meetings on particular issues are held with senior state and territory representatives as required.

The annual report in dealing with Trade Development Division, in addition to the issues I have covered, also makes reference to the division's activities in relation to the World Economic Forum summit, the World Congress on Information Technology, conflict diamonds and the Direct Aid Program. I have not touched on those issues in this opening statement but, of course, we are happy to answer questions on them.

CHAIR—Thank you. That was pretty extensive. I would like to kick off the questions. You quoted a figure of \$3 billion for the level of exports in which the department was specifically involved. I think Austrade quotes \$15 billion. The gas deal with China would certainly inflate

your figures somewhat. I have just checked with our secretary, who said she thought that was concluded in June. I am wondering whether you would include that in your figures.

Mr Hillman—No, that is not included. On a point of clarification, the \$3 billion figure I mentioned related to the activities of the Market Development Group specifically rather than the whole department.

CHAIR—What does the Market Development Group specifically include? How is that differentiated from Austrade? You do not include the major lobbying contracts such as the gas deal. What types of projects are you including in there?

Mr Hillman—I went through the selection criteria before for selecting priorities for this group.

CHAIR—Yes, I understand. Can you just give us an example?

Mr Hillman—I will give you some examples. The sorts of things that we try to include are projects where you can get a benefit from a whole-of-government approach coordinating activities of Austrade and, say, DITAR and DFAT to achieve a particular trade access objective. Some of the examples I have here—these are the ones mentioned in the annual report—were information technology contracts secured by Australian companies to the value of \$215 million in China. That was largely an Austrade activity, but there was involvement by DFAT in it.

CHAIR—Would there be double counting of that?

Mr Hillman—This would be counted in their achievements, absolutely. They would have added that up as part of their export achievements.

CHAIR—So is it where there is a diplomatic initiative as well?

Mr Hillman—Yes. The aim of this program is basically to keep the bureaucracy focused on some important priorities. Having a review process applies pressure to posts, it applies pressure to desks to make sure they are maintaining their efforts on a particular project which has been identified as worth while. It provides, as I said, coordination across portfolios. So it does not include everything we do in terms of bilateral—

CHAIR—Have you got a few other examples just to give us a feel for it?

Mr Hillman—Yes. Also mentioned in the annual report is automotive component—

Senator COOK—Mr Hillman, is this the program that Tim Fischer basically introduced?

Mr Hillman—Yes, it is.

Senator COOK—He introduced it as market access, where, as I understand it, exporters who encountered a particular barrier to export their goods into a given market would notify the department and the department would go and negotiate with that country to try and have that barrier removed so that Australia could compete in that market. This is basically what it was. I

do not understand what it has become—whether it remains what it was and only the name has changed or whether your duties have also changed with the name change and have become broader. I can understand and comprehend targeting bilateral trade barriers and trying to remove those—and that helps to explain a bit about what you do—but what have you become that is different?

Mr Hillman—I am not sure whether, in 1996, this group just focused on market access barriers, but now we have a set of criteria which would allow us to deal with market access barriers, if that is the problem, but also pick up opportunities where what is needed is a focused promotional effort, for example. So it might not just be a market barrier.

Senator COOK—I see.

Mr Hillman—There is a mixture of—

CHAIR—Is that not starting to veer into what Austrade's role should be?

Mr Hillman—Austrade is involved; they are part of the group.

CHAIR—Can we have a couple more examples?

Mr Hillman—I will pick up a couple here which involve some regulatory issues.

CHAIR—Pigeons to Canada? That is one I was involved in. We finally got the poor birds in and then they had some scare and all of them had to be destroyed. That was a couple of weeks ago.

Mr Hillman—A good example of attacking a market barrier in a sort of strategic way is the export of cow leather to Poland for furniture. That sounds a bit bizarre, but what has happened with IKEA in Sweden is that, because of costs of production within existing EU countries, they have shifted their leather furniture manufacturing to the new aspirants for EU membership. Among them is Poland, which has a big leather industry. There was a small tariff there of seven per cent on imports of non-community leather, and we made a focused attempt to get that tariff down. We got it down first to three per cent. We might have got it down to zero, temporarily. Of course, what is going to happen is that once they are in the community Australian exporters are going to face the community level anyway, which is probably higher than the level we got it down to. This was seen as a strategic opportunity to get the industry in there and get itself established as a supplier in the belief that probably they could deal with the community tariff when it eventually came in. That has been successful. I do not actually have any export numbers, just that the tariff was got down to zero. I could probably get you some numbers.

Senator COOK—Now that there is a round, what scope is there for winning bilateral trade access concessions? Surely there is a tendency for nations that are going to participate in the round to put any of their concessions that they would make in round negotiations, rather than to one demander, like Australia, on a particular concession and conceding that bilaterally. Hasn't the existence of the round put rather a dampener on a large part of your activities?

Mr Hillman—In terms of the MDG, it is not just focused on tariff barriers. There can be regulatory sorts of things as well—trade facilitation things.

Senator COOK—As is the round.

Mr Hillman—We are still achieving things with this sort of exercise. We have a record of four or five wins there in the annual report and we expect to be able to continue to do so. On the more general issue, now that there is a round on, of whether everyone is going to hold off, everyone is clearly not. There is a lot of regional and bilateral FTA activity going on. Chile just completed an FTA with Korea. We have just completed an FTA with Singapore, which did involve substantial gains. I will let Ms Caryanides continue with that.

Senator COOK—There is no need to develop it; I understand the point you are making. So there are still niche opportunities there for Australia to bilaterally pick up the review issues and they are set out in the report and we should look at the report.

CHAIR—Is it predominantly in terms of access with trade barriers whether it be in terms of actual tariffs or other restrictions that you address in terms of your activities or is it other matters as well?

Mr Hillman—Other matters: I will give you some more examples of where we have had success. The government funded a visit of Brazilian quarantine officials to Australia and we were able to discuss quarantine issues with them.

CHAIR—That is exactly what we were talking about—nontariff barriers.

Mr Hillman—This resulted in the Brazilian government approving 14 Australian dairy establishments for the export of dairy products to Brazil. This was announced in September 2001.

CHAIR—For example, if you look at the medical area, a group came to see me the other day. They want to set up a service selling treatment at private hospitals in Australia to those from the Middle East because of their reluctance now to travel to the US. There is also the question of education and those people who want to come to Australia, who find various problems with visas and so on. Are they issues that you tend to sort out or get involved in?

Mr Hillman—In the case of education, DEST has just joined the group and we have not yet done an education initiative. The question of trade in educational services currently is the subject of attention by an IDC. Ms Tanner can expand on that. There is action by the government on the question of educational exports but it is taking place in another place at the moment.

CHAIR—Is there anything in the medical area? It was new to me that they were looking at it and apparently there seems to be big potential. The Germans apparently have targeted this whole area and are very successful in marketing it. Is there anything being done in that area at all?

Ms Tanner—No. It is an interesting point. We would certainly be able to ask about it.

CHAIR—I had not heard of it before but apparently it is worth billions to the Germans—glossy brochures, a range of hospitals, a range of services et cetera.

Senator COOK—But the EU has provided its requests to Australia for the GATS round in which it mentions medical services.

Ms Caryanides—In the round context there is a GATS request offer process currently under way. Medical services, in particular the aged health care sector, are part of the request that we have made of a broad range of countries including the Middle East and across the board. That sector has been in contact with us and we do broad consultations across all of the services sectors, and that is one of them.

CHAIR—It may be worth while, it sounded big, and apparently there are quite a number of areas where the private hospitals have actually got vacancies, which sounds surprising, and are committed to have this available anyway. That is by the by. I want to follow up on the questions from Senator Cook about the change when you went from the MDTF to the MDG. What were the reasons for changing the organisation? What were the factors that lead to the review? Who conducted the review, what were the findings and what is the structure of it now? You partly went into that with Senator Cook.

Mr Hillman—That review was conducted internally by DFAT, I presume in consultation with the other departments—that is right, isn't it?

Ms Tanner—Yes, other departments were consulted.

Mr Hillman—In my opening remarks I indicated the main changes. One of the principal changes was that originally the MDG existed at secretary and deputy secretary level only and the review split it in two so that you could have the deputy secretaries and the secretary of the department focusing on strategic issues and the overall management of the thing but you would have a second group, which my position chairs, which gets together the people who are more down in the weeds, selecting the priorities and working on implementing the priorities, so you get a bit more hands-on. That was a positive idea.

The other change was, as I said, to allow priorities which would produce their outcomes in a 24-month period rather than a 12-month period. The original criterion was that you had to have the result within 12 months. This change allowed a bit of loosening up there. I do not know at what stage we focused it down to 10 priorities per market set. Was that in this review or the previous review?

Ms Tanner—That was prior.

CHAIR—Per market set?

Mr Hillman—We have Asian markets or non-Asian markets. The other development was to try and engage industry more closely. This involved the secretary at the beginning of the selection process writing to—how many companies did we write to?

Ms Tanner—He wrote to heads of industry associations and others. He wrote to over 200 industry associations and businesses.

Mr Hillman—The real consultation with business, in addition to that sort of general attempt, takes place at the level of the agency which is promoting the priority. They have to establish

that, yes, this is something industry has a particular interest in in order to get it up into the MDG set of priorities.

CHAIR—Do you have formal meetings involved in this and how often do they take place?

Mr Hillman—Yes. I have all that here.

CHAIR—We do not want to go down into all the minutiae.

Ms Tanner—There are certainly regular meetings. Consideration of the non-Asian markets takes place twice a year and consideration of the Asian markets also takes place twice a year. One meeting would be setting the priorities and the second meeting, at a six-month period, would be reviewing the priorities. So you have that 12-month cycle unless you then decide to carry on—

CHAIR—Do you have people such as ACCI and the Business Council and so on involved?

Ms Tanner—Not directly involved in those meetings, but they are consulted in the industry consultation process to which they are invited to contribute. Also, we have other means through the national trade consultations and through regular—

CHAIR—Shouldn't we have a separate group that directly liaises with industry on that so you can keep the pressure up?

Ms Tanner—We feel that we have a range of bodies or group meetings at the moment where information is feeding through, particularly, with the Doha Round, to our colleagues in the Office of Trade Negotiations. So we feel that contact with the industry associations is regular enough. Also our deputy secretary has lunch, meets, with the heads of the peak industry associations three or four times a year.

CHAIR—Having a few nice chardonnays, I am sure.

Ms Tanner—The agenda there is obviously current trade and trade policy issues. So I suppose we feel that there is certainly plenty of opportunity.

CHAIR—It just seems a bit one-sided, in that you are all meeting regularly internally but—

Mr Hillman—There is contact. Austrade is on the MDG. When it is an Austrade project that they are promoting, they are dealing with the industry on a regular basis. For example, I mentioned the cow leather thing to Poland. That was actually done by DFAT. The DFAT officer concerned was in very regular contact with the companies that had an interest in that market, as part of getting that tariff barrier down. The contact does not take place at the level of the committee itself but it certainly takes place at the level of the individual agencies involved in each priority. We have the capacity—we have not done it yet, but following that review—to call industry in to a meeting if we think that would assist.

CHAIR—I would like to see a bit more of that from my perspective—I do not know about Senator Cook and my other colleagues. It also would make them start to focus—apart from their

various gripes with the government—on some of the really positive things that they can feed through into government, exercising concern.

Senator COOK—I am looking at the section of your report on page 151—it seems more like an information campaign—and page 27, which is about performance and global cooperation. On page 153 there is a table which shows that the outlays that we are proposing for Australian television services to the Asia-Pacific region are declining in the budget year in view as opposed to the current year. Does that reflect the recent announcement by the government to cut back on Asian television?

Mr Hillman—I cannot comment on that. That is the responsibility of the Public Diplomacy, Consular and Passports Division. They have responsibility for the ABC Asia-Pacific television service.

Senator COOK—You are not in a position then to comment on any trade related elements in relation to the reduction in TV services to Asia?

Mr Hillman—No, I do not have any control over that budget.

Senator COOK—We were talking about services trade earlier. The GATS agreement has been the subject of a considerable write-in campaign by constituents. I am not sure whether all members and senators have received the same weight of mail that I have received. There has been quite a considerable write-in campaign. I think that some of these questions—

Mr Hillman—About the free trade agreement.

Senator COOK—I do not intend to exploit this opportunity, because I have had a long run on this in estimates hearings in the last sitting week of the Senate. Are you in a position to know what requests other countries have made of Australia in services trade? Are you in a position to know what requests we have made of other countries?

Mr Hillman—That issue is handled by the Office of Trade Negotiations, so I would ask Ms Carayanides to respond to that.

Ms Carayanides—There is quite a bit of information on it. So far, we have made requests of 33 WTO members—

Senator COOK—In 17 sectors, yes.

Ms Carayanides—That is right; in 17 sectors. They have covered the Community; the United States; Canada; countries in North Asia, Latin America and the South Pacific; and Africa—and, of course, South-East Asia. They have focused on those areas where we obviously have interests, but they cover the sectors of accounting, architecture, engineering, legal services et cetera—going on down the list. They also tackle domestic regulatory barriers and issues of transparency, quota restrictions, limits on equity that Australian firms can have in local enterprises, restrictions on the form of your local presence, the type of legal presence that you are allowed to have and recognition of qualifications. That is the broad spectrum. In terms of requests that have been made to us, there are obviously some fairly public ones that have come out—such as the European one that became public. I do not have an analysis in front of me—

Senator COOK—What became public was the draft of the European request.

Ms Carayanides—Correct.

Senator COOK—We have not seen publicly what the actual European request is.

Ms Carayanides—Yes. Countries under the WTO system have a process of restricting documents, and it is their call as to what is and is not restricted. A number of these members have requested that these documents be treated on a restricted basis, which we respect, and everything else is available. Anything that is publicly available in terms of the requests that have been made are on the web sites for the WTO.

Senator COOK—But the point is that we cannot see the request of the EU, for example, if we wanted to find out what Germany was up to on health services, as the chairman was indicating earlier. We can ask you but you cannot tell us what the EU request is on health services specifically, can you?

Ms Carayanides—We can indicate to you what it is that they are seeking; what we cannot do is release the document, as such. We have regular conversations with business across all the services sectors where we outline to them what it is that each of the members has sought from Australia in their request process. Otherwise, it would be unworkable.

Senator COOK—Can you do that publicly?

Ms Carayanides—What we cannot do is release restricted documents. But we can discuss with industry and stakeholders who are affected what has been requested.

Senator COOK—We are a parliamentary committee, and the theory is that we represent the Australian community—all three of us here at this table. If, on behalf of the Australian community, we asked you directly if you would tell us what Europe had requested of Australia, you could not tell us, could you?

Ms Carayanides—In broad terms I would be able to, but I simply do not have the knowledge. That is my shortcoming here at the table. But, in broader terms, I think we would be able to discuss what they have requested.

Senator COOK—Yes, but I am asking you about specific terms.

Ms Carayanides—I do not think we can because of the nature—

Senator COOK—Because these negotiations are confidential between the parties?

Ms Carayanides—Yes, that information is restricted.

Senator COOK—Not just Europe but everyone else is making requests of us about access to our services sector. This is a question of trying to understand policy—and, if you are not the right person, please cut me off: why would we agree that requests setting out what foreigners want to do in our services sector would not be able to be revealed publicly?

Ms Caryanides—It is a protocol that applies across the board to all WTO members.

Senator COOK—But it does not apply, for example, in agriculture and other sectors of the WTO; it just applies in GATS.

Ms Caryanides—It applies in other areas too. It is a protocol that applies across the board to documents that are provided by WTO members. It could be on any issue; it could be on NTBs. The problem is that if we start picking and choosing which countries the protocol will apply to then there is no protocol. The nature of the information that is provided will also change, because, if countries feel that documents cannot be treated in a particular way, they will change what is in those documents. It is not something that is entirely within our control.

Senator COOK—Isn't it? The WTO works on the basis of consensus, so we must offer a consensus endorsement of a position to enable such a protocol to come into being. If we said, 'No, we are opposed to such a protocol coming into being,' there would be no WTO consensus. We are, to that extent, master of our own destiny in deciding whether we accept or reject such a protocol. This does not go to questioning the policy but to why we agree to accept such a protocol. What reasons do we have for doing so?

Ms Caryanides—The rationale is essentially that, where documents cannot be restricted by member states, commercial information will not be contained in those documents. So the effectiveness, the utility and the type of information that is enclosed will be severely altered. It is a question of what the membership is prepared to live with. It is true that Australia can block consensus on a document. The utility of doing that would put us behind rather than ahead in that we would be holding up any negotiation on anything of substance if we held out on the issue of having no restricted documents, because there are a large number of countries that would never agree to it. So, instead of having substantive negotiations, we would be going around the mulberry bush on the question of whether we have classified documents or not.

Senator COOK—We are a democracy.

Ms Caryanides—I understand that.

Senator COOK—Our citizens are entitled to know what requests are going to be made of industry sectors, some of which they may in fact work in. We have agreed not to tell them.

Ms Caryanides—We try to do our best through the consultation mechanism. We have a WTO advisory group that was established prior to the Doha Round, and it includes a very broad range of individuals. It meets fairly regularly and goes through the progress on the round. It includes, as I say, a very broad range of sectors.

Senator COOK—I am not querying that. I think that is a valid point. But my point is that I am an elected member of parliament who has the interests of the Australian community at heart, and I cannot find out exactly what is happening.

Ms Caryanides—Maybe not in the document itself, but we are able to discuss the overall procedure.

CHAIR—I think we have pursued that.

Senator COOK—We have pursued that particular point, but there is one further step that I want to take. Given this, is there any intention by the government, before it concludes an agreement on GATS, to brief the parliament on the content of that agreement or does the government intend to do this in the routine way of exercising its right to conclude a treaty?

CHAIR—One could ask whether it was any different when you were the minister.

Senator COOK—When I was minister we actually consulted with the opposition prior to concluding the agreement on the Uruguay Round.

CHAIR—Perhaps it would be more appropriate to direct that to the minister.

Senator COOK—I am just wondering if there is any policy in place at the moment, that is all.

CHAIR—Senator Cook, if I may say so, I think it is a little unfair to put Ms Carayanides under this type of pressure when, clearly, you should be directing that question to the minister. That is my view.

Senator COOK—I do not want to put Ms Carayanides under any pressure at all.

CHAIR—Quite frankly, the discussions that we have had are really related to the question of access and what information is available. When you were minister they were never discussed publicly—

Senator COOK—They were.

CHAIR—I am sure that they were not provided to committees in terms of discussions. I do not see anything wrong with that in terms of the confidentiality agreement and the quid pro quo that goes on. I am certainly happy to relay to the minister the fact that you would like to see that happen and to allow Ms Carayanides, who has been doing her best to counter the situation—

Senator COOK—Mr Chair, can I just say that I do want to persist with some questions here. I appreciate the expression of your views but there are some wider issues. I am not in any sense trying to pick on any officer of the department. If I exceed the limits I am sure I will be called to order, as I should be. But I think it is permissible for parliamentary committees to ask officers how policies are arrived at and what the reasons for policies are rather than ask them to agree to change the policy—and I am not doing that.

At present, we know that Australia is part of this protocol to confidentially negotiate the actual requests of GATS between the parties. We know from what you have said that broad descriptions of interest have been posted publicly by the minister, so it is not an entirely nontransparent set of negotiations. But there is a fair bit of public disquiet. Is there any policy position about how outcomes might be presented to the Australian community at this stage, before any signing-off on agreements has been reached? That is my question. If there is none, that is fine. If there is one, I would be interested to know what it is.

Ms Carayanides—The round has a long way to go before we are in a position to talk about signing things off. The deadline is 1 January 2005. Given that we are that far down the track, I am not aware of any discussion about that in respect of GATS or any other areas at this point.

Senator COOK—I asked the question because GATS is confidential and the other areas are not.

CHAIR—Having exhausted that area of questioning—

Senator COOK—There is a lot more to go but this may not be the right place.

CHAIR—All right. I know we said we could contain ourselves to output 1.1 but I cannot let it go by without asking you to look at output 1.4, which is on page 123: ‘Client satisfaction with the provision of services to diplomatic and consular representatives’ and ‘Quantity indicators’. Austrade have their graphs and so on, but I notice that you do not go in for that. You have been set up to pursue the commercial interests of groups, sectors et cetera, but in terms of performance measures you have not provided them.

Mr Hillman—I am sorry. Again, this is not the responsibility of the Trade Development Division. It is the responsibility of the Public Diplomacy, Passports and Consular Division, which I mentioned before, so I cannot really comment on that.

CHAIR—Do you have any performance indicators in regard to your activities? The answer would be ‘no’, I suspect.

Mr Hillman—I think the answer is no. I know we have performance indicators in our performance agreements with the senior executive but I do not think we have any in the public domain.

CHAIR—I think the initiative that has been taken to pursue particular areas and limiting the number is good. If you have meetings internally with public servants and you do not include people from industry in those discussions and you do not have performance indicators, isn’t there a danger that this might disappear into bureaucracy?

Mr Hillman—I can refer you to page 96 where there is quality and quantity information for the whole portfolio output. There are quality indicators and quantity indicators.

CHAIR—There are no graphs.

Mr Hillman—I will report to the drafters of the next annual report that more graphs would be desirable.

CHAIR—That is pretty qualitative research that you have there. Because you have moved into an area which is somewhat commercial in terms of the end objectives I think that some degree of objective measurement would be useful. We undertook this review entitled *Enterprising Australia*, which attempted to look at the way in which various departments come together. We found that there was a lack of coordination in this area of looking at the investment trade and so on. Is this what you are trying to do to bring it together? One of the findings was,

compared to some other governments, the lack of coordination of the key elements of our investment performance and our export performance overall. We lack a national strategic approach bringing in the states as well. Is this, in a loftier sense, what you are trying to achieve?

Mr Hillman—It is, but it takes place across the entire department. It is not just my division. We happen to be the secretariat for the national trade consultations and for TPAC. In fact, in terms of consultations with business and community groups, when you get down to the nitty-gritty of an individual agreement such as an FTA or WTO the negotiators are running those processes with the key stakeholders who are going to be affected by the negotiations. At a whole of government level, similarly, if you are running something like a US FTA or a Singapore FTA or a Doha or climate change agreement, you have interdepartmental committees. Having sat through a few international negotiations, I have thought that Australia pulled together pretty convincingly in a whole of government way compared with many other developed country participants.

CHAIR—We were focusing on looking at various models for a coordinated approach to really get out and sell investment in a particular country. It seemed to be a bit of a loose arrangement within the Australian scene. In the report *Enterprising Australia* we compared it to Ireland, which has got a very strongly focused central body which brings together all the aspects.

Mr Hillman—We have Invest Australia which is being re-established.

CHAIR—But it is neither resourced nor does it seem as effective as some models we are looking at.

Mr Hillman—You mentioned Ireland. I was just thinking of the difference between Ireland and Australia in our economic situations. They have experienced very strong growth on the back of their membership of the EU and they have managed to draw in enormous amounts of EU funding—

CHAIR—That is very true, but it is more than that.

Mr Hillman—and investment, because they are path into the EU with low labour costs et cetera.

CHAIR—That is right.

Mr Hillman—On the other hand, while I do not know whether Australia's growth rates have matched those of Ireland they are pretty impressive and our economic performance over the seven or eight years has been very impressive. That is not a bad indicator of how we are doing in many respects.

CHAIR—Yes, but that is a bit of a cop-out as well because, if you look at what investment they are able to attract, there does not seem to be anybody saying, 'How can we do that in Australia? How can we bring together the resources of government and coordinate it?' One of the things that stood out in the inquiry was that, compared to other countries, we do not seem to have that strong coordination. Anyway, I leave that with you. In terms of the Doha Round, what role will you be playing in that?

Mr Hillman—My division?

CHAIR—Yes.

Mr Hillman—We will be doing three principal things. This is not in any particular order of priority, because that will depend on the moment and the circumstances. We will be analytical services to OTN on particular issues arising in the Round. We have a cadre of economists and trade analysts who can crunch an issue and give the negotiators advice on what the various outcomes might mean for Australia and what we should be aiming for. That is one area. The second area is that we have an outreach group which basically tries to put trade messages into language that most Australians can understand and relate to. That group is already working closely with OTN to help them, for example in the case of the mini-ministerial, put together their press and public diplomacy strategies. The third way is that this division, TDD, is responsible for APEC, and AFTA-CER and regional arrangements such as those. Whenever you get into an APEC meeting at ministerial or officials level you need to be driving a message about the Round and what the Round currently needs, giving it political impetus. We do that. We did it at Los Cabos, in the leaders meeting just recently, in Mexico. Those are the three main areas we will be focusing on in the Round.

CHAIR—Okay.

Senator EGGLESTON—Can I go back to Australia Television, on page 153, and the reduction of the budget there. I am a great supporter both of Radio Australia and of Australia Television, as it was and, I am very pleased to see, as it has been re-established. This year, however, I have been to Jakarta, Surabaya, Singapore, Seoul and Hanoi, and in none of the hotels where I stayed was Australia Television available. So how effective is this? Where is it being broadcast, where is it being received?

Mr Hillman—This is the responsibility of the Public Diplomacy, Consular and Passports Division, and I really cannot answer questions on that.

Senator EGGLESTON—Okay; I will ask them in another forum—perhaps Senate estimates.

Senator COOK—On the Australia-US free trade agreement: it was announced on 14 November that we were to pursue it—there was a final agreement. This was announced by the Prime Minister and the US Trade Representative Bob Zoellick here in Canberra. I think it was on 13 November that Zoellick gave the Speaker of the US Congress, as he was required to do under the trade promotion act, a letter which ran to several pages setting out the areas which the US would pursue in a free trade agreement. Is there any intention for the government to do the same for our parliament?

Mr Hillman—That is the responsibility of the Office of Trade Negotiations. I will ask Ms Carayanides to respond to that.

Ms Carayanides—I can say that a large amount of information is already publicly available on the issues that have emerged, following extensive consultations with the domestic industry about what they are trying to secure through a negotiation with the US. A lot of that is on the

web site and is publicly available. I am sorry to say I do not know the answer to your specific question about parliament. It is ignorance on my part. I really do not know.

Senator COOK—I do not think it is ignorance on your part, because on 20 or 21 November, the minister put out a press release inviting submissions on what Australia should do in the FTA. This closes on 15 January, so it is possible that we have not yet made up our mind what our final list of claims might be. That is why I was asking the question. Is it intended to notify the parliament, in the same way as the US TR has notified the Congress, about what we will be seeking in these negotiations? You may wish to take that on notice.

Ms Carayanides—Yes.

Senator COOK—In the Australian-Thai free trade agreement negotiations, which are often described as an 'FTA plus'—I asked this at estimates the other day; I am asking now in case an answer is available—a study was done on what the benefits of that agreement would be. I think it was worth \$6.6 billion after 20 years. The study was undertaken, as I recall, by Access Economics. Is it intended to release that study so that the rest of us can have a look at it?

Mr Hillman—Mr McCormick, Assistant Secretary, APEC branch, will answer that.

Mr McCormick—I know that you asked that in Senate estimates and that an answer is being prepared. It has not yet been provided.

Senator COOK—There is no answer at the moment?

Mr McCormick—The simple answer is that, as you know, we did a joint scoping study with Thailand. The modelling that was undertaken by the Centre for International Economics—not Access Economics—was commissioned as part of the scoping study. The results and a description of the model are included in the joint scoping study. The joint scoping study was made public on 7 or 8 May and is on the DFAT web site.

Senator COOK—But is the econometric modelling that was done by CIE available?

Mr McCormick—The results of the modelling, and the description of the modelling, are in the study. That is what they were produced for.

Senator COOK—So they are on the web site now.

Mr McCormick—Yes, they are on the web site. They have been since May.

Senator COOK—I will look at that. Thanks very much. There are a lot of questions on this, but I have covered most of them in estimates. I do not think it is fair for me to put some of these officers through that when more senior officers and a minister were present at estimates.

CHAIR—I am happy to relay to the minister your concerns on those issues.

Senator COOK—I am sure he got the message from the estimates hearing. I notice in the annual report that—as far as output 1.1 is concerned, which is the area that we are looking at

here—people-smuggling is one of the areas of responsibility. It is not our brief, as a trade subcommittee.

Mr Hillman—That is true.

Senator COOK—I think you are indicating, by nodding your head, that you are not here to answer questions on people-smuggling. We do not regard it as trade in a formal sense. Am I right in thinking that you are not going to answer questions on it?

Mr Hillman—People-smuggling is the responsibility of the International Legal Division, where there is an ambassador for people-smuggling issues.

Senator COOK—For issues, yes; not for people-smuggling. There was a note on Papua New Guinea in the annual report. Can you tell us, on a trade related basis, what we are doing with Papua New Guinea at the moment? The note in here seemed to relate to economic support.

Mr Hillman—Do you have a page reference for that?

Senator COOK—Page 57, relating to economic and security matters.

Mr Hillman—The responsibility for the trade relationship with PNG is largely that of the South Pacific, Middle East, and Africa division. However, I note that Papua New Guinea is a member of APEC, so we do work with them on various APEC trade facilitation activities. Mr McCormick may wish to comment further on that. In my division, we are also responsible for EFIC and, from time to time, there is an EFIC angle on working with Papua New Guinea. We have all the statistics but, as you can see from the annual report, my division has no current trade project with Papua New Guinea. They are not participants in AFTA CER, so it comes down to APEC.

Mr McCormick—PNG is one of the 21 members of APEC. We work with them to help them pursue some of the initiatives in trade facilitation and support for the WTO round, and in a whole range of other good economic governance issues. We try to help them to participate in and benefit from the APEC activities in that area.

Senator COOK—They are an economic basket case and are getting worse at a great rate of knots. However, I noticed last week in the new PNG budget that they provided for reductions in taxes and royalties on mining and resource development projects. We are the leading resource development nation in the world. Does that suggest that you will be promoting this to Australian industry? Were you, in part, responsible for lobbying them in your removal of barriers?

Mr Hillman—There were recently some very high level ministerial and official contacts between Australia and Papua New Guinea following the elections there. My division had no role in those contacts. You would need to direct such questions to the specific geographic division, which is the South Pacific, Middle East and Africa division.

Senator COOK—Having searched to articulate it, my question is this: have you lobbied through your division to encourage Papua New Guinea to reduce their royalty take from

resource development projects as part of promoting export opportunities for Australian companies?

Mr Hillman—No, that has not been a focus of my division. That is not to say it has not been done through the other division which has direct responsibility for the bilateral relationship.

CHAIR—Having regard to our limited brief, I think we have pursued the areas that we can at this time. Thank you all for your attendance today. Before you leave, I understand that you would like to table a further document. Is it the wish of the subcommittee that the DFAT document be received as part of the subcommittee's records? There being no objection, it is so ordered.

Resolved (on motion by **Senator Eggleston**, seconded by **Senator Cook**):

That the Sub-Committee authorises the publication of evidence taken by it at the public hearing this day.

Subcommittee adjourned at 11.44 a.m.