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DEFENCE AND TRADE

Trade Subcommittee

**Reference: Expanding Australia's trade and investment relationship with the
economies of the Gulf States**

MONDAY, 21 JUNE 2004

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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Trade Subcommittee

Monday, 21 June 2004

Members: Senator Ferguson (*Chair*), Mr Brereton (*Deputy Chair*), Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, Marshall, 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

Trade Subcommittee Members: Mr Baird (*Chair*), Senator Cook (*Deputy Chair*), Senators Eggleston and Ferguson and Mr Bevis, Mr Brereton, Mr Hawker, Mr Jull, Mrs Moylan, Mr Nairn, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Senators and members in attendance: Senators Eggleston and Bolkus and Mr Baird, Mr Hawker, Mr Jull and Mr Cameron Thompson

Terms of reference for the inquiry:

To inquire into and report on:

Expanding Australia's trade and investment opportunities and relations with Bahrain, Iran, Kuwait, Oman, Saudi Arabia, Qatar and the United Arab Emirates.

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Subcommittee met at 9.01 a.m.

KESKI-NUMMI, Ms Arja, Assistant Secretary, Temporary Entry Branch, Department of Immigration and Multicultural and Indigenous Affairs

REES, Mr John, Director, Tourism Delivery Support Section, Department of Immigration and Multicultural and Indigenous Affairs

RIZVI, Mr Abul, First Assistant Secretary, Migration and Temporary Entry Division, Department of Immigration and Multicultural and Indigenous Affairs

CHAIR—I declare open this fourth public inquiry into expanding Australia's trade and investment relationship with the Gulf States, conducted by the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. We will be examining our trade and investment relationships with seven countries—namely, Bahrain, Kuwait, Oman, Saudi Arabia, the United Arab Emirates, Qatar and Iran. Of particular interest to the inquiry is the nature of Australia's existing trade and investment relationships with the region and likely future trends in these relationships. Further, the committee will be looking at the role of government, particularly the Department of Foreign Affairs and Trade, Austrade and the Export Finance Insurance Corporation, in assisting Australian companies to win business in the Gulf States. We hope that our inquiry will lead to a better understanding between Australia and the Gulf States and an expansion in trade and investment.

On behalf of the Trade Subcommittee, I welcome the witnesses. The subcommittee prefers all evidence to be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence under oath, we assume that you are aware that these proceedings are formal proceedings of the parliament, consequently they warrant the same respect as proceedings of the House itself. I invite you to make an opening statement, and then we will proceed to questions.

Mr Rizvi—Thank you. We have nothing to contribute beyond what is in our submission.

CHAIR—We have the advantage now that we have been to all of these countries except Oman and Bahrain. We went to the others in April. There was no doubt that there was frustration in the visa issue. That was a pretty widespread comment that we got through the area. I understand, for a whole number of good and valid reasons, why you would want to take care in processing applications et cetera, but the subcommittee felt at various stages that the slowness with which visas are issued is impacting on our trade relations and general relations with the area. Starting with places such Dubai, where you do have representation, it still seems to be taking a long while to get approvals for visas to be issued. If you were in another country, such as Qatar, and you wanted to go to Australia, the norm seems to be that it takes 10 days and you have to send your passport off. So it is really a question of resources and whether you plan to concentrate your resources in Dubai, provide more staff or diversify into other areas. How do you propose that this issue, which was brought to our attention on a number of occasions, could be addressed?

Mr Rizvi—We feel very acutely the concerns that you have raised. Within the context of those concerns, we have tried to find ways in which we can, firstly, make the availability of our visa services more convenient and, secondly, process the visas as quickly as we can in view of the constraints we face with the input of other agencies in that visa decision-making process. I have to say that, for the majority of Gulf States, immigration non-compliance is not the issue; there are other factors that lead to the delays.

Those agencies stipulate that to enable them to do their work a minimum period of time is needed, so it would not be possible for us to reduce the processing times beyond that limit. That limit at the moment is around seven days, so we must operate outside the range of that seven days. We try to speed up the process between the applicant and the visa application getting to us. We can speed up the process from the completion of the seven days to the advising of the applicant.

To that end, we have adopted two major strategies. The first is that we have started trialling electronic lodgement of visitor visa applications. At the moment we are doing that out of the UAE and Kuwait. If that process goes successfully—and it is the view of other agencies interested in this that it is working well—we will expand it. That will make the front-end process more convenient for visa applicants. It will also make the back end of it more convenient for visa applicants, because we then are able to grant those visas electronically, without the requirement for a label to be placed in the passport.

Secondly, we have tried to speed up the process by establishing what we call ‘agency arrangements’. We have a wide range of agency arrangements in place currently. For example, in Saudi Arabia an applicant is able to lodge their application with the agency—usually a travel agency—and they will arrange to get the material to us for us to undertake whatever checks we must take and to provide that material to other agencies who must do their work and then return the answer. That is a clunkier version of the electronic arrangements; that is an interim step before we move to electronics. Having said that, our portion of those processes is actually small relative to the block of days needed to do the other work.

CHAIR—I apologise that only two committee members are here. But, as it is the last week before the winter recess, and perhaps considering other matters, you can imagine that people are going in lots of different directions today. I know that Mr Jull has to go soon, so I now invite him to ask you some questions.

Mr JULL—With the issuing of visas in this region, are most of them single entry visas? Is there a capacity for businesspeople in particular to get multiple entry visas; and for how long would such visas extend?

Mr Rizvi—It is possible for businesspeople to get a one-year multiple entry visa from the region. That enables them to travel as often as they wish within that one year. Beyond the one year, however, they would need to renew that visa.

CHAIR—Because we were seeing some of the business people who travel down, and who frequently are well known to the trade commissioners, is there the possibility that that length of time could be expanded? Maybe there is a restricted list or whatever but I think that was a frustration for the trade people serving the area. Some of these things you might want to take on

notice. Obviously, we are tossing around ideas and as we have found issues then we have discussed ourselves how we could address them.

Mr Rizvi—From an immigration integrity perspective we would have no difficulty with that because immigration integrity issues are not the problem with the bulk of these states. Their overstay rates and visa noncompliance are generally very low. We would be happy to look at extending and having longer business visitor visas for these countries but we would need the guidance of other agencies as to whether they were prepared to do that. If they were, we would have no difficulties.

Mr JULL—We are apparently putting a new post into Kuwait. Will DIMIA be represented there?

Mr Rizvi—At this stage our preference would be to try to promote the electronic lodgement arrangements that are already in place for Kuwaiti nationals and to encourage them to take that up. We think that is a more efficient way for them to get the services that they are after. They can go straight to a travel agent and the travel agent can electronically lodge the application with us. We can deal with that matter entirely electronically. That would be our favoured approach at this stage. If other issues emerge, such that we had to consider staffing in Kuwait, that would be something we would look at.

Mr JULL—Who determines how many DIMIA staff are allocated in these posts? What are the criteria used for determination of the number of people required?

Mr Rizvi—As you would understand, we have a finite number of resources available to do that sort of work and it is a matter of distributing those resources around the world to deliver the best balance of both client service and immigration integrity. They are perhaps the two issues that we take into account the most. We take into account firstly, the volume of applications from that particular region and secondly, the issue of the level of immigration problems that arise. If a particular region has both high volume and a high level of immigration integrity problems, that is probably a region where you will find a lot of DIMIA staff. If both those issues are not a problem or if it is only high volume and low immigration integrity problems for example, we would have fewer staff. Perhaps a classic example of this is that, over the last two or three decades, the number of immigration staff in most developed nations around the world has shrunk very dramatically. We have relatively few staff in most developed nations around the world.

Mr JULL—Does that formula or attitude exist for Australian DIMIA staff as well as locally hired staff?

Mr Rizvi—The same principles would apply.

Mr JULL—Do you have many difficulties with locally hired staff in the Gulf States?

Mr Rizvi—We do not have any difficulties with locally engaged staff in the region. There would be views held by other agencies where they may have to handle matters that relate to security issues. As I said, from an immigration integrity perspective, in most of the nations of the Gulf, we have not encountered the kinds of difficulties we encounter in other places.

CHAIR—It is really how best to address it. The views of a number of the people who we saw, who come down to Australia to look at product availability and resources and so on, are clearly negative in terms of the length of time and the fact that a lot of them do decide at relatively short notice to go down. What is time frame that the electronic approach will reduce it to in terms of the visa issue?

Mr Rizvi—At the moment we have, as I mentioned, the two electronic arrangements in place for visitor visas—that is, tourist visas out of the United Arab Emirates and Kuwait.

CHAIR—Are they on ETAs?

Mr Rizvi—No, they are on a slightly different product to an ETA. An ETA enables us to do only a very limited number of checks, and that excludes security checks. The e-visa product provides the ability for us to do a range of other checks as well. It operates in a very similar way to the ETA, but it requires the applicant to provide us considerably more information about themselves, which can then trigger other checks which we and other agencies must undertake. So it is a slightly different product. We believe it is equally convenient, other than the volume of additional information that the applicant must provide us.

CHAIR—What time frame are you looking at with an electronic lodgment?

Mr Rizvi—We would be looking at extending that to other nations in the Gulf, progressively over the next 12 months—

CHAIR—Thank you for that piece of information as well; but, in terms of the length of time from lodgment to when the whole thing—

Mr Rizvi—To when the decision is made?

CHAIR—Yes.

Mr Rizvi—Leaving aside the period we must set aside for other agencies to do their work, from the point that an applicant enters the data into our Internet system to the point that we receive it, it is very quick. We then transfer that data to the agencies who need it for their checking. They then do their checking and, after a period of seven days, if we have had no response from them, that is the signal for us to proceed as an all clear. If in the seven days we do get a response from them which says ‘We have an issue’, then the visa can be delayed further whilst they undertake whatever other work they deem is necessary.

Mr JULL—I assume the whole business of the electronic visa is the reason for what would appear to be quite a difference in the issuing of student visas, whereby Kuwaitis and those from the United Arab Emirates can get an electronic visa even though they are classification 2 or student.

Mr Rizvi—I do not think any of the Gulf countries can get an electronic student visa at this stage. We are trialling extending electronic student visas to higher risk countries. From 1 July we will be trialling China, India and Thailand, and we do hope to trial Gulf states.

CHAIR—High risk means the risk of them overstaying?

Mr Rizvi—That is correct. At the moment, we have electronic student visas for all low risk nationals—that is, assessment level 1 nationals, the lowest risk. We will issue something in the order of 30,000 electronically based student visas this year. We will trial, from 1 July, China, India and Thailand, and we hope to incorporate the Gulf states into that trial progressively over the next 12 months.

CHAIR—If you were to establish a DIMIA person in Kuwait, would that speed things up at all?

Mr Rizvi—We do not believe so.

CHAIR—Is the electronic system in place now?

Mr Rizvi—It has only recently started for Kuwait, and the first few electronic visas from Kuwait have just started to come through. We are in the process of trying to promote it strongly with the travel agents in Kuwait.

CHAIR—And it has been operating for how long in the Emirates?

Mr Rizvi—It would be more than 12 months, but less than two years.

CHAIR—What percentage are based electronically now, given that situation?

Mr Rizvi—The take-up rate, I would have to say, has been disappointingly slow. We could get the figures for you, but at the moment I suspect it is probably less than 20 per cent.

CHAIR—It is a good initiative. Our concern is our trade relations and also our foreign relations with these countries. Kuwait, as I recall, is No. 2 in terms of our exports to the region; and there was certainly quite a lot of comment in Kuwait about the length of time that it takes for visas and to send them to another post.

If we establish an embassy, as we are doing in Kuwait, and it has no DIMIA representative, then we have lost part of the advantage because there is a very positive attitude towards Australia in that location, which, as we would assess it, is likely to become even more important because of its access to Iraq—it is only an hour to the border by truck and, I think, 1,000 trucks a day go there. There is a real opportunity for us to supply into Iraq. As you know, the committee makes recommendations. When we were in Kuwait, our view was that we should recommend that a DIMIA representative be included in the establishment of the post there. So we are testing with you the validity of our thoughts at this stage. Obviously we are yet to determine our overall report.

Mr Rizvi—To respond, I guess it is a question of relative cost effectiveness. If we can keep improving our electronic product, we believe the return on our investment would be superior to putting a person into Kuwait. We are looking at further improvements to the electronic platform for 1 November, and we believe the implementation of that will make the product more

attractive to travel agents, and they are the key to success in this area. If we can convince the travel agents that it is a good product, we believe they will take it up.

Mr JULL—Could I shift the focus a little to Iran, because we have looked at it too. What difficulties, if any, do we have in visa issue in Iran and how do they differ from the Gulf States?

Mr Rizvi—Essentially, of the countries you are looking at, Iran is probably the only significant immigration risk in that we do have high overstay rates from people in Iran and there are other matters associated with visa noncompliance. For that reason, the visa processing out of Iran is a bit slower not only because of the checking of other agencies but because our own checking is also involved there. Having said that, in Iran we have two A based officers plus a reasonably sized locally engaged contingent.

CHAIR—We found that one of the benefits in Iran was that there were people heading up a couple of key departments who had been to university in Australia. As such, they were very pro-Australia in looking at what we could do together. I understand the problems of immigration integrity in the area, but on the other hand there are also lots of benefits if people are handled well. In terms of postgraduate students coming to Australia to do PhDs et cetera, we found quite a number of them in senior positions. In fact, I think the head of the department of agriculture had done a PhD at the University of Western Sydney and was very positive. Another one, who had been part of the legislature, had completed a PhD at Adelaide.

Mr Rizvi—I agree with you—that is a very important market for us. Of all the nations in that Gulf area, we probably deal most closely with the Iranian government. As a result, the number of student visas issued out of Iran is growing very strongly, particularly postgraduate research visas. We are trying to do all we can to speed up the processing of those.

CHAIR—We are impressed by the potential of the area—not only with the rapidly growing economies of countries such as the Emirates, which are resource rich and oil-based, but also with the increased air services. Emirates, which flies double dailies out of Sydney and Melbourne and dailies out of Brisbane and Perth, has tremendous potential not only for the number of visitors but also for the cargo that can be taken—fresh fruits, flowers, vegetables et cetera. With the potential of the area, we need to address the problems there are and why we get such a negative response. Take, for example, Kuwait: they buy their wheat exclusively from Australia even though there are other places they can buy it from. If they get a hard time from DIMIA, there are plenty of other sources they can look to.

There is also another aspect to this. We have found that Australia is becoming an attractive destination for holidays and they are bringing their families here—particularly to the Gold Coast in the area of Mr Jull's electorate. Bringing the whole family includes bringing their support staff such as the cook and so on, and there have been problems with bringing that support staff. Undoubtedly there are concerns with the possibility of overstays, but apparently an issue of concern is when approval goes not to the whole family block but just to the principal members of the family.

Mr Rizvi—Where the entourage is coming for a relatively short visit, there is usually no difficulty with third-country nationals, who are the cooks and maids et cetera—although we have to do our usual bona fides checks. The issue becomes more one of whether the person coming

is going to be 'working' and, if they are coming for a lengthier period, the issue of working becomes more significant.

CHAIR—What constitutes a lengthier period?

Mr Rizvi—If they are coming for, say, two to three months, it would become an issue in terms of the third-country nationals and the work involved. A person coming to work on a visitor visa is in many ways in contravention of the requirements of a visitor visa. Where a person is working in Australia, there is a requirement that they meet appropriate industrial relations and award conditions. Those are issues on which we would seek assurances if the person were coming for a lengthier period.

CHAIR—Nevertheless, we understand that the pattern is that a lot of them come down for lengthier periods and hang out on the Gold Coast. That is very good for the economy of the Gold Coast and all the service suppliers there.

Mr Rizvi—It is.

Mr JULL—Following that line and to put Mr Rees on the spot: off the top of your head, can you give us an indication of how many visas have been issued to holiday makers out of the Gulf States so far this year or in the first six months of this year, please?

Mr Rees—I can give you the figures up until the end of April. For Bahrain it is 492; for Iran it is 1,499.

CHAIR—What visa categories are these?

Mr Rees—These would be visitor visas and business visas. We are talking of visitor visas in the generic sense of visitor visas. Kuwait is 1,337; Oman is 495; Qatar is 206; Saudi Arabia is 1,353; and the UAE is 1,718.

CHAIR—Without being difficult—you probably do not have it there—what types of increases in terms of numbers have we seen over the last few years from those countries?

Mr Rees—I will give you the total figures for 2002-03: Bahrain was 542; Iran was 1,574; Kuwait was 2,394; Oman was 706; Qatar was 234; Saudi Arabia was 1,552; and the UAE was 2,238.

Mr Rizvi—To put those numbers in context, I might ask Ms Keski-Nummi to comment on the seasonality of some of those numbers.

Ms Keski-Nummi—We are now heading into the peak period. This is the time when we really see the numbers going up. Our post has already been alerted to the fact that we expect one travel agent to put in 1,000 visitor visa applications in the coming few weeks.

Mr JULL—How much do you rely on intelligence to make sure that you can meet demands, that your staff levels are right and so on?

Ms Keski-Nummi—Our post works very closely with all the agents whether they are approved agents or electronic visa travel agents. Usually they are one and the same. We go out there and talk to them about the need for applications to be put in early, particularly for groups where some can apply for an e-visa and some cannot, so that we can manage that whole group in one process. As we head into the peak period it is important that we get as much information as possible, early on, about the sorts of applications we expect to see so that we can process them.

CHAIR—What country are those 1,000 from?

Ms Keski-Nummi—I think they are from the UAE, but I would have to check my notes.

CHAIR—UAE seems very positive to us.

Ms Keski-Nummi—It is either the UAE or Kuwait.

CHAIR—I think Australia is looking more favourable because some other countries are now making their processing for those from the gulf area much more stringent. For example, going into the US is fairly tough if you come from the gulf area. So Australia is looking attractive. We have the ability to capitalise on that, while maintaining the integrity of our system. I suppose we are also highlighting what we have seen and heard. Mr Thompson, Mr Hawker and Senator Bolkus, please feel free to jump in.

Mr CAMERON THOMPSON—I appreciate what you are saying about seasonality but, on the face of it, those two sets of figures that you put forward seem to show that it is declining. Can you give us the projected rate of increase?

Ms Keski-Nummi—Can we take that on notice and come back to you?

Mr CAMERON THOMPSON—Yes. Do you have any sets of figures that compare directly if we have a problem with what we have got?

Ms Keski-Nummi—Yes.

Mr Rizvi—Within a few weeks we will be able to give you end-of-year figures, and I think that would be the best basis on which to judge how things are going.

CHAIR—By the way, there is an additional factor. Mr Jull and I went to Doha. Qatar Airways are down here this week and they want to have daily services through Doha. So that is an additional area. Mr Jull, do want to ask anything further before you go?

Mr JULL—The only thing is that, based on your intelligence assessments, it looks like a bumpy year for the Gold Coast!

CHAIR—Which is always good.

Mr Rizvi—We believe we should be able to move to an electronic lodgment arrangement for Qatar in the near future.

CHAIR—Which would be good because there is a lot of interest in Australia there.

Mr HAWKER—I want to ask a question about student visas. I see that the numbers are increasing. Do you have figures more recent than the ones in your submission? Are they still increasing?

Ms Keski-Nummi—They are increasing. The percentage increases on last year's grants, to the end of March are: Bahrain, 13 per cent; Iran, 61 per cent; Kuwait, 20 per cent; Oman, 17 per cent—and I am just rounding these out—

CHAIR—Are these electronic placements or visas?

Ms Keski-Nummi—No, these are just the student applications. Qatar is up by almost 75 per cent and Saudi Arabia by almost 64 per cent.

CHAIR—That is also in line with the theme we got during our tour. Sometimes I worry a bit in terms of the *Hansard*, but in various countries we had lots of comments about how nationals from that country were being treated going into certain other countries. Also there were comments that, where the students used to go predominantly to the US, the UK and so on, they were changing their approach, particularly to the US, so that there was a lot of interest in Australia. There were cost factors involved as well. But there is a lot of opportunity in that area.

Mr Rizvi—There are three things we are pursuing at the moment that might help us further our advantage in that area. The first is that, as I said, we hope to extend electronic lodgement for student visas to this part of the world in the next 12 months. The second is that we have recently introduced what is known as the student guardian visa. It is targeted in particular to this part of the world, where the parents of female students are unwilling to send the students to Australia without a chaperone. The student guardian visa is explicitly designed to assist those able to come to Australia with a chaperone.

CHAIR—We were in the parliament in Kuwait when they were discussing the establishment of a new university, and there were separate campuses being established—male and female. So we might be surprised at the concept of having a guardian, but we saw that being debated.

Mr Rizvi—It is particularly an issue for female medical students who wish to come to Australia and do medicine. Their parents prefer that they come with a chaperone. Thirdly, we have introduced what we call the professional development visa. It is not for award courses. It is more for professionals who have been working, perhaps at a fairly senior level, for some time but wish to come to Australia to do a mixture of on-the-job training, some theory work and some English—a tailored package such as that. We have one program such as this under the professional development visa.

Ms Keski-Nummi—It is from Saudi Arabia for government auditors.

Mr Rizvi—We believe that that visa provides Australian industry with a significant opportunity to help in that professional development area.

CHAIR—That is good.

Senator BOLKUS—Has anyone asked you to give us details of how long it actually takes to get a visa approved, on a comparative basis?

CHAIR—Yes, we have. Obviously, it was a concern in our inquiry that it was an issue that was frequently commented upon when we visited these various countries. The shortest length of time seemed to be 10 days, and that was creating resentment amongst the business community who were coming down. We talked about the possibility of extending multiple visits—it is currently a year—and looking at those opportunities. DIMIA are now moving to electronic placements, which is going to assist.

Senator BOLKUS—So they are not entitled to multiple re-entry visas?

Mr Rizvi—They are entitled to multiple re-entry for a period of 12 months. The question of whether we can extend that beyond 12 months is something we will look at. Certainly, from an immigration perspective, we would not have a difficulty with doing that. It would be a question of whether there are other agencies with other views that we would need to take into account.

CHAIR—Could Austrade regularly provide a list of people who could potentially be coming down to Australia? That way, before the people even consider coming down, Austrade would be feeding through to you a range of names. Then, when the people apply, you would be ready and you would have gone through all the clearances.

Ms Keski-Nummi—Our post works very closely with Austrade on those sorts of things. So if Austrade were inviting people down or knew of some significant business interests and so forth then certainly they would be working closely with them in relation to what the processing times, the requirements and the documentation are—all of those things that we would require to process the application as quickly as possible.

CHAIR—Do you get recommendations from them as well?

Ms Keski-Nummi—I have not specifically asked the post if they give recommendations but certainly past practice is that Austrade would. If they are inviting someone then we would certainly know about that very quickly and they would also give endorsements of people who they know in the region.

Mr Rizvi—The key to speeding up processing for any one of these people will always be the security check. It is a question of how fast that can be done that drives processing times.

CHAIR—I suppose this is a tricky area but do you feel there are enough resources in the personnel and the security area to handle these matters? That obviously seems to be where there are delays.

Mr Rizvi—It is true that the government has significantly increased resources for those relevant agencies. We work very closely with them and we know that they are doing a lot to try and speed up their checking. Unfortunately, the volume—

Senator BOLKUS—Is it taking longer now?

Mr Rizvi—The standard period has been the same now for a while. It has been seven days for about a year or so now. It might have been adjusted after the Olympics. I cannot recall. But it was actually brought down from a longer period to what it is now.

Senator EGGLESTON—So it is seven days now?

Mr Rizvi—It is seven days now. But I cannot quite recall when they made that last adjustment.

Senator EGGLESTON—In a general way, there is a bit of a problem with getting visas for business people coming to Australia from many countries, particularly countries like India and so on. I suppose we do have to carry out security checks these days, but sometimes we are a little bit too bureaucratic about the process of granting entry visas to business people and we perhaps lose out to some degree by making it unnecessarily difficult for people to get business visas. People, especially people who come back on a recurrent basis, should be able to get a visa very quickly.

Mr Rizvi—From an immigration perspective it is not a difficulty for us to allow business visitors up to five years multiple entry. What we are constrained by is the length of the validity of the security check that has been applied. If that is less than what our legislation allows in terms of the length of multiple entry visas we are constrained by that. But I certainly appreciate what you are saying about doing everything we can to make the visa process as convenient and as fast as we possibly can. That is something that we continue to try and press on.

Senator BOLKUS—We often find that the business migration program, no matter how many components it has, can sometimes be inflexible for a regional situation. People might have different ways of getting qualifications or acquiring capital and so on. Is there a pattern of hard cases that maybe we should be looking at in terms of the business migration program not accommodating them? You would know what I mean: quite often you might have a series of people with enormous potential but because of one technicality or another they cannot satisfy our tests.

Mr Rizvi—Those sorts of issues can arise and we look at the business migration requirements in that regard across different countries to see if ours are simply restricting quality applicants from entering because of the bureaucracy. That is something we need to continue to investigate on a region by region basis. It is true that up until now the level of interest in business migration from this region has not been significant. As the region becomes a more significant economic powerhouse that could well change. You are right: we do need to be conscious as it emerges to make sure that our requirements do not cut across the way business is done in this part of the region, and if it does we need to deal with it. I am not across specifics in respect of this region in that regard, but it is certainly something I could take on notice and have a look at.

CHAIR—We found it very informative to go on this visit. Do your people go on tours of different areas and listen to the problems and issues?

Mr Rizvi—Yes, we do. I was in Dubai about 12 months ago, and I talked extensively to the education industry people in particular, as well as the tourism industry people. It was on the basis of a number of the things that they said that we are now going to make some changes, on 1

November, to our electronic lodgement platform to take into account some of their concerns. You are right: those are invaluable.

CHAIR—You only went to Dubai? You did not get to some of the other areas?

Mr Rizvi—I only had 24 hours in Dubai.

CHAIR—I just wondered. We had Austrade and DFAT with us, and given the nature of what we did, it would have been useful to have a DIMIA representative so you could see first-hand and understand the issues.

Mr Rizvi—The points that you are making are communicated to us regularly, and we are very conscious of them. It is a question of finding a way forward. As far as the immigration aspects of processing out of this region are concerned, we are continuing to look for ways of reducing that; but there are some immovables which we just cannot get around.

CHAIR—Thanks very much.

[9.54 a.m.]

WALSH, Mr Martin, Manager, Major Projects and Infrastructure, Australian Trade Commission

WILKES-BOWES, Ms Meredith Katherine, Corporate Manager, Government Industry and Policy, Australian Trade Commission

CHAIR—On behalf of the Trade Subcommittee, I welcome the representatives today from Austrade. As you know, the subcommittee prefers all evidence to be given in public, but should you at any stage wish to go in camera then please let us know. Although the subcommittee does not require you to give evidence under oath, we assume that you are aware that these proceedings have the same legal status of the proceedings of the parliament. I invite you to give a formal statement, and then we will proceed to questions.

Mr Walsh—My role as the manager for major projects and infrastructure with Austrade sees me assist a wide range of Australian exporters access markets throughout the world in the fields of oil and gas and other energy, environmental protection, Olympic infrastructure development. However, particularly in the Middle East, the biggest activity I am involved in is helping Australian companies access opportunities in the reconstruction of Iraq.

Putting that aside, I have an additional responsibility. I am one of three minister's delegates within Austrade for the assessment of the eligibility of projects under section 23AF of the Income Tax Assessment Act. In essence, section 23AF is a complex part of the tax legislation, but it provides an income tax exemption for income derived by Australian residents whilst working on approved overseas projects for at least 91 consecutive days. To be approved, the minister or the minister's delegate must be satisfied that the projects are of a certain type—that is, an eligible project—and that it is in the national interest. The main intent of section 23AF is to ensure that Australian consultants and contractors working overseas on approved projects do not suffer a tax disadvantage compared to similar workers of foreign countries, allowing them to operate and compete under tax-free conditions.

There are a number of agencies that are involved in aspects of section 23AF of the tax act. Austrade jointly administers the section with the Australian Tax Office. Austrade is charged with assessing, as I said earlier, the eligibility of certain projects. The ATO ultimately is responsible for receiving the tax returns by people who are working on a project that has been granted approved project status. The Treasury, on the other hand, is responsible for tax policy.

I would like to just outline briefly the five eligibility criteria that I look at as the minister's delegate when we receive an application, because this is quite important. The first criterion is: is the project consistent with the act? There are certain guidelines and there is also the act itself. The second criterion is: is it in the national interest? The third criterion: is the applicant an eligible contractor? The fourth criterion is: has the project been awarded already? We are unable to approve retrospective applications in that, if the project is awarded already, the granting of the Australian government tax exemption is not going to make a difference between the winning or losing of that contract. The final criterion is: is income tax applicable in the country in which the

project is to take place? After all, this section of the act only applies under circumstances where tax is not levied by the host government. Perhaps I will leave my opening statement at that.

CHAIR—Thank you for coming today. When we heard the submissions from the companies involved in places such as Saudi Arabia, where the recruitment agency was supplying a lot of professional staff—administration, medical and educational staff—we were surprised at the role of Austrade that suddenly ruled a lot of them out for consideration of the tax-free arrangement, particularly given the spin-off that exists for trade potential. Is your view that this is legitimate, fair and equitable, or are you simply caught on as you interpret the legislation?

Mr Walsh—You raise a very good point. Austrade is responsible for assisting exporters to win business overseas. Management of this section of the act certainly does mean that, on occasion, we have to decline, on some technicality, a very good client who has a good project. So I would say that, yes, it does cause us a dilemma at times. However, essentially we are looking at the very technical interpretation of this duty and putting it quite separate from our broader trade promotion activities that are undertaken both in Australia and through our network in the Middle East.

CHAIR—The fact is that there is no tax levied. There are good foreign relations aspects to it, and trade spin-offs; so one would think that, in some ways, there is a real reason why that should be there and you should be interpreting 23AF differently.

Mr Walsh—We have to follow the intent and the word of the act, and this is where there have been some problems arising recently in the cases of those recruitment agencies who have been putting fairly large numbers of people into the Middle East, particularly in the medical and oil sectors. However, we are restricted in how far we can go in applying this. There were cases around 1999, 2000 and 2001 where the officer managing the program at the time did approve a significant number of cases where the supply of personnel was the essential element of the project. In a review that took place in 2002, it was determined—and supported by some independent advice we received—that that use of section 23AF was incorrect. So we have to essentially be limited by the word and the intent of the act.

CHAIR—Do you think the act should be changed?

Mr Walsh—It is difficult for me to comment on government policy in this context, and I would perhaps refer that question to Treasury. However, I would go so far as to say that a large part of the problem as we see it is perhaps an overlap, or lack thereof, between section 23AG of the act, where Australian tax exemptions do apply for a wide range of Australians working overseas but in countries where income tax is actually levied. Section 23AF, which is very focused on assisting companies win projects overseas, does not provide the same coverage as section 23AG does in other countries. I am not a tax expert, so there is a limit to how far I can go in commenting on tax legislation, but I think therein lies the major problem.

CHAIR—Okay. Perhaps we should look at it.

Mr HAWKER—To follow up, how does our treatment compare with that of other countries who are providing similar personnel arrangements?

Mr Walsh—That is one of the fundamental elements of the reason that section 23AF was introduced in 1980. Fairly recently we asked our colleagues in Treasury to review for us the current status of the tax exemptions granted by other countries. The minister assisting the Treasurer at the time, the Hon. Ian Macphree, made a second reading speech to the Income Tax Assessment Amendment Bill (No. 5) 1980 which touches on that element of competing against the concessions granted by other countries. I will pick up one paragraph that is relevant to the question:

Until now, Australian firms have had to cost their tenders for overseas projects on the basis that the earnings of Australians performing services for them were subject to tax in Australia at normal rates if the overseas country did not tax them. Competitor firms from a number of other countries have, on the other hand, been able to cost their tenders on the basis that they will be able to pay their employees at lower rates because the employees' earnings have been wholly or partly free of tax in their home country.

I think that is the fundamental underlying principle behind section 23AF.

Mr HAWKER—That was nearly 25 years ago. How does it compare with today?

Mr Walsh—As I said, we have now asked Treasury to look at this for us.

CHAIR—Could you come back to the committee on that? If all our major competitors are granting exemptions, this is one of the reasons we are holding this inquiry. Our emphasis is on trade and, if there are impediments to our trade, it should be looked at.

Mr Walsh—I would be happy to take that on notice and get back to the committee.

CHAIR—Please do it reasonably soon, because we need to look at it in terms of our recommendations.

Senator BOLKUS—I get a sense that the cart was put before the horse here: we were steaming along, operating in a way that had been planned, and then for some reason this was reviewed. Why was it reviewed?

CHAIR—If it ain't broke, why fix it?

Mr Walsh—Austrade continually review the programs and processes that we have.

Senator BOLKUS—Why this one?

Mr Walsh—Specifically, in 1999, 2000 and 2001 it was seen that there was a fairly large increase in the number of applications that fell into this supply of personnel category.

Senator BOLKUS—As seen by whom?

Mr Walsh—As seen by Austrade.

Senator BOLKUS—No other agency, just Austrade?

Mr Walsh—I was not managing at the time. I am not aware if there was any other agency involved, but I believe there was just an internal view that we needed to look at this carefully.

Senator BOLKUS—You noticed that it was steaming along and going well, so you thought there must be something wrong. You said there was independent advice from someone—where did it come from?

Mr Walsh—At the time, we asked ourselves: is this being applied correctly? We looked at the act and at the second reading debate and felt that this was not consistent with the purpose of the act. We also sought two legal opinions on it.

Senator BOLKUS—From whom?

Mr Walsh—Two major legal firms: Mallesons and Blake Dawson Waldron.

Senator BOLKUS—Can we get a copy of those opinions?

Mr Walsh—I would have to check with our legal counsel on whether we can make those available to the committee.

Ms Wilkes-Bowes—We would need to check, but certainly if we can make them available we will. Perhaps we may not be able to make them publicly available; we may ask for them to be received in camera.

Senator BOLKUS—Isn't it a bit strange that you have taken a decision that affects all these operators and now, some way down the track, you are asking Treasury for a comparative assessment of other countries? Why didn't you do that at the time?

Mr Walsh—I am not aware if that was done at the time. I have not seen anything—

Senator BOLKUS—You are in charge now. It is not good enough for us for you to be saying, 'Someone else did it, therefore I cannot tell you.' I want to know: was consideration given to the negative impact you would be having on this whole industry? If so, who made a decision to ignore it?

Mr Walsh—I am sure it was.

Senator BOLKUS—No, you cannot be sure it was. You just told me you were not there so you do not know. Can you check?

Mr Walsh—I will certainly check.

CHAIR—It does seem curious, though, that the very organisation that is meant to be out there supporting exporters and people in the international marketplace are the ones that killed it. With all the benefits that flow from having lots of Australians out there in a rapidly growing part of the world, I find it curious. So could you come back, in terms of that comparison with other countries? And we will look again at 23AG, isn't it?

Mr Walsh—Yes.

CHAIR—As well as 23A—

Senator BOLKUS—Sorry, Mr Chair; 23AG is inappropriate for the circumstances we are talking about. You have just acknowledged that, have you not?

Mr Walsh—Yes. The issue is that if tax were levied in the Gulf States, even if it were one per cent income tax placed on the citizens of those countries and expatriate workers, then 23AG would come into play. Therefore the tax exemption would be granted by the Australian government, according to my knowledge of section 23AG. If I can, I would like to return to Senator Bolkus's question related to the legal opinions. We assess applications on a case by case basis, and the two legal opinions that I refer to do specifically relate to individual applications in the field of the supply of personnel. So that is an added element that we need to take into account if we are making—

Senator BOLKUS—Sure, but you then apply that across the board. Who has been approved since? You cannot say it was just for two cases, when the impact has been across the board across the industry.

Mr Walsh—The assessment on these two particular cases of the supply of personnel has shown us that the principle would not apply, and that is one of the important supports to the decision we have made.

Senator BOLKUS—Yes, but if you look at the development in this particular industry, 25 years ago it was different in nature; it was specific to a particular project. But what you have got now is an explosion in the consultancy trade into that region. I suppose the question that stands from that is whether consideration was actually given to the fact that you have got a newly developed industry and whether legislation should be amended to accommodate that, rather than giving the chop to an existing program.

CHAIR—I think so; that is what I just said.

Senator BOLKUS—Was that consideration ever given?

Mr Walsh—I would have to get back to you on that particular point.

CHAIR—So you will not be surprised if we might have a recommendation in this area. Can we change tack a bit? You mentioned one of your responsibilities is looking at Iraq. In discussions with Roger Bayliss, who was the regional trade commissioner based in Dubai, and his wife, Julie Bayliss, who was the trade commissioner in Dubai—and I am glad to see them here today—they mentioned to me before we went on the visit that they saw that Iraq potentially had offered the best area of exploitation for Australia in the longer term. What are your views on that? What do you see as the potential?

Mr Walsh—Austrade sees the Iraq market as potentially a billion dollar market per annum for Australian products. That is in the same league as Saudi Arabia. In the last 12 months or so, since the cessation of major hostilities in Iraq, we—Australia—have concluded export sales and

service contracts in Iraq within the \$1 billion ballpark figure. We believe that it is an excellent market for us in the region, and a billion dollars is certainly a significant market.

CHAIR—What is it at the moment?

Mr Walsh—The major item that we have in there is wheat. Wheat traditionally represents the major commodity we have been putting into Iraq. No. 2, traditionally, has been cheese.

CHAIR—I understand there has been no signature on the wheat deal so far this year. Is that right?

Mr Walsh—To my knowledge, a number of wheat sales have been concluded.

Mr HAWKER—Although there is a fair bit of pressure from the Americans.

Mr Walsh—Certainly it is very competitive. The other area is the major contract won by Worley Ltd in the supply of oil reconstruction services.

CHAIR—Yes, I am aware of that. What are the areas that you see as offering the most potential in Iraq for Australian products, services and raw materials?

Mr Walsh—Essentially, we need to break away from the traditionally very narrow range of products we have been offering—wheat and cheese—and we want to branch out more into the services, particularly in agricultural reconstruction, sanitation and water, and power sector rehabilitation. We have had some success in the supply of communication equipment into the market in recent months. So there are a number of areas that we would like to see developed.

CHAIR—What about construction per se—housing? Is there potential in that area?

Mr Walsh—Under projects funded by the Coalition Provisional Authority, with support from the United States government, a lot of money is being put into that area and Australian companies are bidding for contracts in that field. To my knowledge, we have not won anything of any significance so far.

CHAIR—Perhaps we can now explore questions in relation to product potential, and then move on to the deployment of resources.

Mr HAWKER—I just want to follow up on the previous answer. You say you want to branch out. What tangible things are happening? You mentioned services, for example, in agricultural reconstruction—what are you actually pursuing there to get that to happen?

Mr Walsh—We recently placed a trade commissioner in Baghdad. Greg Hull has been there for about six weeks. His initial responsibilities are to network with the range of decision makers in government agencies as well as with Iraqi trading companies. That is quite difficult at the moment, but through that we would like to build the range of networks to find out what tenders will be coming up and what the needs of private industry in Iraq will be and to bring those opportunities to Australian companies.

Mr HAWKER—And you have not received any direct responses or results yet?

Mr Walsh—In terms of other things that Austrade will be doing to win business in Iraq, we have a plan to bring to Australia decision makers in some of those ministries and also to bring people from Iraqi industry when we are able to as the new government is put into place and security returns to a more even keel.

CHAIR—Apparently you were servicing originally out of Jordan and then you moved the trade commissioner to Baghdad. What role is Kuwait likely to play?

Mr Walsh—That is correct: initially we did have a trade commissioner working in the region but out of Amman, Jordan. He subsequently returned to Australia and we put our permanent representative in Baghdad. As for Kuwait, I really cannot comment on what our plans might be there. Again we can take it on notice. That is a decision that will be made by our senior trade commissioner based in Dubai, Peter Linford, together with our director for the region.

CHAIR—So is the plan to put a trade commissioner into Kuwait, or not?

Mr Walsh—I am not aware of the current thinking on that.

Ms Wilkes-Bowes—We can take the question on notice and advise what role Kuwait will play.

CHAIR—When we were in Riyadh, the trade commissioner indicated that he was fairly stretched in servicing the number of countries that he does. There was a view by the committee at that stage that it may be worthwhile to put a trade commissioner into Kuwait to service several countries as well as Kuwait, not only because Kuwait is No. 2 in terms of trade from Australia but also because of its easy access into Iraq. I think they were telling us that there were 1,000 trucks a day going from Kuwait to Iraq, which is an hour away.

Ms Wilkes-Bowes—John Finnin, the regional director for that whole region, and Peter Linford have been giving consideration not just to Iraq and the people who go into Iraq and Baghdad but more broadly to the whole region and where the resources should be deployed to get the best effect. I can certainly say that. But as to the extra detail we could give, we will come back to the committee if that is all right.

CHAIR—The post is opening in October, isn't it, in Kuwait? Do you mean there has been no thought given to whether you should have a trade person there?

Ms Wilkes-Bowes—There certainly has been thought given to it but I would not like to give you the absolute detail—the timing and so on—without being certain, and I would defer back to our regional management to do that.

CHAIR—So what are they likely to say—'We are considering it,' or something?

Ms Wilkes-Bowes—It depends on where they are in the decision-making process, really, as to how finalised it is—

CHAIR—You will not be surprised if there is something in our recommendations in that regard, unless you can point out some strong reasons in between time as to why that should not occur.

Ms Wilkes-Bowes—We can give you that response very quickly—in the next day or so.

CHAIR—Okay. In terms of the region generally, where do you see the most potential for Australian product going into the area?

Mr Walsh—I am not in a role in Austrade where I can comment on the broad region. I have a narrow focus on infrastructure.

Ms Wilkes-Bowes—My previous comment probably applies in that I am not an expert across that region either and would defer back to management—John Finnin and others—in that region.

CHAIR—Why do we not have such a person here today to answer these questions?

Mr Walsh—I was invited here to comment on section 23AF of the act and was not prepared for broader questioning in that area. I could offer commentary. However, as Ms Wilkes-Bowes says, we would need to have formal advice to you from the region.

CHAIR—I understand. We had a review from Austrade before on it. But it would be nice following our visit and hopefully with us being a bit better informed to have some discussions about that.

Senator BOLKUS—Maybe you are the wrong people for this as well but there is a plethora of state agencies and federal agencies. From the federal perspective, how do we see that operating? Are there glitches in the system? Do people sometimes fall over each other? Is that something we should ask some other officer?

Mr Walsh—Is that Australian state agencies and Commonwealth agencies working in the region?

Senator BOLKUS—Yes. What is the degree of cooperation like from your perspective?

Mr Walsh—Excellent. Let us talk about the Commonwealth level. I serve on the Iraq task force. I am one of the representatives of Austrade on the Iraq task force. I would participate at least monthly. We work very closely, particularly with DFAT. I have to say that through my years of service in Austrade I have never experienced such close cooperation with the Department of Foreign Affairs and Trade. Other agencies there also work very closely together for an efficient outcome. As far as state governments are concerned, we have held two major conferences on Iraq this year here in Australia and they have been attended and strongly supported by state agencies.

Senator BOLKUS—Do you have any sense of the willingness of Australian business to go into Iraq at this stage?

Mr Walsh—There is a certain reticence at the moment because of the security environment. We are certainly directing companies to the Australian government information on travel into the region, which is very negative on travel to Iraq. However, as we do in the region, we are advising companies that they do not have to visit Iraq to do business there. A fair amount of business is done through intermediaries in the region—distributors and traders—and we are working hard as a region to make sure those networks are used to their fullest.

Senator BOLKUS—Is there a system of law that would protect any investor or business operator who went into Iraq?

Mr Walsh—As we move into the new administrative system under the new Iraqi government new laws will apply, but I am not able to comment much more than that at this stage.

Senator BOLKUS—Do you have any sense of a timetable for implementing laws to govern business relationships?

Mr Walsh—No, I do not. I would have to get back to the committee on that.

CHAIR—What about some base commodities going in—fresh fruit, vegetables, meat and so on? How much is going in there now and what is the potential for getting that in there in the short and long term?

Mr Walsh—I am not aware of any fruit and vegetables going in. I was aware that we were supplying some Australian meat into Iraq through our networks in the region. I understand Meat and Livestock Australia do have a representative in Bahrain which facilitates the supply. There is one issue that Australia is very keen on and that is to see that Australian meat can be accepted by the US forces in Iraq. So we are working with the Department of Foreign Affairs and Trade to ensure that our meat is acceptable for supply against US tenders.

CHAIR—Are we losing out against US tenders?

Mr Walsh—I think there is work to be done. Previously, our trade into Iraq was very narrowly focused on wheat and cheese. There is work to be done to broaden that. Being pretty much a centrally planned economy, the Iraqis have been importing a lot of products through a system they have where they package up a variety of products and make them available to citizens almost free of charge. We are trying to get Australian products into that basket of products that has been going in there. Of course, that will depend on the continuation of that particular system—I forget at this point what the name of that system is. However, there are many ways of getting Australian food produce into the market.

Senator BOLKUS—Do you get any sense of the Australian fish industry having potential in the area?

Mr Walsh—I could not comment on that.

Senator EGGLESTON—I am genuinely interested in the access of Australia to contracts in the reconstruction phase of Iraq and one hears that the tendering process has perhaps been largely dominated by the United States. What are your comments on that? What scope is there,

realistically, for Australia to seek to access those contracts in the postwar phase in Iraq, and I suppose in Afghanistan as well?

Mr Walsh—I would start by saying that we have had some success in those US funded contracts, particularly the case I mentioned with Worley Ltd being a joint winner, with Parsons of the United States, in that oil rehabilitation contract. We have assisted other companies to bid actively for those, and one in particular, after a lot of work, was not successful. They are very competitively fought. Due to the good relationship that Australia generally has with the United States, our suppliers are considered favourably; but it is very competitive to win those particular projects. One of the challenges is to stay abreast of the contracts as they are rolled out, so we are working hard at finding out when those tenders are released and getting advice to Australian companies early.

CHAIR—Because of the narrowness of your brief, perhaps we had better terminate it there. Perhaps you will pass the word through that when we have a debrief from trade committee visits it is probably worthwhile that we have more people involved to discuss some of the issues, because it has the opportunity to head us off if we are likely to come down with a recommendation they will not particularly enjoy—or, vice versa: encourage us in some other areas that they might want the government to recommend. Thank you very much for coming today.

[10.31 a.m.]

BAYLISS, Mr Roger John, Director, Snowy Mountains Engineering Corporation International

HITT, Mr Ross Henry, Executive Director, General Manager International (West), Snowy Mountains Engineering Corporation International

CHAIR—Welcome. The Trade Subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not wish you to give evidence on oath, I should advise that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. The subcommittee has a submission from SMEC, No. 16. I invite you to make an opening statement, and we will follow that with questions.

Mr Hitt—I will explain my position and role in the company. As well as being a director, I am general manager responsible for half of our international operations. That includes the Middle East, South Asia, Africa and Central Asia. SMEC has been in the Middle East for a number of years but it is really only in the last five years that we have tried to increase our presence in the region. We have a regional office in Qatar, in Doha. We have an office in the UAE and an office in Kuwait. We are currently also working in Iraq. We see the Middle East as being one region in which we really want to expand our business. It is a very competitive market. Earlier, section 23AF of the tax act was mentioned. It is important to us that such exemptions are granted, as we feel that many of our competitors, particularly the British, operate with such tax exemptions. We also feel, as included in the submission, that generally—

CHAIR—So it is true that the British operate with such exemptions?

Mr Hitt—We understand so, yes. Our company is quite new to the region, so we probably lack a bit of understanding, but I think also that the way of doing business and the understanding between Australia and the Middle East is not as strong as that between Australia and Asia. So we are looking to improve our knowledge and expertise on doing business in the region. We mentioned in the submission that one way of doing this is to have business delegations visit Australia more regularly—key decision makers. I think that has probably been happening to some extent in the past few years, but we would like to see more of that. We also feel that perhaps the region is a bit underrepresented, in terms of embassy representation and perhaps Austrade representation, throughout the gulf countries. Kuwait, particularly, is one where we have an office and we feel that we could do with a bit more representation. I know the Kuwaitis feel that as well. We have made our submission, and I will be happy to try to answer any questions that you may like to pose.

CHAIR—Following up on your last comment, where in particular do you believe that the Austrade representation should be strengthened? Kuwait is the obvious one. Is it just about opening up a post there?

Mr Hitt—For us, definitely Kuwait and to a lesser extent the marketing in Qatar. It is a smaller market but I think it is looked after from the UAE. In the past couple of years there appears to have been less emphasis placed on the Middle East. Roger, who is sitting to my left, was formerly executive general manager based in Dubai. I understand that position has now moved to Europe.

CHAIR—To Frankfurt.

Mr Hitt—Yes. There is obviously less of a focus there than previously. With embassies, there is now representation in Iraq, which should be good; but Kuwait is the main one from our point of view.

CHAIR—Mr Bayliss, what are your views on shifting the executive general manager's position to Frankfurt?

Mr Bayliss—I should mention for the benefit of other committee members that those decisions made by Austrade were made sometime after my retirement from the organisation, so my retirement from Austrade was not coincident with this change. I think it happened 12 months after I departed. The SMEC submission states fairly clearly that, in the markets of the gulf region, government imprimatur is so important and government status is strongly used by our competitors, as Mr Hitt mentioned. I believe that the maximum government effort should be directed to this region, rather than less. That position was focused not only on the Middle East; it covered South Asia and sub-Saharan Africa as well, so it was quite a large operation. To then, if you like, merge that with a European operation is certainly not a decision that I would have supported.

CHAIR—What post do you believe should be strengthened?

Mr Bayliss—I think Mr Hitt has covered that fairly well. Kuwait is certainly one, where until about 1985 there was an Australian consulate managed by Australia and Kuwait. Since then it has been visited from different areas of the Middle East. In my view, Kuwait is certainly a stand out situation not only because of the Kuwait market in its own right but also because of its influence in business with Iraq. Qatar and Muscat in Oman would be next on my list, after perhaps a strengthening of resources in Saudi Arabia, which I think you alluded to.

CHAIR—Would you put Muscat ahead of Doha, for example?

Mr Bayliss—No.

CHAIR—So you would have Doha then Muscat?

Mr Bayliss—Exactly. As mentioned in our submission, SMEC's regional office is now based in Doha. The timing for business activity in Qatar could never be better, with the Asian Games coming up in 2006. That will be a major event in which many Australian companies particularly, drawing on their Olympic success, are already closely involved. Perhaps more important than the Asian Games is the fact that Qatar is sitting on natural gas reserves that come in at number 2 after Russia's.

Qatar is currently running at about No. 4. I may be mistaken, but certainly in terms of natural gas production its reserves, as I recall seeing recently, are something like 10 times Australia's reserves. For a country that has an indigenous population of about 200,000, the massive wealth that is being visited on Qatar is really something that any company that has a future in that region and any government should be looking at very heavily—as SMEC indeed are.

CHAIR—I do not know whether you were here when I mentioned that Qatar Airways were down here this week looking for daily service rights into Australia. That will obviously create interest too.

Mr HAWKER—I want to follow this up. In your submission you make some very strong points. You say:

DFAT and Austrade representation in the region is significantly less than the presence of governments of our non-Australian competitors; Austrade representation has actually reduced in numbers and seniority in recent years—

you mentioned that—

this has been noticed in the region and has been interpreted in some circles as reflecting Australia's geopolitical priorities; the recent Austrade location of the key executive responsible for the Gulf Region in Europe—

which you have talked about—

is puzzling to most companies ...

They are pretty strong words. I am wondering what you would suggest the increase in our presence ought to be. You touched on some points. At what level should we be there if we are going to get the best benefit for what we are trying to do?

Mr Hitt—I guess we cannot expect to have the level of representation of the US and the UK, which are very strongly represented throughout each of the gulf countries and have very strong historical links—particularly in the case of the British. I am talking about our business. Most of the service business has been captured by those UK and US firms for many years, so it was difficult to break in. I am not expecting that Australia would be represented in every country, but I think the ones that I have mentioned—particularly Kuwait and Qatar and strengthening what we have in the UAE—are the things I really see. Depending on what happens in Iraq, some strengthening in Iraq would be good. We are not sure what will happen in Iraq, of course. But that is the way I would see it.

CHAIR—Mr Bayliss, I am sorry to ask you this but—given your former role, it should be an Austrade person—is there a trade officer or representative locally employed in Doha now?

Mr Bayliss—Not to the best of my knowledge.

Mr Hitt—Someone looks after Doha from Dubai. On Qatar, in the past month or so they have announced \$US12 billion—I think that is the figure—that they are going to spend on infrastructure, particularly tourism infrastructure such as the airports. It is a massive amount of money. I believe Qatar Airways are about to start flying direct to Melbourne three times a week.

CHAIR—That is why they are coming down here.

Mr Hitt—Yes. So the potential is there for really strong links. We are hoping to capitalise on that—we are not capitalising particularly successfully at the moment—in the near future.

Senator BOLKUS—I have to say that your concerns are concerns in themselves but they seem to take on a greater level of concern when you look at other aspects of your submission. It is not as if resources there would be wasted. From what you are saying, to have government officials there at a critical stage in lobbying for contracts is important as part of the culture of the region. Are you finding that is a problem at the moment?

Mr Hitt—It seems to be our experience. Particularly with the US and UK firms, as I mentioned, lobbying seems to be very important.

Senator BOLKUS—The other aspect which I suppose is critical in a broader sense is the concern you raised in terms of registering joint ventures in the region, particularly with the UAE. That was going to lead me to ask you a question which you start to address in your submission—that is, the actual business environment, the infrastructure of law and process, visa issues and so on. There seems to be a solid agenda that Australia could embark upon in trying to get outcomes or synchronisation or simplification of laws in the area. Is that something that, to your knowledge, anyone from the Australian government is working on at the moment?

Mr Hitt—I am not sure. Since that submission, you can now visit Kuwait and get a visa at the airport without sponsorship by a sponsor or a hotel, as was previously the case. That is one thing that has definitely improved. Already we have noticed the impact of that—trying to get people there quickly becomes much simpler. There is the much wider issue of sponsorship, which operates within most of those gulf countries, and those sorts of things make doing business quite difficult.

Senator BOLKUS—You say in your submission:

It would be extremely helpful if the Australian Government could encourage the Gulf Co-operation Council to embark on a program (perhaps lasting 10 years or longer) to harmonise business legislation and policies, technical standards ...

I take you back to the example where you have recently been through the process of trying to register a joint venture company in the UAE. What sorts of problems did you have there, and what leads to this recommendation?

Mr Hitt—We have had a number of problems in getting our joint venture registered. Some of these might have been our own internal problems in how we tackled the joint venture. We have formed a joint venture with a local company in the UAE, and we are struggling, as they are, with their own interpretation of new joint ventures and whether they can be registered to act in our business—as a service company—as consultants. In the area of joint ventures for trading companies it is relatively simple. But in our business as consultants, most of the government ministries are saying that you need to present a trading history as a joint venture in order to be registered. Obviously, if you establish a new joint venture it does not have any trading history. The trading history belongs with the partners of the joint venture. In our case, our joint venture partner is not an engineering consultant like us. We have been struggling with those things for

some time. I think we are making progress but, as I speak, our joint venture is still not registered in the UAE.

Senator BOLKUS—Is that because there might be an unwritten policy that does not really want to encourage registration, or is it that the process does want to encourage it but the process is too complex and difficult, or both?

Mr Hitt—Our joint venture partner is saying that there is a bit of an unwritten policy that they do not really want new players in the market. We have not really come across that firmly but, yes, there is a bit of that.

Mr HAWKER—In your recommendations you talk about some fairly fundamental things. You say:

It would be helpful if all Ambassadors designate, other senior diplomats and commissioners received some focused training ... on the promotion of consulting services.

You also say:

Political lobbying for contracts is normal in the Gulf region and the role of the Australian Ambassador in particular can be critical ...

Do you want to expand a bit on how significant that point is and whether you could say that you would have had more success than you have had so far if that had been done? I am putting you on the spot!

Mr Bayliss—I think the intent relating to those comments is that in the services business—an area that Mr Hitt can also comment on—throughout the gulf region, the whole project cycle of funding and the manner in which projects are incubated is rather complex, particularly at the present time. I am thinking of areas like Yemen. Iraq, of course, is another area of some complexity. The points in the project cycle at which a government, for example, can exert influence can sometimes be fairly subtle and quite different in many respects from the merchandise trade in regular commodities and hard products. My view relating to that comment in the submission is that the promotion of Australian consulting services is a specialised area and governments—federal, state or whatever—and anyone involved in assisting that process should have a bit of extra knowledge imparted to them on where the project has its origin and how, where and why it can be influenced in what, particularly in the gulf region, can be a cycle taking several years of incubation.

Mr HAWKER—But specifically you are saying ambassadors and trade commissioners.

Mr Bayliss—Yes, ambassadors are certainly a very important element in supporting Australian companies' bids for major projects. Austrade is doing that on a very regular and continuous basis. To my mind, the point would be directed at anyone, be they an ambassador, a second secretary, a trade commissioner or anyone who was not familiar with the promotion and export of consulting services.

Mr HAWKER—Are you saying that at the moment that is not really being done properly or not done as well as it could be?

Mr Bayliss—No, I do not think there is any implication that it is not being done properly and effectively in many areas. I am suggesting that it could be done perhaps much more effectively in the case of representatives who may have had no previous contact with this area. Many of Australia's diplomatic staff, on both the political and commercial side, have had extensive experience in this area. I am suggesting that anyone who has not would do well to be educated, if you like, in how services are marketed internationally and the highly specific factors which may be associated with actually getting the deal out of the pipeline.

CHAIR—What about government ministers being involved in lobbying as well? Would that work?

Mr Hitt—I think that would work. Our experience in the Middle East in some ways we compare to Asia, but it is different. Our company in the past has obviously enjoyed the benefits of people like AusAID in being able to establish in a country and maybe doing work for AusAID and then moving on to the commercial sector or government sector, whereas that entry into the Middle East has not been there for us. So we are feeling that it needs more impact at a government level, be it ministerial or ambassadorial.

CHAIR—What types of contracts have you been getting in the Middle East?

Mr Hitt—Let us start with Iraq. In Iraq we are currently working for the CPA—

CHAIR—CPA?

Mr Hitt—The Coalition Provisional Authority, which finishes in the next week or so. That particular contract we started under the UN oil for food program. The CPA took over the administration of that contract and now it is being handed on to the new Iraqi administration. That is one particular product we have which is quite large. It is in the north and involves rehabilitation of electricity substations and transmission lines and general power rehabilitation. In the UAE we have been working providing project management services for a major water pipeline project. There is an electricity project in Abu Dhabi and a transport project in Dubai, and in Qatar we have a small job in the transport sector. Saudi we are not operating in. Mainly it is our normal core business of power, water and roads, which is essentially what our key strengths are.

CHAIR—What is the total value of those in rough figures?

Mr Hitt—Last year we turned over about \$6.5 million in contracts and this year it will probably be about the same, maybe slightly higher.

CHAIR—In the Gulf States?

Mr Hitt—Yes. It depends a little bit on Iraq. That contract in Iraq is quite a major contract, and with the increased security the contract value has gone up more than 100 per cent in the last two weeks due to security issues.

CHAIR—Where do you see the most potential for your organisation in the countries in the gulf?

Mr Hitt—We are in line for some major projects in Kuwait. Expressway Projects has just gone in yesterday—a major contract in Kuwait. We have water and sewerage projects in Kuwait. Again, transport type projects are probably the next major focus for us in Qatar, and the UAE joint venture that will concentrate on buildings and transport and new lane development. I guess Kuwait, UAE and Qatar are the three focus areas of operation. Iraq is one which we have on hold, depending on the political situation.

Senator EGGLESTON—The questions I was interested in asking have been asked. I was particularly concerned about the issue that you raised about Australian diplomats perhaps not being as proactive as diplomats from other countries in supporting Australian business in the area. I think that matter needs to have some attention devoted to it. Obviously, a whole-of-government approach is needed to ensure that we successfully obtain these contracts in that part of the world. Other than that, I do not have any issues that I wish to raise.

Mr Hitt—You raised a question earlier of, I think, Austrade about the success of the US administered contracts in Iraq. We have pursued some of those with a number of US companies, but we have not been successful in any of those. Certainly, throughout the region the US are very dominant—both upfront and behind the scene—in obtaining contracts, particularly in Qatar, where they are definitely very dominant in our sector in winning those major contracts.

Senator EGGLESTON—Are the American companies that are seeking those contracts given strong political support by the diplomats in the American government in the region? Is that the implication of what you are saying?

Mr Hitt—Yes, I think so. We cannot expect that Australia can match it in that respect, but it would be good to at least strengthen ties with a couple of those countries.

Senator EGGLESTON—Are you implying in some way perhaps that Australia is not getting its fair share of contracts in that area, especially in Iraq? Would you think that we should perhaps be getting more contracts?

Mr Hitt—I guess we cannot expect any favouritism, but it would have been good to get some more contracts. I am not sure whether generally the Australian government would be happy at the level of contracts we have received in Iraq. Our company were a bit disappointed. We thought we would be doing better than what we are.

Senator EGGLESTON—That is an interesting remark. What about the other European countries, other than the UK, Germany and France? How active are they in this area?

Mr Hitt—In Iraq or just generally?

Senator EGGLESTON—Both in Iraq and generally.

Mr Hitt—In Iraq I would think it is pretty much US and UK dominated. Generally, British firms do very well in gulf countries in our sector, as do German and French firms.

Senator EGGLESTON—That is interesting.

CHAIR—Why did you set up your headquarters in Doha rather than Dubai?

Mr Hitt—Originally we set up in Dubai and we were there for a number of years. We entered under a sponsorship arrangement, where we had a local sponsor. Our business was not very successful, and we decided that really the only way we could work in UAE was through a joint venture. We wished to restrict that joint venture to only the UAE, and Qatar seemed to be a market that we had looked at and we could see work coming up. It was for the reason that we set up in Qatar. It is our intent that, once the UAE joint venture becomes fully operational, it will be a fifty-fifty joint venture. It will move out of the rest of our Middle East operations. It will operate quite independently. We needed a base where the rest of our Middle East operations can continue, and it was really going to be either Qatar or Kuwait. We felt we already had some representation in Kuwait and we wanted to extend our sphere of influence.

CHAIR—Thank you for coming today.

[11.06 a.m.]

GORDON, Ms Jenni, General Manager, Animal and Plant Programs, Australian Quarantine and Inspection Service, Department of Agriculture, Fisheries and Forestry

INGHAM, Mr David, Manager, Food and Agriculture Organisation and Americas, Trade Policy, Market Access and Biosecurity, Department of Agriculture, Fisheries and Forestry

MORRIS, Mr Paul, Executive Manager, Market Access and Biosecurity, Department of Agriculture, Fisheries and Forestry

CHAIR—Welcome. The subcommittee prefers all evidence to be given in public, but should you at any stage wish to go in camera, please let us know. As you know, these hearings are formal proceedings of the parliament, consequently they warrant the same respect as proceedings of the House itself. I invite you to make an opening statement, and then we will proceed to questions.

Mr Morris—Thank you for the opportunity to discuss with the subcommittee the Department of Agriculture, Fisheries and Forestry's views on Australia's trade and investment relationship with the Gulf States. In 2002-03, the Gulf States represented Australia's sixth most important market for exports of agriculture, fisheries, forestry and food. They were our largest market for exports of live sheep, a major market for wheat and an important market for dairy products and meat. With the increasing wealth of the Gulf States, it is likely that there will be significant increases in their demand for agricultural products in the future, with imports playing a key role.

Much of the growing demand for agricultural products in the Gulf States over the past 20 or 30 years has been satisfied by significant investments to increase their domestic productive capacity. However, the ability to continue to do this in future is likely to be hampered by physical and environmental constraints, such as the lack of reasonably priced water and productive agricultural land, environmental impacts of past increases in agriculture and the budgetary cost of supporting an internationally uncompetitive agricultural sector. Given this, there are prospects for an increased reliance on imported products.

There is some ground for optimism that Australia will be an important player in meeting this demand. For example, discussions on a free trade agreement with the Gulf Cooperation Council or with individual Gulf States could result in expanded access opportunities. Decisions by the Saudi government to reduce support prices on wheat and barley could lead to increased import demand from world competitive agricultural producers such as Australia, and growth in premium agricultural and food markets, such as in Dubai, and improved transport linkages provided by direct flights from Australia are prospective for growth in trade to that area.

Our submission also discusses at some length issues associated with the live animal trade. I will leave later this week for my fourth visit to this region for this year. DAFF believe in the importance of engagement to resolve bilateral trade issues. The current series of visits together with the establishment of a veterinary councillor position to service the Middle East region will, in our view, assist in putting the live animal trade with the region on a more secure footing. More

generally, in view of the likely increase in demand for Australian agricultural exports from the Gulf States, it is important that Australia continues to engage with these countries and is proactive in addressing bilateral agricultural issues, thus protecting our longstanding reputation as a reliable supplier of quality agricultural and food products. We welcome any questions that you have for us.

CHAIR—Thank you. As you are obviously the expert in the live sheep trade, perhaps you could bring us up to date on where it sits at the moment. When we visited there was a memorandum of understanding that some countries were looking at and you were trying to get the support of others to sign. Could you bring us up to date on where it is at.

Mr Morris—There are a number of aspects to what we are trying to do to put the live animal trade on a more secure footing. There are aspects here in Australia which AQIS has been very closely involved with in terms of strengthening some of the arrangements we have had for ensuring that the animals we send meet the requirements of the Middle East. But then at the other end we are trying to get some reassurances from the importing countries that they will actually accept animals when they arrive. That was a critical factor with the *Cormo* incident—those sheep were not offloaded when they arrived. The process of developing a memorandum of understanding with each of the countries is to get an assurance from them that the animals, when they arrive, will be either unloaded in the normal way after a veterinary inspection or, if there is a suspected problem, they will be offloaded into a quarantine facility where they will be further inspected and tested to see whether there is a health problem.

To date we have formally approached six countries in the region and we are about to approach four others to commence negotiations. The initial countries we approached were Kuwait, the UAE, Saudi Arabia and Jordan. Then, recently, when the minister visited the area in late April and early May, he also formally approached Egypt and Israel. Not all of those countries are within the scope of your inquiry, but I just mention the full range. On my next visit, which will begin on Friday, we will formally commence discussions with Oman, Bahrain and Qatar. We will also approach Syria during that trip. We do not have trade with Syria at the moment because of their blue tongue regionalisation policies, but they are likely to open trade in the future and to pre-empt that move we are approaching them with respect to the memorandum of understanding as well. That is generally where we are at the moment. There are no signed agreements with any of those countries as yet, but we have made the most progress with Kuwait at this stage.

CHAIR—We had some feedback when we were there from some countries who asked, ‘Why do they want us to sign if we’ve never created any problems or caused an issue? Why should we have to sign such an agreement?’ Is that an issue or has it resolved itself—have people settled down now?

Mr Morris—We have had that raised with us as well and we understand that view. In fact, each time there has been a rejection it has been with Saudi Arabia—that has been a problem country. But under the Gulf Cooperation Council rules, if one country rejects a shipment, other countries in the region cannot accept that shipment. Therefore we felt it was important to actually approach all the countries in the region and not just Saudi Arabia about trying to get an assurance on the MOU. There is also the general perception about the importance of that region for our trade. They are the major importer of live sheep in the world for us and it is important to be provided with an assurance. Sheep going over there have a trip of 14 days or more and, in

order to protect the welfare of those animals, we wanted to be assured that they would actually be offloaded in the relevant countries when they got there. That is why we are approaching all of the countries in the region.

CHAIR—It seemed also that Saudi Arabia had a pretty positive attitude towards the MOU, from the people we spoke to—not that we saw the specific people responsible, as you would have. Is that generally the case?

Mr Morris—It is interesting to read what the Saudis actually want to do. They have indicated both at the official level and to Minister Truss when he was over there that they supported the principles of the MOU. In other words, they agreed that quarantine facilities should be established to offload animals on arrival. They went on to say, though, that they did not have the appropriate quarantine facilities at the moment and that they wanted to construct those facilities before they would be ready to sign an MOU with us.

They said that it would take a year or two to have those facilities in place. The message we read from that is that they will not be ready to sign an MOU for a year or two. We would not be prepared to recommence a trade with them until they had those facilities in place. Recommendation 7 from the Keniry inquiry was very clear that the government should not reopen the trade with Saudi Arabia until certain assurances were in place that animals would be offloaded on arrival, and that is what we are pursuing with them.

CHAIR—Where are they getting the animals from in the interim period?

Mr Morris—That is a good question. I do not know the answer for sure, although I understand that animals are coming from Africa and parts of Europe, from Uruguay and possibly from other countries in the region such as Jordan and so on. I do not have the detailed statistics; it is just from anecdotal information that I understand that to be the case.

CHAIR—Have you thought of sending the animals to an intermediate port for their transshipment to other areas such as the UAE—some people were enthusiastic about that as one of those free trade areas—to be able to offload the sheep there and then to be transhipped to other countries?

Mr Morris—I will let my AQIS colleague add to this, but my understanding is that the current ban on exports to Saudi Arabia prohibits the transshipment of animals through other countries to Saudi Arabia.

Ms Gordon—The current order that exists under the Australian Meat and Live-Stock Industry Act prohibits any Australian exporter from being involved with or participating in an arrangement where knowingly sheep would be transhipped. It would be a matter for the minister and the government to decide if they wanted to vary the policy that sits behind that particular order.

CHAIR—It may provide opportunities though, so that you have locals being able to negotiate with other countries. Senator Eggleston, did you have any further questions on the *Cormo Express*?

Senator EGGLESTON—Not on the *Cormo Express*, but I was interested in where the submission relates to live goat shipments. I know a lot of the Gascoyne stations in Western Australia, for example, export goats. I know a few pastoralists who have gone into that business. I see that the number of live goats exported fell from 24,000 in 2000 to 14,000 in 2003. Are there some issues there that we should know about in terms of the acceptance of Australian goats into these Middle East ports and countries that may or may not relate to similar issues with the sheep?

Mr Morris—The actual overall numbers of goats that are exported to the Middle East region are relatively small compared to the sheep numbers, obviously. It is not something we have focused heavily on. As I understand it, it is really just due to commercial fluctuations in demand and supply. I am speculating now, but I suspect the drought may have had an impact on supplies of goats in the last couple of years. I know that with sheep and cattle there has been some concern about the price of the animals from Australia. I am not so sure about the price of goats, but it is possibly also affected by exchange rate movements which have meant that our animals are a bit more expensive compared to other sources. As I said, a lot of that is speculation because I have not focused too much on the goat side of things in terms of market demands, but I suspect commercial factors are driving that more than anything.

Senator EGGLESTON—Respecting what you just said about not focusing on the goat trade, is there potential to expand that trade? Where do most goat imports in the Gulf come from?

Mr Morris—I should add that goats are caught up in the ban on exports of live animals to Saudi Arabia, so there may have been an affect on goat exports to the region due to that. Jenni may be able to answer the question on where the goats are coming from.

Ms Gordon—Senator, I cannot tell you specifically where the goats are coming from in Australia—

Senator EGGLESTON—Other than Australia.

Ms Gordon—I think it is relevant to your question that goats are more difficult animals to prepare and export as far as achieving low mortalities. One of the factors that would impact on the capacity of Australia to export more goats to the Gulf region is the measures that Australian exporters have put in place in Australia to ensure that the animals are prepared and transported in such a way that we achieve the standards that are prescribed in the legislation. In the past there have been some difficulties, particularly where exporters have been sourcing animals from areas where they have not been sufficiently managed to achieve those outcomes.

Mr Morris—In answer to your question, other than Australia there is quite an active trade from Africa into that region. That is done on very small ships with very low numbers being shipped at a time from North Africa into the region. I would suspect that a lot of the goats are coming from there.

Senator EGGLESTON—Thank you.

CHAIR—Have you had any contact with Iranians in terms of talking about joint venture seminars on dryland farming, agricultural methods et cetera? The reason I ask is because the

head of the department of agriculture is a guy who did his PhD training at the University of Western Sydney. We had a very positive discussion with him, and he recommended that we look at a range of seminars where each party pays for their own travel and accommodation costs and where areas of mutual interest could be discussed. You will find that we are tabling our visit report today. Our overall report in terms of the inquiry will come down later. I was wondering whether you have had any contact with the people there. Dr Emadi is his name.

Mr Morris—I think I know him. Did you meet with him in Iran?

CHAIR—Yes.

Mr Morris—Sorry, I think I was thinking of somebody else. I have not personally had contact with Iran on this issue. We could check whether anyone else in the department has. We do quite a lot of that sort of work with other countries, so the scope for doing that sort of project is quite plausible and possible. We would be happy to follow up on that, if we had the contact from Iran, and see what opportunities there are. Sometimes that sort of work is done through ACIAR, sometimes through AusAID type projects, and sometimes we fund them out of our department. There is a range of possibilities there to have a look at to see how something like that might be organised.

CHAIR—We will send you a copy of the report which highlights it, but it is a real opportunity at the moment with this guy being very pro Australia. This is where he did his PhD. He did his PhD thesis in an area of dryland farming, I think, and he respected our expertise. But just in terms of our relationship with Iran and the export potential for a whole range of products, it would be worthwhile doing. It is interesting that Austrade pursue their own ends, but something like that would be enormously beneficial. So when you are visiting the area, we would encourage you to do a bit of a side trip up to Teheran and meet this guy and talk about possibilities. It may be that they are prepared to pay for their own costs they and they could come out to Australia—we could see how serious they are—as exercise No. 1. Could I leave that with you in terms of something we saw that was very positive?

Mr Morris—Certainly. On my forthcoming trip we are visiting eight countries in 12 days, so we might skip it on this occasion; but we will be in the region again later in the year, so there may be an opportunity to pick it up then.

CHAIR—That would be great, if you could. I do not know whether you have looked at the potential for other products going into the region—for example, the very rapid increases in the number of flights going into the region and the capability for carrying fresh fruit, vegetables, seafood et cetera does lift the potential considerably. I do not know whether you have done any work on what you see the potential is for the agriculture and fisheries area.

Mr Morris—I think there is a lot of potential there. When the minister was there in Dubai in April, he did a launch for the National Food Industry Strategy, a joint venture arrangement they have with a company in Dubai, for—on that occasion—seafood, but they have a much broader range of products as part of that general approach that they are using in that region. There is quite a dramatic expansion in the higher quality end of the market in Dubai at the moment, as you may have noticed when you were there. There is a large number of hotels being built there;

there is a big tourist trade that they are trying to develop there, partly off the back of the fact that their oil supplies are due to start diminishing for the UAE over the next 15 to 20 years—

CHAIR—Twelve.

Mr Morris—Twelve—you have heard this story before, obviously. So there is a lot of potential for that fresh food market. The opening of the direct route by the UAE from Sydney into Dubai, and potentially from other capital cities—I think from Perth also—really opens up the prospects for getting more fresh food into that market. More generally, I think there are prospects for growth in meat and dairy as well, and also horticultural products, in the rest of the region. We have been working with Saudi Arabia to try and reopen the lentils market, which has been closed for about 12 or 13 years. We have been working with Pulse Australia to see if we can get that trade reopened, and that is looking quite prospective at the moment.

We have been promoting the e-certification process which will facilitate trade in products. We signed an agreement with Jordan to get that up and going. We are working with the UAE to get e-certification going. E-certification is a more secure documentation process for imports and exports. So there is quite a number of other products that we have been trying to address during these visits, off the back of doing live animal work but also, while we are there, trying to take advantage of that and moving ahead on other products as well. I think there are a lot of prospects.

CHAIR—Do flowers come under you guys?

Mr Morris—Potentially they do. We have not done a lot on the trade in flowers into that region, but if there are any issues in terms of technical access problems or whatever then we would be happy to pursue those while we are over there.

CHAIR—They mentioned in Dubai that they were planning to make it a major regional centre for the distribution of flowers, like Amsterdam, so that might come into it as well.

Mr Morris—Particularly with those direct flights out of Perth. There are a lot of wildflowers, as you would be aware, which come out of WA, and it would be quite a good route, I would imagine, into that area. Again, the hotel trade has been an important one for us in Asia for flowers, so I would imagine it could also be very important in the Middle East.

CHAIR—Is there a major trade fair that we could be showing our products in? I suppose that is more an Austrade question than a question for you. But I am thinking of Cologne, where they have Anuga, which is a major food fair. I wonder whether the time is right and whether we should be looking at going into this area, because of the growth and the potential.

Mr Morris—I am sure they do. I know when we were in Kuwait—I think it was in January—they had a trade fair in connection with getting products into Iraq. So certainly they do some trade fairs there. One further point on the flowers is that when we were in Israel recently I noticed that they were growing a lot of Australian native wildflowers there, so we might have a bit of competition from other countries in the region.

CHAIR—Is that right?

Mr Morris—That is right. It was interesting seeing banksias and so forth growing in the middle of Israel.

CHAIR—We saw gum trees somewhere—where was that?

Senator EGGLESTON—Everywhere.

CHAIR—One of the countries we visited had gum trees.

Secretary—I think it was Iran.

CHAIR—It was Iran; that is true.

Senator EGGLESTON—The flower story is interesting, because you are quite right: Israel is growing Western Australian wildflowers, and they are much more commercially active than we are about marketing them. They market them in Europe as well, and you can find Western Australian wildflowers on sale in Amsterdam and places like that, but they are not from WA; they are from Israel.

CHAIR—All right. Thank you for your evidence today. I appreciate your coming.

Resolved (on motion by **Senator Eggleston**):

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

Subcommittee adjourned at 11.31 a.m.