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Reference: Review of the Australia-New Zealand Closer Economic Relations Trade Agreement

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JOINT STANDING COMMITTEE ON

FOREIGN AFFAIRS, DEFENCE AND TRADE

Trade Subcommittee

Monday, 7 August 2006

Members: Senator Ferguson *(Chair)*, Mr Edwards *(Deputy Chair)*, Senators Bartlett, Crossin, Eggleston, Hutchins, Johnston, Kirk, Moore, Payne, Scullion, Stott Despoja and Webber and Mr Baird, Mr Barresi, Mr Danby, Mrs Draper, Mrs Gash, Mr Gibbons, Mr Haase, Mr Hatton, Mr Jull, Mrs Moylan, Mr Prosser, Mr Bruce Scott, Mr Sercombe, Mr Snowdon, Dr Southcott, Mr Cameron Thompson, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

Trade Subcommittee members: Mr Baird *(Chair)*, Mr Snowdon *(Deputy Chair)*, Senators Bartlett, Eggleston, Ferguson *(ex officio)*, Johnston, Payne and Scullion and Mr Barresi, Mrs Draper, Mr Edwards *(ex officio)*, Mr Haase, Mr Hatton, Mr Jull, Mrs Moylan, Mr Prosser, Mr Bruce Scott, Mr Sercombe, Dr Southcott, Mr Cameron Thompson, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

Members in attendance: Senators Ferguson and Payne and Mr Baird, Mr Barresi, Mrs Draper, Mr Jull, Mr Bruce Scott, Mr Snowdon and Mr Wakelin

Terms of reference for the inquiry:

To inquire into and report on:

Australia's trade and investment relations under the Australia and New Zealand Closer Economic Relations (CER) Trade Agreement with particular reference to:

- The nature of Australia's existing trade and investment relationships
- Likely future trends in these relationships
- The role of Government in identifying and assisting Australian companies to maximise opportunities under CER
- Complementary policy approaches by the two governments

WITNESSES

BYRNE, Dr Anne, Branch Manager, Skills Analysis and Research Strategy Branch, Department of Education, Science and Training 22

CHILTON, Ms Anni, Director, Trades Recognition Australia Policy and Research, Trades Recognition Australia, Workplace Programs Branch, Department of Employment and Workplace Relations 32

CLARKE, Mr Greg, Director, Skills Analysis and Research Strategy Branch, Department of Education, Science and Training 22

CLOGSTOUN, Mr Royden, Assistant Manager, Trade Policy Section, International Branch, Department of Communications, Information Technology and the Arts 11

GREENWAY, Ms Caroline, Manager, Regional Cooperation Section, International Branch, Department of Communications, Information Technology and the Arts 11

HAVYATT, Mr David Stephen, Head of Regulatory Affairs, AAPT Ltd 2

MASON, Mr Philip, Acting General Manager, Networks Competition Branch, Department of Communications, Information Technology and the Arts 11

NEVILLE, Mr Ivan Roger, Assistant Secretary, Labour Supply and Skills Branch, Labour Market Strategies Group, Department of Employment and Workplace Relations 32

PRESS, Ms Jane Elizabeth, Director, Migration Policy and Analysis Section, Labour Supply and Skills Branch, Department of Employment and Workplace Relations 32

RICHARDS, Mr Stephen Mark, Manager, Film Incentives and International Section, Film and Digital Content Branch, Department of Communications, Information Technology and the Arts 11

SCOTT, Mr Bill, Manager, Trade Policy Section, International Branch, Department of Communications, Information Technology and the Arts 11

Subcommittee met at 9.33 am

CHAIR (Mr Baird)—I hereby convene the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. On 2 March 2006, the Minister for Trade asked the Trade Subcommittee to inquire into Australia's trade and investment relations with New Zealand under the Australia-New Zealand Closer Economic Relations Trade Agreement, with particular reference to the nature of existing trade and investment relations, likely future trends in these relationships, the role of government in identifying and assisting Australian companies to maximise opportunities under CER, and complementary policy approaches by the two governments.

The provision of telecommunications services has been identified as being important to the integration of trans-Tasman business. The subcommittee will today be taking evidence from AAPT and the Department of Communications, Information Technology and the Arts on the trans-Tasman communications market. The committee will also hear evidence from other departments.

[9.35 am]

HAVYATT, Mr David Stephen, Head of Regulatory Affairs, AAPT Ltd

CHAIR—Welcome, Mr Havyatt. The committee has received your submission, which we have numbered No. 28. As you know, the committee prefers all evidence to be given in public, but should you at any time wish to go in camera please let us know. Would like to make a short opening statement?

Mr Havyatt—I would. Thank you for the opportunity to address you today. Telecom New Zealand and AAPT—Telecom New Zealand being AAPT's parent company—recognise the important role that the closer economic relationship agreement with New Zealand has played in the development of the economies of both countries since it was first signed. However, we only chose to make a submission into this current inquiry because of Telstra's submission in relation to industry-specific regulation of telecommunications and their request that that be included in the CER processes.

Today I am speaking on behalf of AAPT. That is a strange thing to say when our parent company is Telecom New Zealand, but there is a specific reason why I think it is appropriate that this submission is made by the Australian company. The first is that we have actually been in this marketplace for a very long time. We have been in Australia since 1991, and I cover some of that history in our submission. We were acquired by Telecom New Zealand in 2000. From where we sit the important question we have to ask ourselves is: what is the relevance for the Australian marketplace and for Australian firms of any proposal to include telecommunications in CER?

Generic theory provides three reasons why you might include something like telecommunications in an agreement like CER. The first is that you actually want to create market entry opportunities for firms into the markets covered by the agreement. That would be the need to have provisions that would allow, say, Telstra to enter New Zealand or Telecom New Zealand to enter Australia, both of which have already occurred. The second would be the recognition that telecommunications is a fundamental input into the economy—it is vitally important to allow other services based firms to compete. Historically in the world of trade one of the classic areas has been finance firms and the need for finance firms to have access to up-to-date telecommunications if they are going to be able to open an office in a foreign country. The final reason, which is often underestimated, is that you get real trade gains from a trade agreement if both economies can best re-adapt themselves to the new production opportunities created by the trade agreement. In that respect, telecommunications falls into the category of all the various kinds of micro-economic reform that you might wish to pursue.

Let us talk about where telecommunications is in both Australia and New Zealand. We started with the same starting point in both countries. If we go back to the mid-1980s, both countries had a telecommunications system run by a post office that also ran the letter service and was 100 per cent owned by government. From that point on both countries have been on a journey. That journey has been about getting telecommunications out of government ownership and getting away from a regulated monopoly. The objective of both countries at all times has been to land purely in the world of generic competition regulation, so that there will be no need for any

sector-specific regulation. Telstra in its submissions to all other committee inquiries of this parliament regularly remind people that that is the end point of this journey.

So we both have the same starting point and the same end point. It is a bit like we are both travelling from Sydney to Brisbane but one of us has chosen to do that journey via the New England Highway and the other has gone via the Pacific Highway. One country is effectively at Armidale and the other is effectively at Port Macquarie. A call to harmonise now is bit like saying, 'Let's both drive to Walcha and make a new road across the top of the Great Dividing Range to Brisbane rather than continuing the journey from where we are.' That is our fundamental concern. The call for harmonisation is bit like making a new road when we are already on pretty well laid out roads.

The second real concern is that we cannot see any real end-user benefit from a process simply about harmonisation. Telstra have touched on two that they thought were examples. One was in relation to saving charges on inbound roaming for Australian customers into New Zealand. As I detailed in the submission, there is nothing about harmonising the regime that would magically make that inbound roaming more competitive and there is actually nothing that would make it immediately covered by the regulatory regime because you would have to cover domestic mobile roaming, which neither regime has done and which Telstra have consistently opposed in this marketplace. So it is hard to understand why they would promote it in a combined marketplace.

That said, we still think there are further things that could be done in terms of making sure that we continue the journey on our two highways to get to the same destination. The first is to continue greater coordination between the two authorities that are established to cover telecommunications—that is, the New Zealand Commerce Commission and the Australian Competition and Consumer Commission. One way that would advance that would be for Australia to take the same route that New Zealand has taken, where one of the commissioners is designated as a telecommunications commissioner. In this marketplace, whilst one commissioner normally covers telecommunications he shares that responsibility with energy, and there is nothing in the regime that specifically designates a specific commissioner as the telecommunications commissioner. So by moving to having a telecommunications commissioner we would facilitate the process. We could even move to the point of appointing each of those commissioners as associate commissioners in the other commission to improve that coordination.

The second would be to continue the existing arrangements that have occurred between the two governments and talk about how the regimes operate to ensure that their journeys are progressing well. One recommendation we would have in that regard is for those conversations to be expanded from being government-to-government conversations, as they are today, to being economy-to-economy discussions. That is the way that APEC and APEC TEL, its telecommunications subgroup, work. The governments, the industry participants and the user participants are all equal parties in APEC TEL meetings.

Finally, the last piece, which is a fairly minor but relevant piece, has been the frustration that we have experienced on both sides where, as Telecom or AAPT, we are aware of arguments being run by the other firm in the other marketplace but they are currently covered by a confidentiality regime within the other commission and our commission does not have the

automatic right of access to those confidential submissions. So the veil of confidentiality allows both of us, in reality, to run arguments in both countries that are at odds with each other. And—surprise, surprise—Telecom New Zealand in this marketplace is an entrant and sometimes can be accused of saying things that are not consistent with its parent company; ditto, Telstra has been seeking massive exemptions from regulation in Australia whilst seeking regulation of services in New Zealand. That is my brief summary.

CHAIR—Thank you very much. I really appreciate your coming. We had some discussions in New Zealand on the topic and also with the appropriate minister. I want to take you back a bit. I got a little lost in your analogies, when you talked about the New England and Pacific highways and Coffs Harbour. You stated that recent announcements in New Zealand have not been a further step in harmonisation but, rather, a demonstration that harmonisation would be premature. Could you take us over the reasoning as to why you think that harmonisation would be premature?

Mr Havyatt—Part of the difficulty with just saying 'harmonisation' is that, quite frankly, the timing of decisions has been quite distinct in the two marketplaces and, more importantly, the process whereby services are put under regulation in New Zealand is vastly different from the process in Australia. In Australia, we have a process whereby the decisions of the ACCC on what services should or should not be regulated are the decisions of the ACCC. They do not need to seek ministerial approval. In New Zealand, when the regulator makes a decision to regulate they need to get ministerial approval, but the minister cannot direct them otherwise.

What we have seen in New Zealand is a process that said, 'We politically have decided that we want to interfere directly in the work of the regulator.' So they have made a decision over the top of the regulator as to whether a service should or should not be declared. In the Australian circumstance that does not happen. Currently, the government is very dramatically saying: 'We have changed the legislation in September 2005 again. We changed the legislation in 2003. We fully rely upon the decisions of the ACCC to continue to progress the issues in the long-term interests of end users.' So you wind up with this conflict position that says, 'We're happy with a regime that says that we will utilise an independent regulator.' New Zealand is seeing greater involvement of the government in designating specific services.

If you are thinking in terms of going further forward and trying to harmonise but you are still thinking that governments want to directly say that a specific service has to be regulated, how does that occur in a harmonised world? You have now got to get both parliaments to simultaneously agree on the regulation. From where I sit, it seems to be an almost impossible process to try to harmonise whilst you have those distinctions. Certainly it would not have helped Telstra's interests, because if we had harmonised before the government made that decision the government could not have made that decision. I think Telstra has welcomed that decision in New Zealand.

CHAIR—In terms of the aims of the CER, it is a matter of the degree of difficulty rather than the need for harmonisation. Obviously, if we keep putting up these roadblocks, harmonisation is going to take a lot longer.

Mr Havyatt—No, I think it is not so much the roadblocks; it is that each place is trying to get to a point that says, 'We want a competitive telecommunications market.' You get a lot of debate

in the field of telecommunications regulation about what happens around incentives to investment when you declare services. Those investment decisions in Australia are vastly different from those in New Zealand. The core investors are different parties; there is a different depth of market. So, whilst you are still getting to that point, trying to run one regime to cover both is an impediment. Both countries will land at the same point at some time in the future, which is open, competitive telecommunications markets relying upon generic competition law but going via different routes. We have taken different routes. New Zealand started off by selling their entire telco on day one, for example.

Mr SNOWDON—What do you think is an achievable time frame for the unbundling of the local loop in New Zealand, given the processes that need to be undertaken?

Mr Havyatt—I have not come here to talk specifically about the regulation in New Zealand; I am specifically focused on what is in the interests of Australian end users. I am not aware of any corporate users in New Zealand who are particularly screaming out for the entry of New Zealand-Australian companies to provide services in New Zealand. I am not fully briefed on this, but I understand that the intention of the Commerce Commission and the government is that, as soon as the bill passes, an interim regime will be available for entrants to walk in and start utilising the unbundled local loop.

The difficulty that Telecom New Zealand faces is that we have never built what is known as a 'spectrum management plan' for the copper network. The spectrum management plan is a process that you use when you are going to have different people using different boxes on the network. There is a spectrum management plan for Australia that was developed by ACIF. I am not aware that the copper network in New Zealand would be sufficiently similar to the one in Australia for there to be any advantage for Telecom New Zealand in building a spectrum management plan.

Senator FERGUSON—Everybody agrees on the success of the CER over 20-odd years, but all the talk now is about the move towards a single economic market.

Mr Havyatt—Yes.

Senator FERGUSON—I have listened to your answers to Mr Baird's questions about harmonisation. What are the downsides or what is stopping us from having a single telecommunications market? Surely that would be one of the easier areas in which to have a single market.

Mr Havyatt—You may be right. I would argue two points. The first is: to the extent that we can have a single market, I am not actually sure that there is a lot of difficulty, in the sense that the two largest players in each market are successful players in the other market. We are both successfully competing for the trans-Tasman services of corporations. We fulfil tenders to support large banks, insurance companies, Fonterra, Carter Holt Harvey, Toll and a whole range of large corporates by in fact offering up one contract, despite the suggestions otherwise. So we have already got effectively one market in that competition for corporate services.

When you get to the specifics about one market, you wind up with questions about how many people are participating and trying to offer services and what are the impediments or

opportunities for investment. There is some argument even Telstra would run that in fact Australia is not always one market in that sense, in the sense that you have different characteristics about investment upon different geographies in Australia. So there are some barriers to that.

But the extent to which there is perhaps an impediment to the 'one market' is that we have not yet even formally harmonised the trade practices requirements—the actual underpinning competition law. Talking about harmonising the specific regimes prior to that is a bit strange when we have not worked out issues about trans-Tasman enforcement for generic competition law. So it is hard to understand how you could actually build a trans-Tasman harmonisation for the specific before you have done the generic.

It is a convoluted answer. To the extent that it affects consumers or consumers that are part of the one market, there is one market. To the extent that there is one market from a regulatory point of view, there is a number of impediments, some of which are just the fact that there is a different market at the moment—a different physical market—and the generic competition law has not reached that point either.

CHAIR—I will follow up on that. That is an interesting point you made in terms of the competition law. Do you think we should have one competition group that looks after both sides of the Tasman? There was some suggestion of that when we were visiting New Zealand two weeks ago.

Mr Havyatt—Once again, my personal view is perhaps slightly different to the view Telecom New Zealand might have. I can see no reason why that is not a useful end point. The difficulty I then face is that you wind up with the next problematic question. Decisions of a competition regulator are appealable in the courts. The question is: if you harmonise the competition regulator, what is the jurisdiction for those appeals? Is it the Australian High Court or the New Zealand Supreme Court—which, bizarrely, is superior to their high court, just to really confuse matters? There is a number of those impediments that get in the road. I keep on being rude to my New Zealand colleagues and pointing out we have reserved a space for them in the Constitution. That would solve the—

Senator FERGUSON—We may have mentioned it a couple of times too.

Mr BRUCE SCOTT—Do they also have privy councillors?

Mr Havyatt—No, they have just recently removed that. That is when they created the Supreme Court to become their own domestic appellate court.

CHAIR—I find it interesting in terms of, for example, the code-sharing deal with Qantas and Air New Zealand. It seems as though they defer to the Australian regulator to make the decisions on that, although their own ministers are involved. So the primary decisions are being taken and the primary work seems to be at this end, almost as a first stage.

Mr Havyatt—Can I be culturally sensitive and point out one of the bigger concerns you will find amongst New Zealanders? As a generic statement, if you talk about harmonisation, their immediate reaction is that it is going to be the deferring of the New Zealand position to the

Australian position. Unless you can figure out a way to make it very clear that that is not the intention, you are not necessarily on a sound journey.

CHAIR—You mentioned that there seemed to be no big imperative for people wanting to compete in the process of unbundling, yet Telstra—and you probably read their submission—

Mr Havyatt—I did.

CHAIR—are concerned about the slowness in this process and their interest, obviously, in competing.

Mr Havyatt—My difficulty with that is that in all the referenced trade documents and trade agreements that Telstra appealed to, one of the core fundamental principles in telecommunications deregulation around the world is the creation of independent regulators. The idea is that you go and have your argument in front of an independent regulator and the independent regulator acts on a piece of legislation, which, in the New Zealand case, is just like ours; it is built around a long-term interests of end-users test. In 2003, the New Zealand regulator reached the conclusion that unbundling of the local loop in New Zealand was not in the long-term interests of end users. Whether that was right or wrong is a different matter, but that was what happened in that proceeding. It was not as if there was some intervention by government to tell them not to. In fact, Telstra were the ones that kept running to the government to say, 'Intervene on our behalf.' They are serial intervention requesters.

CHAIR—How do they describe you?

Mr Havyatt—I will leave that to them to do! They then said, 'It's not sufficient, not good enough,' and have been running around trying to use a harmonisation argument as the reason. But I keep on coming back to the point that it is much the same with number portability—you have to make your case before regulators and win your case before regulators. That is the purpose of having independent regulators.

Senator FERGUSON—What is number portability?

Mr Havyatt—Number portability is the process whereby, if you have been getting your service from one provider and decide you want to get service from another provider, you can take your number with you. In this marketplace we have had local number portability since before 1997 and mobile number portability since about 2001. I had a lot to do with the processes we went through for mobile number portability and, yes, the parliament did wonderfully well by enacting a provision that said the ACCC could mandate the portability of numbers. But getting the ACCC and the Australian Communications Authority to do what they had to do took a lot of hard work. I did a lot of that hard work myself and, having got past that point, it then took a lot of hard work working out what the processes and systems would be that would bring that about.

If Telstra has not been able to do the hard work to actually trigger the regulatory requirements in New Zealand, I do not think it is necessarily anything we need to intervene in. The underpinning legislation exactly covers the requirements that you expect to see covered in such legislation. Always the test question is: is there a cost-benefit analysis conducted that says this is the right thing to do? In Australia we had those concluded. AAPT spent a lot of time driving the

industry through the processes that would need to be followed. So it is not a reason that says, 'If I am ineffective in terms of working my case, you need to then intervene on behalf of a firm to change national legislation.' That is my general thematic.

Mr BRUCE SCOTT—What are the consumer benefits of harmonising the market? There are obviously regulatory barriers that are going to be very difficult to surmount. What is ultimately at the end point in terms of the consumer benefits to consumers on both sides of the Tasman?

Mr Havyatt—From harmonisation per se I cannot see a lot of direct benefit. The benefit for most consumers is going to come about by making the markets competitive. My concern is that by harmonising you slow down the process of making the markets competitive—you go to Walcha rather than continuing on your journey to Brisbane. The top-end corporate customers are already getting the benefits of a fully competitive marketplace across the Tasman. The question is: does the average consumer get any benefit? Is there any greater entry that would occur in Australia or New Zealand as a consequence? Certainly I cannot see any benefits that are going to accrue to Australian consumers. If anything, there is going to be a detriment once again because we will have to slow down and reconsider all our regulation.

So far we have only talked about the economic regulation pieces—the work of the ACCC. We have not even touched on the fact that there is nothing remotely approaching ACMA in New Zealand. There is a large amount of other regulation that does not exist in New Zealand, so the amount of work you would need to be doing if you were genuinely saying we should have one piece of telecommunications law would be extensive, and you would have all the resources of firms tied up in harmonising rather than getting on and progressing. At the moment I do not see any consumer benefits from harmonising per se.

Senator PAYNE—Mr Havyatt, you refer to the APEC TEL economy-to-economy model as being more productive than a government-to-government model. What do you mean by that? How do APEC TEL make that work? Do the discussions they already have at the Australian-New Zealand Leadership Forum reflect that in any way?

Mr Havyatt—The Australia-New Zealand Leadership Forum is that kind of process—that is, it is business to business, with government involved, but that is across all aspects of the Australia-New Zealand relationship. We do have meetings annually of officials from both Australia and New Zealand on the specifics of telecommunications. The way APEC TEL operates is that there is a six-monthly meeting that is run as an economy-to-economy meeting. The delegations from each country are made up of government officials, officials from regulatory authorities, officials from industry and members of consumer groups. Our own Rosemary Sinclair, from ATUG, is a great participant in APEC TEL meetings, directly providing the user input.

APEC TEL covers a wide gamut of activities, some of which are very much focused on the interests of the less-developed economies in the APEC grouping; they are about creating growth issues. There is a work stream on mutual recognition agreements, which are a particularly good thing in telecommunications because one of the potential barriers to entry is having to go through regulatory hurdles to get equipment tested and authorised. By having mutual recognition agreements you can say that if equipment has been tested in Australia it does not have to be tested in Vietnam or somewhere.

APEC TEL works very effectively at having this wide agenda. By having the economy-to-economy meetings, you have all the interests considered at the one meeting. I always get concerned that official-to-official meetings do not really give you the opportunity to bring all the thinking into train. As far as I am aware, there is no particular pre-meeting to have the officials think through all the issues from the sectoral point of view. If we are going to do some harmonisation—Telstra has made some calls about utilising Australia's self-regulatory regime more extensively in New Zealand—that is able to be done without anyone changing the law. It might happen if you have Telecom and Telstra in the same room at the same time with the officials of both countries. Maybe we can just have a chat about how we want to do these things rather than insisting on doing it via submissions to joint house committees.

CHAIR—I noticed that you said in your submission you have had numerous instances of: 'But they said in the other country.'

Mr Havyatt—Yes.

CHAIR—There is a proposal that any information that one competition commission has available should be shared by both countries. I am wondering what response have you had from Telstra—are Telstra clear on that?

Mr Havyatt—We wrote to them at one stage to propose this as a formal agreement between us. My most recent information is that we did not receive a response to that request.

CHAIR—So it is not as if they said no; they are still thinking about it.

Mr Havyatt—Yes. It is a while ago now, but I should point out that the issue that triggered our letter has since gone off the boil. It has been an interesting relationship or position over the last five years. Quite frankly, with what the New Zealand government has recently done, there has been some information amongst Telecom New Zealand executives to say, 'We should support harmonisation now because the New Zealand government looks like it is being stronger than the Australian government.' But wiser heads in the company prevail and we say no. It makes sense to keep going on both journeys and not seek short-term advantage. We have not had a response from Telstra to that point.

CHAIR—Would you say the telecommunications field generally is one area where CER has not exactly been the success it has been in other areas?

Mr Havyatt—No, I would not, actually. I would say that it has survived without needing CER. Both markets went through market opening for their own reasons in telecommunications. We are actually amongst the world's leaders in market opening in telecommunications. We stepped in early and we have done more radical and interesting things than many, many regimes. Look at the reality: it says TelstraClear is a successful entrant in New Zealand, despite the way our results were announced on Friday. Telecom New Zealand is still committed to working with AAPT in Australia. We continue to be able to service our trans-Tasman customers well through that arrangement. We are also successfully servicing 500,000 residential customers. We think it works fairly well. As the economies themselves harmonise and get even closer, we could expect that relationship to further bed down.

CHAIR—Thank you very much. We appreciate your coming.

[10.08 am]

CLOGSTOUN, Mr Royden, Assistant Manager, Trade Policy Section, International Branch, Department of Communications, Information Technology and the Arts

GREENWAY, Ms Caroline, Manager, Regional Cooperation Section, International Branch, Department of Communications, Information Technology and the Arts

MASON, Mr Philip, Acting General Manager, Networks Competition Branch, Department of Communications, Information Technology and the Arts

RICHARDS, Mr Stephen Mark, Manager, Film Incentives and International Section, Film and Digital Content Branch, Department of Communications, Information Technology and the Arts

SCOTT, Mr Bill, Manager, Trade Policy Section, International Branch, Department of Communications, Information Technology and the Arts

CHAIR—Welcome. The committee has received your submission, No. 22. The committee prefers all evidence, as you know, to be given in public, but if at some stage you wish to go in camera please let us know. Although I am sure you know this, we would ask you to respect the standing of this committee before parliament in giving evidence et cetera, but we appreciate your attendance and we would like to invite you to make an opening statement.

Mr Mason—Thank you very much, and we welcome the opportunity to appear here today. We have a brief statement which complements our earlier written submission. The New Zealand government has proposed significant changes to the New Zealand telecommunications regime since DCITA's submission to the subcommittee. The proposed changes to its telecommunications regime go a long way towards the implementation of a more level playing field for telecommunications through the elimination of many behind-the-border measures that currently advantage the commercial operations of the incumbent, Telecom New Zealand. We understand that the New Zealand government's decision to implement these measures has been based on concerns about the level of competition in the New Zealand telecoms market and the fact that Telecom New Zealand has not invested in residential next-generation network broadband networks as quickly as possible or as quickly as promised.

The most significant reform is the unbundling of the local loop. This will bring New Zealand into line with the regulatory practices of other OECD countries including Australia. For the benefit of members: unbundling of the local loop, or ULL, involves the use by competitors of the incumbent's unconditioned cable, typically copper, between end users and the telephone exchange where the cable terminates. The new regulated service will be added to the Telecommunications Act, allowing for regulated access at the exchanges and roadside cabinets.

The lack of ULL in New Zealand has stifled competition in the market, constrained the introduction of innovative telecommunications services in the New Zealand market and prevented the introduction of new technologies that would reduce costs and promote competition

in the New Zealand market. However, implementation of ULL will take some time. It could take at least two years—that is, until 2008—between the recent policy announcement and the first line being unbundled, given the process of passing the necessary amendments to the Telecommunications Act, industry and community consultation and the rollout of equipment such as DSLAMs into exchanges. DSLAMs are equipment that facilitates the provision of broadband.

The other significant reform was the removal of restrictions on the existing unbundled bitstream service, or UBS. UBS is a form of wholesale broadband. Previously, a consumer in New Zealand wanting a digital subscriber line or broadband service through Telecom New Zealand, which has control of UBS, was required to also sign up to a local telephone service. This bundling gave Telecom New Zealand higher margins and made it very difficult for competitors such as TelstraClear to compete on a level playing field through the lower margins available on ADSL, which is a competing broadband technology. Consumers have now been given the assurance that they can purchase naked DSL without any requirement to purchase an analog telephone service. With naked DSL, a competitor can use such alternatives as voice over IP, which is a type of telephone service provided over broadband, in tandem with ADSL, thus breaking the link with Telecom New Zealand. In general, it is a liberalisation of the marketplace, giving greater flexibility to competitors.

In an effort to increase transparency and to promote efficient commercial and regulatory outcomes, a regime of accounting separation is proposed for Telecom New Zealand. Under the new arrangements, the New Zealand competition commission will be empowered to require Telecom New Zealand to prepare and disclose information about its retail and wholesale business activities as if they were independent activities. This accounting separation regime will allow the competition commission to define how Telecom New Zealand's business activities and services are allocated between its wholesale and retail arms. This should provide the Commerce Commission with a fuller picture of costs and allow it to verify access pricing. This will also be useful in identifying potential anticompetitive conduct.

Under the new arrangements recently announced, Telecom New Zealand will also be required to prepare and publicly disclose information to facilitate compliance with the access principles—that is, to ensure that Telecom New Zealand's wholesale terms provided to Telecom New Zealand's retail business are equivalent to those provided to competitors. This reporting should also cover provisioning, fault repair and other key indicators.

Finally, in addition to the above, Telecom New Zealand has also announced that it will voluntarily separate its retail and wholesale operations. While the details are still scarce, the indications are that the proposal will include new consultative arrangements for Telecom New Zealand's wholesale customers, transparent external reporting of information, equivalent service delivery processes and service levels for all consumers, retail and wholesale, and oversight by an independent group which will include industry and stakeholder representatives. Those operational separation arrangements would be heading in the same direction as those recently implemented in Australia.

CHAIR—Thank you very much. So how do you see it? Is this the area of the CER that needs most attention because it has had the slowest progress after 24 years? Should we be trying to accelerate things a little more?

Mr Mason—We are obviously experts in our portfolio area and it is difficult for us to make comparisons across the whole range of the economic relationship. In relation to Telecom specifically, the progress has been relatively positive.

CHAIR—But slow, hasn't it?

Mr Mason—It depends on which market you are looking at. Telecom, as I understand it, has been covered by the CER since 1995, when there was an exchange of ministerial letters. As Mr Havyatt indicated, there is market access into the New Zealand market and access into the Australian market for companies of each country. The area of concern for Australia is in relation to the way competition arrangements have been put in place in New Zealand. Historically the New Zealand government took a very light-handed approach and put a reliance on general competition law. The outcomes of those processes—as you probably all know from the evidence available—I think it is fair to say, have not been as good as they could have been, as good as we would have liked or as good as investors in New Zealand would have liked. That has also been recognised by the subsequent changes in competition law in New Zealand in 2001 and most recently by the recent announcements of the New Zealand government to actively involve itself in ULL.

CHAIR—Who drives the telecommunications issues in CER between the two countries? Are you the driving force or do you leave it to DFAT?

Mr Mason—It is a cooperative arrangement, but we would make the greatest contribution. There are regular meetings between officials of the department of communications and the New Zealand Ministry of Economic Development.

CHAIR—Are ministers meeting regularly?

Mr Mason—Yes, the ministers do meet. I think the minister met recently?

Ms Greenway—Certainly Daryl Williams, when he was the Minister for Communications, IT and the Arts, met with his New Zealand counterpart. I do not think Senator Coonan has.

Mr Mason—Not recently?

Ms Greenway—No.

CHAIR—So it has been left to the Foreign Affairs and Trade portfolio.

Mr SNOWDON—What elements that exist in the FTAs with Singapore and the US do you think might be of value if they were reflected in the CER?

Mr Mason—One of the strengths of the US FTA and the Singapore FTA vis-a-vis the CER is the level of specificity in relation to competition arrangements. In particular, those FTAs make provision for unbundling of network elements, which has been a problem with the New Zealand experience. I think that would be fair comment?

Mr Scott—Yes.

CHAIR—That is interesting. Could you tease that out a bit for us?

Mr Mason—It goes to the operation of the access regime which Mr Havyatt discussed. To facilitate competition in the supply of telecommunications services you basically need to be able to provide access to bottleneck services. For example, the local loop is a copper network. It is a very expensive investment. It is not readily duplicatable. So you have to be able to facilitate access to that. Under the US FTA and the Singapore FTA there is an emphasis on providing access to those bottleneck facilities—to find out the discrete elements that are not duplicatable that you have to have access to. In relation to the CER, we do not really have that kind of detail or that kind of process. New Zealand, like Australia, subscribes to WTO principles, which have those kinds of goals, but it is not the same level of detail.

Mr SNOWDON—Has there ever been any attempt to bring them up again, if you like, to try and get that detail reflected in the CER?

Mr Mason—Not to my knowledge. I suppose in some ways it is a matter for government-to-government negotiation as well. It goes back to what Mr Havyatt said: how would New Zealand react to being told how to run their country? But, yes, it has been a matter for discussion between officials as to what we see as the deficiencies in that regime. As to the outcomes of some of those kinds of discussions, I do not know that we could claim responsibility for the change in the New Zealand position, but that change in position in May reflects those kinds of concerns. Their experience, particularly with slow take-up of broadband, persuaded them that they needed to look at those kinds of unbundling issues for themselves.

Mr BRUCE SCOTT—What did they put in place as an access pricing arrangement for the unbundling of the local loop in New Zealand? Was it just totally open access? I mean for a third party to get access to the copper wire.

Mr Mason—I am not sure that we know the details of that yet. The legislation is currently before the New Zealand parliament. My assumption is that it would be similar to the approach we take in Australia in that a decision has been made to provide access to the facility. The normal circumstance is that the terms and conditions are negotiated on a commercial basis and, failing commercial conclusion, they are able to be arbitrated by the competition regulator. But we would need to check that detail.

Mr BRUCE SCOTT—Are we talking about the voice over internet protocol?

Mr Mason—Yes.

Mr BRUCE SCOTT—Do they have a protocol in place in New Zealand?

Mr Mason—I do not know that they need to have one. Notwithstanding criticisms of the regime, New Zealand has taken a fairly liberal approach, and I think it is fair to agree with Mr Havyatt that they have been in some ways the world leader in liberalisation. In that context I am not aware of any limitations to the provision of voice over internet protocol. Basically, it is an application service provided over broadband. If the connectivity is there then people can choose to use it. The issue becomes whether or not an incumbent or any provider of broadband can take action to try and frustrate the delivery of that service—for example, by delaying the carriage of

packages—in which case it becomes an issue for competition law in the first instance. That is another area where Australia differs from New Zealand. In New Zealand they have a general reliance on competition law similar to our part 4. In telecommunications regulation here, we have a telecommunications specific regime which has an additional effects test. So, as opposed to the part 4 approach, where you need to prove a purpose of anticompetitive conduct, we are actually able to take action where there would be the effect of anticompetitive conduct. That recognises the transitional nature of the Australian market—or any market, I guess—moving from a monopoly to competition where an incumbent has significant power.

Mr JULL—I would like to move to the subject of film and television. Overall it would appear that things have gone reasonably well, but, going back over the history of the agreement, at various times with changes to legislation, communications and the rest of it we were fairly swamped with interest groups coming and saying it was the end of the industry in Australia—at one stage they feared that Australian television programming was going to be taken over by the New Zealanders. Could you give us a rundown of how you see the industry now? What have been the bumps in the road? Are there any further bumps in the road or is there anything that needs to be done to settle it down?

Mr Richards—Two reviews are currently under way to investigate where the Australian film and television industry is at the moment. The first of those is a statutory review into the refundable film tax offset, which is to be concluded by 4 September. Minister Kemp would then table that report in parliament. Secondly, there is a review of the full measures of Australian government support for the film industry, which is scheduled to be concluded by the end of October.

At this stage, we have begun to receive input for the statutory report into the film tax offset. The industry view that we are receiving indicates that, while there was an improvement in offshore production in the first two or three years after the introduction of the offset, there was initially a lull and perhaps a downturn, certainly in international, offshore, films that have come to Australia. There appears to be—again according to industry stakeholders—a downturn in local film production. The reasons for that are, I suppose, what we are investigating in more detail in the review.

There is certainly a feeling in the industry that, internationally, the film industry has become more competitive. Whereas Australia was initially able to take advantage of that through the film tax offset, where there were perhaps two or three countries offering that when the offset was introduced in 2001, there are now nine countries and quite a range of United States jurisdictions offering similar offsets and perhaps more generous offsets. So our international competitive advantage has been diluted. I think that is the main point the industry is making at this stage and it is possibly looking for government consideration of how that might be addressed.

Mr JULL—There has been no suggestion that this situation is necessarily as a result of the CER.

Mr Richards—Not as a result of the CER; it is as a result of broader international competition across the film industry.

Senator FERGUSON—I would like to follow up on the film industry. It was raised a number of times when we were in New Zealand, because New Zealand has had considerable success in big budget films. The information that you have provided us is that both countries have almost identical programs aimed at attracting large-budget film and television productions. The only substantive difference between the two programs is that in Australia the offset benefit is delivered through the tax system and in New Zealand that same offset is derived by way of a grant. If we were to judge the results of these two so-called identical programs, grants appear to be much more effective than tax offsets, don't they?

Mr Richards—I was commenting more broadly on the international scene—my apologies. With regard to Australia and New Zealand and their relationship, both countries offer incentives and both countries have benefited from those incentives. Some recent research from the United States indicates that Australia and New Zealand combined have experienced a fivefold increase in the amount of offshore production that has come to, if you like, their domestic economies as a result of the incentive schemes that both governments are operating. What I am reflecting on in relation to the Australian environment is that, while there has been an increase in offshore production, in terms of the volume of production coming in there has been a stabilisation. At the moment, the industry is experiencing a lull.

In terms of the specifics of the New Zealand industry, we understand that they are similarly going through a review process of the effectiveness of their grant scheme and that, similar to ours, it has brought in some production. It is also looking at the increased international competition from around the world and the impact that is having. I understand that, aside from *The Lord of the Rings*—the trilogy—and *King Kong*, international production is coming to New Zealand, but perhaps, similar to Australia, it is experiencing a bit of a lull, relative to what it had.

CHAIR—They have had a pretty big line-up. There was *The Lion, the Witch and the Wardrobe* and *The Lord of the Rings*, which was a mega-production, and their own film industry has been very competitive.

Senator FERGUSON—*The World's Fastest Indian*.

CHAIR—*The Piano* and *The Whale Rider*. It is interesting. Obviously, we will be asking Minister Kemp about that as well.

Senator FERGUSON—You talked about the fivefold increase in Australia and New Zealand. It seems to me that New Zealand has a disproportionate amount of that fivefold increase, over and above Australia, over the past number of years.

Mr Richards—Based on statistics that we have from the Australian Film Commission, Australia has experienced an increase of 194 per cent since the offset was introduced, in terms of the average increase in production over the last five years. But, for any large budget film, that is mostly invested into individual films. If the average number of films has declined then, incrementally, financially each film means a significant amount of money that is not coming in. So the industry has been gearing up to a level of production and is now finding that production is not proceeding at the same rate. The industry is trying to understand why and, through the reviews, the government is trying to understand why.

Mr JULL—And nothing much has happened specifically in television production.

Mr Richards—Not that I am aware of, no.

Senator FERGUSON—Do you think it is fair to describe the programs aimed at attracting films as almost identical when one uses a tax offset and the other uses a direct grant?

Mr Richards—They are broadly comparable in the incentives they offer. The grant scheme offers the incentive at perhaps an earlier stage; the tax scheme has a tax refund after the event, but they are both targeting films of the same broad budget base.

Mr SNOWDON—I thought I read a report recently—I may be misguided here; if I am, please tell me—where New Zealand actors were paid less than Australian actors to perform in movies produced in New Zealand.

Mr Richards—I am not aware specifically of that report nor of the actual salary rates of New Zealand actors relative to Australian.

CHAIR—Mr Richards, I wonder if you would mind, for the benefit of the committee, following up a straight dollar-value comparison for incentives for films costing $10 million, $20 million and $50 million in terms of the amount of spend in this country and in New Zealand and see where they come out. Is that possible?

Mr Richards—It is possible. As I indicated earlier, basically the incentives target the same range of budgets. The incentives for both countries kick in at $15 million of spend in the industry in the relevant country—so $15 million of Australian production expenditure and $15 million of New Zealand production expenditure as a minimum. Between a range of $15 million and $50 million the incentives applies, which is a 12½ per cent rebate in our case and a 12½ per cent grant in the case of New Zealand. It applies as long as at least 70 per cent of production expenditure occurs in the relevant country. If expenditure is beyond $50 million in the relevant currency, the grant or offset applies automatically. So, to that extent, the level of assistance would be comparable.

Mr SNOWDON—But the grant is repayable. If the movie makes a sufficient profit, the grant is repayable.

Mr Richards—I am not aware of that. I can confirm that.

CHAIR—No, it was a cultural film, as I recall, that was repaid. It was for lower budget films. It was commercially successful. Anyway, Mr Richards, I would appreciate it if you could do that.

Mr BARRESI—Just going back to telecommunications for a moment, in the previous submission by AAPT they suggested—I am sure it was low down the order of suggestions in terms of the CER, but nevertheless they suggested it—that we could look at having a dedicated telecommunications commissioner in the ACCC and the New Zealand Commerce Commission as a way of addressing a lot of the issues. Does the department see that as something that is important to pursue? Are you aware of that call?

Mr Mason—We are aware of that suggestion, yes. I guess the issue is whether there is a bottleneck being demonstrated that would require a specialist commissioner.

Mr BARRESI—That is what I am trying to get at in terms of the motivation to do it.

Mr Mason—It seems to us that the commission has been very productive in Australia with its current arrangements in terms of dealing with issues. There is always scope to expedite things. I am not quite sure if a specific commissioner is the solution for expediting things, but it is something we would look at.

Mr BARRESI—Part of the suggestion is that those commissioners will be appointed as associates in each other's commissions as well.

Mr Mason—Yes.

Mr BARRESI—But my understanding from our brief conversation in New Zealand is that there is already quite a lot of discussion taking place between the two commissions anyway.

Mr Mason—That is certainly my understanding, yes. They work very closely together and I think they keep in touch very closely with what one another are doing. The ACCC had a regulatory conference last month and it was very well attended by its New Zealand counterparts.

Senator FERGUSON—Would the minister for communications and the minister for the arts have regular meetings with their New Zealand counterparts, like some of the other ministers do, or not?

Mr Mason—As we noted before, we cannot recall a recent one-on-one meeting between Senator Coonan and Mr Cunliffe. Did they meet in the context of APEC, Caroline?

Ms Greenway—The New Zealand minister did not attend the last APEC TEL ministerial meeting but, with regard to Minister Kemp, I think the New Zealand cultural minister comes to the Cultural Ministers Council.

Mr Richards—Yes.

Senator FERGUSON—One of the difficulties we had was finding out who was actually driving any refinements that needed to be made to the CER or who was involved in the push towards a single economic market. It seemed to me that the Treasurer, the Minister for Finance and Administration and the Minister for Trade were the only ones who were in regular dialogue each year on a regular basis. It would appear that if you are going to be talking about communications issues and all of these other separate bits and pieces that there ought to be regular dialogue between ministers. I am interested that yours do not have a regular program of meetings with their New Zealand counterparts. It is not something you can answer; I am just surprised.

CHAIR—We are talking in terms of recommendations that we could make. Obviously it is an important part of your area, and one would like to see at least six-monthly dialogue.

Senator FERGUSON—A lot of the discussions have been about communications—that is a better way of putting it.

CHAIR—Yes.

Mr SNOWDON—The interesting question, from my perspective, is: how do you initiate action over CER within your portfolio area? Is it driven by the minister or are you able, within your administrative arrangements, to initiate discussion which does not require ministerial oversight immediately?

Mr Mason—I think it is fair to say that we keep the minister well briefed on our activities and the minister obviously signs off on those kinds of things. But a fair degree does take place at departmental level, and there are a range of reasons for that. For example, the department is active in APEC TEL, so it has regular contact with its New Zealand counterparts through that process, and you can build upon those activities. We have meetings twice a year with Ministry of Economic Development counterparts, as well, to keep in touch with issues there.

Ms Greenway—It is one formal meeting here, and I think last year we had two delegations from New Zealand who came to talk through a range of issues that both agencies were dealing with.

Mr SNOWDON—How do you inform yourselves of what Treasury might be arguing in terms of their discussions with their counterparts in New Zealand?

Mr Mason—We talk to Treasury officials who are involved in the process.

Mr SNOWDON—How does that happen? Is there a formal arrangement whereby if Treasury are going to be initiating discussions over these sorts of issues, they automatically come straight to you and get your input before they proceed with those discussions?

Mr Mason—It would be more informal, but if there were a significant decision to be made then we would expect it to be a formal process.

Mr SNOWDON—What I am trying to get at is: who actually initiates the process of the discussion?

Mr Clogstoun—The person who has overall responsibility for CER is the Minister for Trade, Mr Vaile. If there is anything that we need to raise within the CER architecture then one of the ministers writes to Mr Vaile and asks: 'Can you raise this issue in terms of CER at your next consultations with your counterpart minister?'

Senator PAYNE—I would like to follow up on the consultation question, which goes to the discussion with Mr Havyatt earlier about the economy-to-economy approach to consultation, the broader representation and, I think, getting everything on the table at once so you have all actors there. Would you like to comment on that or on its value, at least?

Mr Mason—I think that is a process that we would see considerable value in. Basically, that is the APEC TEL model, and Ms Greenway is the expert on the APEC TEL model. I do not know if you would like to comment on that.

Ms Greenway—Yes. That has the advantage of being able to raise issues across a range of the 21 APEC economies, so you are dealing with economies from the US to China to the Philippines to Papua New Guinea. There is a whole range of regulatory approaches being adopted in all of those economies. APEC TEL is a very good opportunity to raise discussion on issues and to work on best practice principles and guidelines. The work in APEC TEL is non-binding, so people feel more comfortable, I suppose, in undertaking negotiations or discussions on issues to do with trade facilitation, liberalisation and good regulatory practice more so than they would in other, more binding, treaty level discussions. Also, APEC TEL offers the opportunity of a regulatory roundtable, where you get senior regulators and policymakers from all 21 APEC economies meeting once a year to discuss a range of issues.

More recently, they have discussed issues raised by voice over IP and next generation networks and even broad issues like what makes a good and effective regulator. The advantage of APEC TEL is also that Australia is instrumental in running a lot of capacity-building projects, funded through APEC and occasionally with AusAID funding as well. A recent example is one that we have run in a range of countries that are just getting independent regulators on capacity building for the people who are going to be working in those new organisations. That is a benefit.

Senator PAYNE—Are there any bilaterals run around APEC TEL as a matter of course in which Australia participates?

Ms Greenway—Yes, there can be.

Senator PAYNE—With what sorts of countries?

Ms Greenway—Informally, there can be one, say, with Canada or Thailand—that is, countries where we have bilateral trade negotiations happening. Or, if we know or they know that there are current issues that we are both dealing with, we might have a bilateral discussion around those. Also, there is a ministerial meeting about once every two years.

Senator PAYNE—Attached to APEC TEL?

Ms Greenway—Attached to APEC TEL.

Senator PAYNE—When was the last one of those?

Ms Greenway—It was last year, last June. The New Zealand minister did not attend that particular meeting.

Senator PAYNE—And New Zealand did not send a representative?

Ms Greenway—They sent an official.

Senator PAYNE—Thank you.

Mr Mason—I think the next APEC TEL is scheduled for New Zealand, isn't it?

Ms Greenway—Yes, for Auckland, that is right. It is for the end of October.

Senator PAYNE—This year?

Ms Greenway—Yes. That is not a ministerial meeting, though.

Senator PAYNE—So, if it is not a ministerial meeting, would the minister as a matter of course usually attend?

Ms Greenway—No, they would not.

Mr BARRESI—I just want a make a comment. I still feel confused as to who is running the show across the Tasman. On one hand, you would say it is the trade minister's portfolio area, and that would certainly make sense, but that is not the sense that we get from our discussions over there. It is very much a Treasury type issue. It is Treasury driven. That seems to be the reality of it.

CHAIR—Obviously, it is one of the issues that we need to address. Thanks for coming today. I congratulate you all on the degree to which you are briefed on the New Zealand issue. That comes across very strongly in your area activities. I appreciate that. We wish you well in further negotiations, and we look forward to harmonisation on our way to Coffs Harbour—as our previous speaker said. Thanks very much for coming.

Mr Mason—Thank you, Chair.

Proceedings suspended from 10.44 am to 11.02 am

BYRNE, Dr Anne, Branch Manager, Skills Analysis and Research Strategy Branch, Department of Education, Science and Training

CLARKE, Mr Greg, Director, Skills Analysis and Research Strategy Branch, Department of Education, Science and Training

CHAIR—Welcome. The committee prefers, as you know, all evidence to be given in public, but if you would like to go in camera at any stage please let us know. As you know, although the committee does not require you to give evidence under oath, it has the same standing as proceedings before the parliament. The committee has not received a submission from your department. Before proceeding to questions, do you wish to make an opening statement?

Dr Byrne—The department has looked at the terms of reference for the work of the committee and, on balance, has decided not to put in a written submission. We understand that at a previous hearing a particular issue was raised—

CHAIR—There have been a whole lot, actually. I am surprised you have not put in a written submission, because the reality is harmonisation of skills training was right up there as one of the big issues.

Dr Byrne—I want to acknowledge what you said. Most certainly, the heads of government have agreed that this is a critical policy challenge, and the department, like other departments in the Australian government, is obviously keen to make sure that it contributes to that.

CHAIR—If you agree to that, and this is a committee looking at it, I am a bit surprised you have not made a submission. What are your plans forward?

Dr Byrne—I think the plans forward, as you say, are in the COAG context, and DEST is a contributor to the body of work that is taking forward agreements made by heads of government in relation to harmonisation and ensuring transparency in the national system to improve outcomes. At this point we have not put in a written submission, but we do note that you have a particular issue and perhaps other issues you would like to raise with us. We were requested to appear before you on that basis.

CHAIR—You might want to reconsider making a formal submission on this. Did you want to make some comments on the issue of harmonisation and where you are at? We are happy to go to questions.

Dr Byrne—Whatever supports the committee. In terms of a general commitment, as we say, we are committed to progressing initiatives that support harmonisation under the auspices of COAG. Mr Clarke and I are happy to attempt to answer the specific questions that were raised, including a query from Mr Barresi in relation to particular issues relating to the cooperation between the Australian and New Zealand systems. We have come ready to talk to those issues and related issues.

CHAIR—One of the major issues that people talked about was the difficulties of harmonisation of skills and the flow of tradespeople between the two countries, in which we would appear to be the major beneficiary in terms of skills shortages within Australia. Much is flowing across the Tasman at the moment with our skills shortage. What we would like to know is where we are at with the whole question of harmonisation of qualifications, skills training et cetera.

Dr Byrne—I want to separate the two points. One issue is about harmonisation within the Australian context to ensure that we can actually get a better mobility of people in particular occupations within and across the sectors. The other question is the degree to which we have a robust bilateral relationship, if you like—with New Zealand in the case raised by Mr Barresi but with other countries too—to ensure a throughput of supply to and from Australia. I might pass the COAG stuff to Greg to give a brief update on the licensing work that COAG is doing and related issues.

Mr Clarke—I will perhaps give a brief overview for a start. There is a cross-jurisdictional forum that has been formed to look at all the issues of mutual recognition within Australia. New Zealand is a participant on that committee and is party to the work that is going on there. There is quite a bit of activity going on in a range of trade related areas, and you have already in a previous meeting raised the plumbing issue. There is some quite constructive work going on in the area of trying to get Australian qualifications onto the New Zealand qualifications framework and also across a range of manufacturing skills. There is some less advanced work going on in parts of the government skills sector, particularly looking at corrections and the like, and there is some fairly advanced work within the Innovation and Business Industry Skills Council looking at how the financial services qualifications can be slotted into the New Zealand system. Can I make a broad overarching statement that, despite your comment that flow was one way, in fact I do not think it is quite to that extent—

CHAIR—I did not say it was one way but that it tends to favour us.

Mr Clarke—I think it favours both countries if there is mobility, but what we are finding at present is that there are a number of initiatives that have been started by Australia, in particular by the industry skills councils within Australia, and we are now waiting almost universally for a New Zealand response to those approaches. So we have done as much as we can do on a number of fronts here and we are still waiting to hear what New Zealand can come back with, just to see through their framework system what adjustments have to be made to get qualifications that are either the same or accepted by both countries into both frameworks.

CHAIR—Who is driving the coordination with New Zealand within your department?

Mr Clarke—There is a whole range of activity going on between us and New Zealand across—

CHAIR—How often do you meet with them?

Mr Clarke—Rarely, except in a COAG context, where New Zealand is a participant in a range of areas. We have an Australian qualifications framework advisory board, and New

Zealand sends an observer to those meetings when they are held face to face, but they tend not to patch in on the teleconferences that we have.

Dr Byrne—It might be worth separating—and, again, I think we need to come back to the specifics of Mr Barresi's query in relation to plumbing. In addition to the interaction, as Mr Clarke has pointed out, we are basically looking at industry led arrangements with some of the industry skills councils choosing to take the initiative to work with New Zealand bilaterally to develop common approaches. In addition to that, if the committee is interested in our ongoing bilateral relationships with New Zealand, the Department of Education, Science and Training also facilitates discussions with the New Zealand Ministry of Research, Science and Technology on issues relevant to the cross-national research and innovation agendas, because there is a recognition of the need to make sure that there are appropriate links in that big policy space as well. When you ask who is leading and driving the process, from the point of view of what sort of arrangements might be put in place now and into the future regarding licensing, there is a whole-of-government approach. But within the environment in which we are working, industry skills councils have been set up to take a proactive role in relation to having conversations that are necessary to support and facilitate appropriate smooth transition pathways within and across the Australian states and territories but also, as appropriate, with other countries like New Zealand. That is where the specifics of the plumbing industry links are exposed, I guess.

I wanted to also acknowledge that, on the subject of research and innovation, I think there has been an ongoing discussion between our two countries, and I understand that will continue. As a result, of necessity the primary areas of the department that look at the industry skills councils would be the vocational training and education groups. We would also have an international education group that would look at those international partnership arrangements. I do not know if that helps the committee, but I thought I should—

CHAIR—How often do you meet with the coordination group?

Mr Clarke—There are 10 skills councils and they have picked up the role. They were put together by the Australian National Training Authority before ANTA became part of the Department of Education, Science and Training. They were put together in a restructured way. From memory there were 28 industry training advisory boards that became 10 industry skills councils. Those councils group together like sorts of industries so that they can work on a bigger scale than was able to be done by the industry training advisory boards, which were reasonably minimally resourced. They are now bigger organisations. Their economies of scale allow them to do things that they could not do previously. They are independent of DEST. They hold their own industry skills councils meetings and they come together at a national industry forum once a year, I think, and at other times as required for particular purposes. They are driving the international focus of their industries and they are doing the contact work within the trades areas with New Zealand. It is not DEST itself that is doing it; DEST supports it. Australia has a qualifications framework that can support it and provides all of the structure that is required, but it is up to the individual industry skills councils to make those connections.

CHAIR—How many have reached agreement?

Mr Clarke—Four out of the 10 are doing substantial work. There are some that just do not particularly want to do work with New Zealand for reasons of competition rather than reasons of collaboration.

CHAIR—Isn't that all the more reason for you guys to be involved in encouraging them? If we have got a CER in place that freed movement of workforces—

Mr Clarke—These industry skills councils have not been in place for very long; in fact, the latest one was put in place within the last 12 months, I think. And they are developing those sorts of arrangements as they see fit for their industries. All of the industry skills councils only deal with the trades and trade related vocational training and education, not the professional end, and that is handled in a range of different ways.

Mr BARRESI—My question has partly been covered by that last answer. I did not want us to be too fixated on plumbing, to be honest. Plumbing is just used as an example of where there has been some work in bringing together the curriculum across the Tasman, as opposed to accreditation and acceptance of each others' qualifications. It is more a curriculum issue and I wanted really to know whether or not that kind of approach had been done in other trade areas. You have mentioned now that it has especially been done at industry level, and it seems to me that Australian governments, be they federal or state, are not really playing a part here. Your response indicates that it is all industry, and it is left up to the trades. Surely there has to be a bigger role for governments to play, whether it be us or one of the states.

Mr Clarke—There are a range of issues that come out of your statement. As you are aware, the state and territory training authorities are the ones that are responsible for delivering training within their own states. The Commonwealth role is to try and move towards a range of COAG and Commonwealth government objectives, of getting better consistency across the states, getting better nationally-agreed licensing and the big structural issues that allow the industry skills councils and the state and territory training authorities to do their work. We have a national training qualifications framework in place, and that allows the national consistency from that perspective and its use of that by the industry skills councils; it is allowing some of this mutual recognition across the Tasman to occur.

I would point to the manufacturing industries. They have now agreed 12 different parts, elements, components of the training packages to be put onto the New Zealand qualifications framework. It is that sort of movement that is by and large allowing the Australian qualifications framework to be embedded into the New Zealand qualifications framework that is allowing the flow between the two countries. A separate issue, of course, is registration and licensing; it is one thing to get a skill or a qualification, regardless of where it is recognised; it is another again to get an appropriate licence.

Senator FERGUSON—How many trades are recognised between Australia and New Zealand? If I am a plumber in New Zealand, can I be licensed in Australia?

Mr Clarke—I will have to get information on the specifics of the numbers of qualifications across the board that that can happen with. But it is happening in four industry skills council areas of catchment. I am not quite sure what the numbers are, though, of the components that are able to be used in both places.

Mr SNOWDON—That is still an issue across states, though, isn't it?

Mr Clarke—It is a separate issue across states. What we have is a national qualifications framework that drives whatever the states have got. The issue of licensing and registration is an issue for the states, yes.

Senator FERGUSON—What about electricians?

Dr Byrne—Again, we will not know without checking.

Senator FERGUSON—It seems unbelievable to me that if you are an electrician in a Western country as similar to Australia as is New Zealand and you are a qualified electrician there that you cannot come over here and work as a qualified or licensed electrician.

Mr SNOWDON—Or even, indeed, a Western Australian coming to New South Wales.

Mr BARRESI—But you see that brings me to the point that you made, that the Australian government, through your department, sees itself as having a significant role in national consistency across the states. With the CER, what prevents us from actually then roping in New Zealand as part of that consistency? And why are we leaving it to the industry groups to do it on their own?

Mr Clarke—We are not, really. What we are doing nationally from Australia is having the national training qualifications framework in place. That is the driver for everything. If we have New Zealand wanting to access the provisions that allow them to move between the two countries, we need to get registration and licensing issues sorted out so that those trades can actually be practised in Australia, and we have to get the New Zealand qualifications framework to recognise what we are doing in Australia. We have set standards that have been put in place through a range of measures and that are now carried forward by the industry skills councils. The industry skills councils are the ones that develop the training packages, look at the reviews of the training packages and update them.

Mr BARRESI—Can you identify what you need to do in order to do that? Who is doing it? That goes back to Mr Baird's initial question. Who is making that attempt? Is it the minister? Is it the Treasurer? We understand that the CER is basically in the Treasurer's domain. Who is it?

Senator FERGUSON—Or is the department doing it at a departmental level?

Mr Clarke—There are a range of things happening. It is just a matter of where we start. I understand that the Department of Foreign Affairs and Trade has some involvement in this, and you may wish to take up issues with them.

Mr SNOWDON—We have, but we do not get any response.

Senator FERGUSON—We have an acknowledged skills shortage, but they seem to have all of these reasons why things are not happening.

CHAIR—It is not all that difficult, from the telecommunications argument—our tradespeople have developed a nice little protected market from both sides of the Tasman. The department is just saying, 'Oh well, the industry can sort it out.' They have no incentive, really, to sort it out.

Senator FERGUSON—On the recognition of skills: I can promise you that, if you are a landscape artist and you go to north-west Western Australia, you can work as a plumber, because there is nobody else up there to do it!

Mr SNOWDON—Not if I find you up there!

Mr Clarke—I do not know how many you would find in New Zealand who would be coming across to do it either.

Mr BARRESI—Can I just get to the skills shortage. We have a skills shortage list. New Zealand, I imagine, has one as well. How do the two lists compare? Are there any skills that we have a shortage of that they do not, and vice versa, so that we could then coordinate between the two countries?

Mr Clarke—I think that is an issue you are going to have to take up with the Department of Employment and Workplace Relations.

Mr BARRESI—They are next.

Mr SNOWDON—They have listened to the question; they will answer it when they get there!

Mr Clarke—They are the ones responsible for looking at labour related issues.

Mr SNOWDON—You are aware of the argument about a single economic market overtaking the CER?

Dr Byrne—Not of the specific details, I do not think.

Mr SNOWDON—This is very germane. At a policy level, what we understand to be happening is that the CER is there but in fact now the treasurers, Dr Cullen and Mr Costello, have agreed that we should be talking about a single economic market. How does that filter down to you to let you know that our objectives may have changed a bit?

Mr Clarke—Again, there is quite a bit of work going on. For some of it, you are going to have to wait until your next witnesses sit up here. There is some COAG work being done in the area of skills recognition and accreditation, and our colleagues from Employment and Workplace Relations may well want to talk a little bit about that. There are some particular things happening.

I will just pull one of them out of the bag. We are looking at developing an Australian Pacific technical college that will, in part, allow skilling to Australian qualifications standards to be delivered across the Pacific. That is an example of where there is some work being done to make

the world smaller and to further the Australian qualifications standards that we are trying to get—

Mr SNOWDON—Is there something wrong with New Zealand qualifications?

Dr Byrne—I think our general approach—and the example that Mr Clarke just raised, the Australian Pacific technical college, is an AusAID led initiative, but DEST has been making an active contribution to it—is to say that—

Mr SNOWDON—But we do not provide AusAID to New Zealand.

Dr Byrne—No, I realise that. But the same principle that would apply to the way in which we would operate in the context of the Australian Pacific technical college would apply to how we would operate in the New Zealand or other context. We have an Australian qualifications framework and a prescribed approach, if you like, in Australia to the way we approach training. Any interaction we might have within and outside our own borders needs to be aligned to the Australian qualifications framework. We need to make sure, therefore, that in a context of working with New Zealand the training package approach, if you like, and the training models that we have here in Australia are seen to be and can be demonstrated to be consistent with what is happening in New Zealand. The issue here is to assure the quality of the training preparation of people going through qualifications, which would in turn lead to people being able to be mobile, to come to Australia. The same principles, in our view, would need to apply.

The work that is happening with the Construction and Property Services Industry Skills Councils in plumbing is all about trying to develop mutual training and recognition between Australia and New Zealand. I am not saying that this is an issue, but our concern would be to ensure that there is comparability in the training quality so the people who would be coming into Australia meet the Australian standards and the needs within the Australian context.

Mr SNOWDON—What about the other way?

Dr Byrne—We could be potentially looking the other way, but I guess our arrangements here in Australia have been built up over a long period of time. We have actually developed a set of quality arrangements that can give employers, industry groups, government and the Australian community guarantees of the quality of the training that we provide through all of our education and training sectors.

Mr SNOWDON—I am not doubting that. But if I were in New Zealand and listening to that conversation I would be very concerned. I would be saying to myself: 'Here we go. The people over the ditch there are really imperialists. What they're saying to us is, "If you don't meet our standards, you don't get in."'

Dr Byrne—I am saying that there needs to be appropriate checking to make sure that the quality of provision of training in both countries in that instant would be comparable. That is assessing, I think—

Mr SNOWDON—I understand the point. But you can understand the issue in the language you have just used. If I were a New Zealander—and I am not; my wife is, but I am not—I would

be most concerned about the sort of message that is being sent there. I would have thought you would be talking about comparability, integration and all of those things but perhaps also having a conversation about which standards should apply.

Dr Byrne—I think we would want to make sure that, in any arrangement we reached with anyone on recognition of standards within the jurisdictions of Australia and other countries, we could assure anyone that the standards were of the highest quality. That is not to say that New Zealand or other countries are not of the highest quality, but we would need to make sure that—

Mr SNOWDON—But you can see how they might want to do the same thing for you.

Mrs DRAPER—But, Warren, there is nothing wrong with that.

Dr Byrne—I can certainly see there would be a need for appropriate accommodation, but it is about protecting the standards in Australia, our training system and our reputation. Part of our international marketing is around the standards that we bring. I would invite the committee to note this, anyway: in terms of our international standing, we need to make sure that we do acknowledge that the Australian qualifications framework is a critical part of our policy landscape, that we do take that very seriously and that we support it.

CHAIR—That is important. I think the key thing is that New Zealand also plays a pretty important role in the South Pacific.

Dr Byrne—Absolutely.

CHAIR—I think it is in the context of that harmonisation with their requirements that it is going to be useful.

Dr Byrne—That is a very good point. I must say, Mr Snowdon, that I had not really thought through that issue before. It is true that the provision of training in the environment of the Australian Pacific technical college will be consistent with the Australian standards. I personally had not thought through that link that you have just made. Thank you.

Senator FERGUSON—If the proposal for an Australian Pacific college that you are talking about comes to fruition, in what year would you expect its first person to graduate?

Mr Clarke—I will just let you know where the process is up to now. You can perhaps draw your own conclusions from that. At present it is a three—or four, depending on how you count it—phase process. The first part of the process has been doing the investigative work. The second part, which has been front ended by a tender process that has resulted in three Australian registered training organisations being successful, is looking at the design stage of the college. The college is going to have its headquarters on one of the islands in the Pacific, and it will have probably five campuses. Those campuses will pick up different sorts of training, including some in the trades, some in hospitality and some in nursing.

Senator FERGUSON—Do you acknowledge the skill shortage is right now?

Mr Clarke—I understand that.

Senator FERGUSON—If this is one of the solutions, this could be five years away.

Mr Clarke—If you can look at it not just as an issue for skilled migration but as an issue of capacity building in the Pacific so that in the longer term—

Senator FERGUSON—I understand that.

Mr Clarke—we have the capacity of people to go with their qualifications wherever the work happens to be, whether it is Australia or not.

Senator FERGUSON—Capacity building in the Pacific is not part of our terms of reference. We are looking at the relationship between Australia and New Zealand. An Australian or Pacific school of trades is a great concept for another inquiry rather than the one we are on right now. The reason I asked the question earlier, of what trades qualifications are recognised in both countries, is we cannot come up with solutions that are three and four years away when I am sure there are some things that can be done quicker than that. It takes arrangements or agreements between our two countries to put them into place.

Mr Clarke—I know you do not want to talk about plumbing specifically, but can I very briefly take you through some things that are going on in that area to give you an idea of what we are doing. There a strong relationship between Australia and New Zealand developing mutual training and licensing for plumbers. It is not in place yet, but it is expected to be by 2007. I know that is a little way off in terms of where the skills shortages are—

Senator FERGUSON—Why does it take that long? Why will it take until 2007?

Mr Clarke—Just because we understand that is the time frame that has been set by the industries that are working with their New Zealand counterparts to get the qualification frameworks in place. But 2007 is not that far away; it is only six months from now. New Zealand has adopted the Australian standards and is using all of the core units in the plumbing industry, with the addition of a few of their own to meet their own local requirements. We have New Zealand working with COAG on mutual recognition, and the person who is making that representation is chair of the plumbing and gasfitting and drainage layers board from New Zealand, so there is a specific plumbing input into that process.

There is a mutual recognition for a plumbers reciprocity agreement in place and there is an agreement between the National Plumbing and Services Training Advisory Group, which includes all states and New Zealand, to share resources to move towards increased mutual recognition between the two countries. That gives you an idea of some of the work that going on, and it is going on at a reasonable pace. The manufacturing skills area has put together a consortium that is working very closely with New Zealand across a range of industries within its coverage to try and get Australian qualifications in place as quickly as it can. In doing so, it is allowing the New Zealand qualifications framework people to look at what they have got and what they need to have in addition to what they pick up from Australia to make it work for them.

Mr BARRESI—Would you be looking at the plumbing situation as a model for other trades?

Mr Clarke—It is one of the leaders.

Dr Byrne—It potentially could be a model for other trades to follow. I think that is our expectation at this point.

Mr BARRESI—Is it possible—and before you tell us it is DEWR's area, I will tell you I am going to ask the same question of DEWR—for you to give us a list of all the trades and professional occupations where there is a recognition that is currently in place—

Dr Byrne—Mutual recognition with New Zealand.

Mr BARRESI—so that we can cross-reference that with our skills shortage list?

Mr Clarke—I think that is an excellent question for Trades Recognition Australia and the Department of Employment and Workplace Relations.

Mr BARRESI—I think you guys play a part here as well. You have got to give us a list of the qualifications that are recognised.

Mr Clarke—We can take that question on notice.

Mr BARRESI—For example, in the professional area, we heard from one of the earlier witnesses that New Zealand trained doctors are recognised in Australia but migrant doctors who move to New Zealand and are accredited in New Zealand—in other words, they have met the requirements of the New Zealand system—are not recognised in Australia. That appears absurd. They already have New Zealand accreditation. New Zealand trained doctors meet New Zealand accreditation, except in Australia, so why doesn't the other group?

Mr SNOWDON—Market protection.

Mr BARRESI—One group we recognise and the other one we don't, even though they have fulfilled the New Zealand accreditation. What other occupations would fall into that category?

CHAIR—Obviously there are other areas we can focus on in terms of coordination and harmonisation. I think it highlights the problems. I am sure you guys have been focused on lack of coordination within the states, but we would like to see that broadened out. I think you will find, without pre-empting our report, that we will spend a bit of time making some recommendations in that area. If we have an effective CER then we should be looking at that. Thank you very much for coming today.

[3.58 pm]

CHILTON, Ms Anni, Director, Trades Recognition Australia Policy and Research, Trades Recognition Australia, Workplace Programs Branch, Department of Employment and Workplace Relations

NEVILLE, Mr Ivan Roger, Assistant Secretary, Labour Supply and Skills Branch, Labour Market Strategies Group, Department of Employment and Workplace Relations

PRESS, Ms Jane Elizabeth, Director, Migration Policy and Analysis Section, Labour Supply and Skills Branch, Department of Employment and Workplace Relations

CHAIR—Welcome. As you know, the committee prefers all evidence to be given in public, but should you wish to go in camera please let us know. I cannot imagine that will be the case. We have not received a submission from your department. Before we proceed to questions, would you like to make an opening statement?

Mr Neville—Given that we did not make a submission, I think there is nothing we can say at this stage but we are happy to take your questions.

CHAIR—I will say the same to you as I said to your predecessors in those seats, that we are surprised that you did not make a submission. Obviously this is a key aspect of the economic relations between the two countries. There are skill shortages on both sides of the Tasman. Coordination was certainly focused on by a number of the people that we spoke to. It is obviously an issue that we are now focused on. To what degree is DEWR driving the harmonisation of qualifications and skills et cetera?

Ms Chilton—We are not.

CHAIR—Obviously there lies the source of why nothing much has been happening.

Ms Chilton—Harmonising of licences for trade occupations happens at a state and territory government level, so we do not have a direct role in that. Trades Recognition Australia assesses applications from prospective migrants for recognition of trade occupations for pre-migration purposes. That does not take into account New Zealand applications. However, Trades Recognition Australia does people who are already in the country—some people who may not have previously had their skills recognised in their own country. For example, someone may have come out from New Zealand under a particular arrangement. They may want to get recognised as an electrician. They come to our domestic operations and get assessed. If they are successful they will get an Australian recognised trade certificate that will pave the way for provision of a licence. So for some occupations, where somebody has not previously been recognised as having the skills in their own country, they may want to do that when they get here.

CHAIR—Given the skills shortage in Australia in the manufacturing and resources sectors should there be an emphasis on harmonisation?

Ms Chilton—A huge amount of work is happening in licensing. As I was saying before, state and territory regulatory authorities have responsibility for that. I think the COAG initiative has brought to light that there is a real problem across Australia itself. For example, the committee may know that, on 10 February this year, COAG agreed to do something about streamlining licensing arrangements and mutually recognising licences across the various jurisdictions. In Australia you can be a plumber in Queenslander but not necessarily be recognised in Western Australia and New South Wales. So a huge amount of work is happening with the regulators and state governments under the COAG agenda to try and see where there are some synergies across the various jurisdictions and find a more streamlined approach to recognising each other's licences. That work is going on. A huge amount of work is happening under COAG now.

CHAIR—But you are not involved in driving that at all?

Ms Chilton—No.

Senator FERGUSON—Are there any major differences between any of the trade qualifications from state to state? Do you have a look at what qualifications are necessary to be licensed in, say, Queensland as against Western Australia?

Ms Chilton—No. Trades Recognition Australia does not get into that level of detail because we do not issue the licences. In some jurisdictions somebody would get a carpenters licence and that would allow them to work as a supervisor and look after a range of people. In another jurisdiction somebody would have a carpenters licence but that would not allow them to supervise other people. So we pull into play the different capacities for people to work under supervision or work on their own.

Senator FERGUSON—So, if you are involved in trade recognition, what do you actually do? If it is the responsibility of the states, what is your role?

Ms Chilton—We assess people against the competencies they demonstrate or through their qualifications. It could be practical experience, like a trade test.

Senator FERGUSON—Who are you doing it for? The states?

Ms Chilton—No.

Senator FERGUSON—The states recognise it, though.

Ms Chilton—We do it for migrants.

Senator FERGUSON—So why do the states do it?

CHAIR—We have the CER with New Zealand but you are doing nothing especially for that? You just have a look at each qualification?

Ms Chilton—That is somebody already in Australia. Under the TRR Act, Trades Recognition Australia has no capacity to assess, for example, plumbers. So somebody might come into

Australia from New Zealand and want to get a licence to operate as a plumber in Australia. That person would go straight to—

Mrs DRAPER—The state board.

Ms Chilton—Yes, that is right; to the state regulator, and say—

Mr JULL—If somebody applied in Denmark then you would have to have a go?

Ms Chilton—That is right. We would bring them in under a pre-migration assessment process, and then they would still go to the regulator.

Senator FERGUSON—Are you doing it on behalf of the states?

Ms Chilton—No, absolutely not.

Senator FERGUSON—If the states are the ones who finally have to make the decision, why are you doing the assessment?

Ms Chilton—It is for pre-migration purposes only. I think this is the issue that COAG is trying to address. There was a clear commitment to streamline the process for migrants. As part of its announcement on 10 February, COAG said, 'Instead of doing a three-step process—an assessment by TRA for pre-migration purposes, then going through a visa process and then going back out to regulators for further assessments or to Australian based registered training authorities—let's try a streamlined offshore assessment process in five countries and six occupations.' Plumbing is one of them. Somebody would apply to be assessed as a plumber against the Australian qualifications training framework. If they were successful, they could apply for their visa, come in, go straight to the regulatory authority and be accredited either to work under supervision or to get a full licence.

CHAIR—Would that be automatic?

Ms Chilton—Yes.

CHAIR—So it is really like a one-stop shop?

Ms Chilton—That is right.

Senator FERGUSON—So then you would be doing it on behalf of the states, wouldn't you?

Ms Chilton—I think it is working with the states, in a way. It is COAG, so it is a shared—

Senator FERGUSON—But if you are doing the assessment for someone who applies from Denmark, for example, and you are trying to cut out one stage of the process, then in effect you are doing it for the states; otherwise it is going to be a two-stage process again. Say that someone is coming to South Australia and you have to assess them for their skill level. Is the South Australian accrediting board or agency going to accept your assessment, or are they going to do it again themselves?

Ms Chilton—No, the idea is that they would accept that assessment.

Senator FERGUSON—So you are doing it on behalf of the states.

Ms Chilton—In an offshore assessment context?

Senator FERGUSON—Yes.

Ms Chilton—Yes. Us or any authority we may get to do the work for us, yes.

Senator FERGUSON—Let us go back to the terms of this inquiry, which deals with New Zealand, a country which is in many ways the closest to Australia that there is in the world. I do not think anybody would argue with that. Surely we must be able to get to the stage where an accreditation, a trade training or an acquired skill in New Zealand should be automatically recognised in Australia, and vice versa?

Ms Chilton—Yes.

Senator FERGUSON—But we are not there, are we?

Ms Chilton—There is a lot of work being done by the plumbers, the regulators.

Senator FERGUSON—But that is only one trade. We are talking a lot about plumbers; what about everything else, like welders, fitters and turners—

Ms Chilton—Plumbers was raised a few times, I know—

Senator FERGUSON—Yes, it has. That is true.

Ms Chilton—in the discussion with DEST, so I kept using the same example.

Senator FERGUSON—Why don't we go to a fitter and turner or something like that—those sorts of skills?

Mr BRUCE SCOTT—A meatworker.

Mr JULL—A butcher.

Senator FERGUSON—Any of those sorts of skills where we are really short. That is where the demand is.

Mr BARRESI—Were you saying that this is a trial in five occupations?

Ms Chilton—It is five countries and six occupations by 1 July 2007, and then—

Mr BARRESI—How long has it been running already?

Ms Chilton—No, it was announced by COAG this year that by 1 July 2007 we would have a system in place in these countries for these occupations and then—as Australia works out its own issues in mutually recognising licences across jurisdictions—roll that out to other occupations and other countries where there is a level of demand.

Senator FERGUSON—What are the five countries?

Ms Chilton—India, South Africa, the UK, the Philippines and Sri Lanka.

Mr SNOWDON—And not New Zealand or the US?

Ms Chilton—No. In selecting those countries as a start, we were looking at where we are getting the highest rate of skilled migration applicants from.

Mr SNOWDON—But if 650 people are coming to Australia each week from New Zealand, you would have to think there is a fair flood.

Mr BRUCE SCOTT—Say you are doing that acceptance of, say, the plumber coming from Denmark; does that mean that we recognise the skills training in Denmark? How do you do that assessment?

Ms Chilton—This assessment is for pre-migration purposes only. We have industry people as assessors—or our assessors are ex-industry people; perhaps I should put that way. It is noted that this is for pre-migration purposes only; it is a paper based assessment. Various occupations—and plumbers would be one of them, as would electricians—can require different levels of testing. So people who get a successful outcome for TRA for pre-migration purposes then need to go and have some further testing done.

Mr SNOWDON—So this is done in Denmark?

Ms Chilton—No, that happens in Australia.

Mr BRUCE SCOTT—They get here and then they are tested again.

Mr BARRESI—But what are they being tested against? If I am an electrician in Denmark, you are only testing my paper qualifications.

Ms Chilton—That is right. We are looking at them initially for pre-migration purposes. TRA has a number of pathways for looking at people applying from other countries and it includes looking at qualifications, work experience, employers' statements et cetera.

CHAIR—How long does the process take?

Ms Chilton—For an occupation such as an electrician or a plumber we have a key performance indicator of 10 working days to complete an assessment.

Senator FERGUSON—How important in assessing someone from a foreign-language-speaking country like Denmark—to get away from our focus on New Zealand—is a working

knowledge of English in an industry like electrical work where safety is of paramount importance?

Ms Chilton—It is highly important. But, as part of the visa process, people have to pass an English test in any event. There is some discussion at the moment in terms of COAG and about what the requirements are for some occupations.

Mrs DRAPER—What about the five countries and six occupations: are the criteria the same in terms of English requirements?

Ms Chilton—Yes. That is part of the visa process, and the offshore assessment process is not meant to subvert the visa process.

Mr SNOWDON—In the way you operate, is there no special dealing with New Zealand because of our CER relationship?

Ms Chilton—TRA itself has no role in that. TRA assesses applications no matter where they come from. It does not have a role in licensing.

Mr SNOWDON—I appreciate that. I am not talking about TRA; I am talking about the whole department. Let me put it this way: what initiatives exist within DEWR to further the CER?

Mr Neville—I am not aware of anything that we are doing specifically in terms of furthering that relationship.

Senator FERGUSON—We don't think anybody is.

CHAIR—Obviously it allows us freedom in making recommendations.

Mr Neville—It has just been drawn to my attention that we—

CHAIR—You're not verballing the witness, are you?

Mr Neville—are working cooperatively with New Zealand—that is, our department and the New Zealand department of statistics and the ABS—in the development of a standard classification of occupations.

Senator FERGUSON—How often do you meet? Never?

Mr Neville—Basically the new classification is being used in the census for the first time, and I am sure you are all aware that census night is tomorrow night—

CHAIR—And that we should fill it in!

Mr Neville—We have worked very closely with New Zealand and there have been a number of trips from Australia to New Zealand and from New Zealand to Australia to work on the development of this classification. I was part of a project board that was overseeing this

development and the project board met on a quarterly basis, but there were other meetings between those project board meetings. So the consultation was actually very close.

CHAIR—We will probably have a recommendation that there be a review. We have let it go for 23 years. I think there probably should be a regular review every few years of what progress we are making, but obviously we would be interested as to where it has gone. I think there is one question which the secretary is interested in about the occupations that you have identified for this fast-tracking.

Ms Chilton—Plumbers—

CHAIR—Could you send us a list?

Senator FERGUSON—Perhaps you can name them.

Ms Chilton—Carpenters, bricklayers, joiners, motor mechanics, air-conditioner and refrigeration mechanics, general electricians and general plumbers.

Mr BARRESI—Those occupations are at the top of the hit list of skills shortages, are they?

Ms Chilton—Not necessarily. In fact, I would probably say they are on the hit list of occupations that have issues about licensing. There are others, like cooks et cetera, that can get assessed in 10 working days and come into the country through a visa process and there is nothing to stop them working. This is about addressing the occupations that have problems working because of licensing issues.

Mr BARRESI—I will ask you a similar question I asked DEST: are you able to give us a list of skills in demand in Australia and cross-reference that with the skills that are in demand in New Zealand to see whether or not there is a possible match? Furthermore, of the 650 people who come across the Tasman every week, how many would be able to fill some of the occupations that are on that list? We make it difficult for them to get accredited.

Mrs DRAPER—But those 650 who are coming are not necessarily permanent, are they?

Mr BARRESI—Yes, they are. They are permanent.

Mrs DRAPER—Okay. They are not visiting.

CHAIR—We are not talking about tourists.

Mr BARRESI—Whether there is 650, 550 or 500, there is a significant number. What I would like to know is how many of those would have occupational skills that would match those six or seven occupations.

Ms Chilton—You would have to ask that question of Immigration. They could answer from their data.

Mr BARRESI—Can I ask you from DEWR, because you are going to compile the bigger list, to get that information for us?

Mr Neville—We can certainly provide the committee with a copy of the migration occupation in demand list, which lists the occupations that we have assessed—we being the department—as being in demand for migration purposes. That is a list of 80 or 90 occupations. We are certainly aware that New Zealand use not dissimilar methodology in the compilation of a list of occupations that are in demand, but they are using it for slightly different purposes. We will endeavour to obtain a copy of the list of occupations that they have assessed as being in demand as well.

Mr BARRESI—I have one last question, because I know Mr Bob Sercombe would have wanted this question asked. New Zealand allows Pacific islanders in—it gives them special visas to go into New Zealand and work on the condition that they go back. There are a lot of seasonal workers. Have we looked at introducing a similar system here in Australia to cope with some of our highly labour intensive but seasonal shortages?

Mr Neville—Fruit pickers and things like that.

Mr BARRESI—Yes. It seems to have worked quite well in New Zealand. It fulfils both a foreign aid objective and a domestic employment shortage objective.

Ms Press—There is a separate parliamentary inquiry looking at the seasonal guest worker issue at the moment. We have made a submission to that, which I am sure we can provide you with. It looks at the range of labour market issues associated with the issue and also looks at what existing migration arrangements are in place to meet the needs of the agricultural primary industry sector.

CHAIR—Thank you for coming today. We look forward to your responses to the requests we have made.

Resolved (on motion by **Mr Snowdon**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Subcommittee adjourned at 11.59 am