

Other services industries raised in submissions

- 6.1 The previous two chapters examined Australia's two largest services exports – tourism and education. In the course of its inquiry the committee also received evidence on a number of other services industries. This chapter does not discuss every services industry in the Australian economy – only those industries on which the committee received specific evidence.
- 6.2 Generally speaking, the industries examined below are very important in the domestic economy, but have a comparatively smaller role in terms of exports. Having said this, trade in each industry is growing and is likely to continue growing into the future.
- 6.3 This chapter will provide a broad summary of the evidence received on the issues and opportunities for each of the 'other' service industries. However, the committee will not make recommendations on every challenge or opportunity facing every individual industry. To do so would require a more detailed examination of each industry than has been possible during this inquiry.
- 6.4 The committee's recommendations in chapter 3 of this report apply to the sector as a whole, including the industries highlighted in this chapter. In particular, recommendation 4 draws attention to the need for a greater focus on services trade liberalisation. As will be evident in the ensuing discussion, trade barriers are a recurring theme and are constraining export growth in all service industries.

Financial services

- 6.5 Financial services comprise an important and steadily growing industry in the Australian economy. The industry has benefited from growth in other parts of the economy as well as from the positive global economic conditions enjoyed in recent years.
- 6.6 The financial industry posted a growth rate of 6 per cent for the year ending March 2007, following over ten years of good growth. The industry contributed around \$69 billion to the economy in 2005-06.¹
- 6.7 The ABS reports that exports in the financial industry amounted to \$1.7 billion in 2006, suggesting that while the domestic industry is thriving, there is room for growth in Australia's export trade in the industry.²
- 6.8 The financial services industry, like many other Australian industries, argues that the total income earned from the provision of financial services to overseas customers would exceed the ABS data on exports (see discussion on services sector statistics in chapter 3).

Issues for the industry

- 6.9 The primary barrier facing exports of financial services is the level of access to foreign markets such as China and India. Unlike manufacturing or agricultural exports, trade barriers in services are generally not explicit tariffs or quotas, but usually come in the less direct form of regulations and licensing constraints. This issue was highlighted in the submission of the Victorian government:

Key issues facing financial services exporters at the moment are competition and access to overseas markets, including non-tariff barriers to trade.³

- 6.10 The Investment and Financial Services Association (IFSA) raised the difficulties generated by foreign regulatory regimes and suggested the harmonisation of Australian regulations with similar jurisdictions overseas. It also argued that the liberalisation of non-tariff barriers—such as restrictive regulatory regimes—should be a priority in bilateral and multilateral trade negotiations.⁴

1 Australian Bureau of Statistics, *Australian national accounts*, cat. no. 5206.0, ABS, Canberra, 2006.

2 Australian Bureau of Statistics, *Balance of payments*, cat. no. 5302.0, ABS, Canberra, 2006.

3 Victoria Government, *Submission no. 38*, p. 10

4 Investment and Financial Services Association, *Submission no. 14*, p. 3.

6.11 The second issue of concern to the financial services industry is the level of complexity in the tax system. Both the Axiss and IFSA submissions argued that, while the government has gone some way to simplifying taxation requirements, it is an area of reform that still holds great potential benefits to the industry.⁵

Opportunities for growth and policies for realisation

6.12 Several groups noted that Australia has a number of important advantages which can be marketed to expand the export of financial services, namely:

- sophisticated financial markets;
- world-class telecommunications and information technology markets and infrastructure;
- a low cost, highly skilled and multilingual workforce;
- democratic, well-regulated and stable environment;
- strategic time zone; and
- quality of life.⁶

6.13 These advantages provide the Australian financial services market with somewhat of a 'head start' in the global market. Combined with Australia's proximity to Asia, they create an environment with great potential to support a significant export trade in our region.

6.14 According to IFSA, Australian financial services providers have a number of specialities which are attractive to international clients. These specialities include:

- pension and superannuation products and services;
- retirement income products and services;
- asset administration and service capability;
- custody services;
- investment research and strategy;
- asset allocation;

5 Axiss, *Submission no. 22*, p. 6; Investment and Financial Services Association, *Submission no. 14*, p. 3.

6 Axiss, *Submission no. 22*, pp. 7-8

- investment product development such as infrastructure private equity and alternative investments;
- life insurance risk;
- securitisation of property and infrastructure developments;
- asset securitisation of property and software developments;
- financial services IT and software developments; and
- financial services education.⁷

6.15 It was noted in evidence that markets in Asia, in particular, offer significant growth prospects for the Australian financial services industry. While these opportunities do exist, Axiss – the organisation charged with marketing Australia as a financial services hub – does not have a presence in the Asian region.⁸

Committee conclusions

- 6.16 Financial services are a healthy and important \$70 billion industry. Exports in the industry, however, remain comparatively modest.
- 6.17 As relationships develop with Asian neighbours the export of financial services is likely to expand – particularly in the speciality areas listed above. Superannuation and retirement savings is an area where Australian financial service providers have distinct expertise.
- 6.18 The Australian government can aid this process of expansion by continuing to simplify the taxation system; encouraging regulatory harmonisation with major trading partners; and by placing a higher priority on the non-tariff barriers facing the financial services industry in trade negotiations.

Legal services

- 6.19 The ABS completed a focussed study on Australian legal services in 2002, but there has been little official data collected since. Those figures indicated that in 2001-02 legal practices in Australia contributed \$7.8 billion to GDP and employed around 94,000 people. Total income for the industry increased by 10.8 per cent on average between 1998-99 and 2001-

7 Investment and Financial Services Association, *Submission no. 14*, p. 3

8 Mr G Johnston, Axiss Australia, *Transcript of evidence*, 14 March 2007, p. 37.

02, although this was attributable to a significant increase in income per barrister and solicitor, rather than an increase in employment or number of firms, both of which remained relatively stable over the same period.⁹

6.20 Exports of legal, accounting, management consulting and public relations together totalled \$747 million in 2006, suggesting that the export sector of legal services comprises a small part of the domestic industry.¹⁰

Issues for the industry

6.21 All of the submissions that focussed on legal services highlighted non-tariff trade barriers as the most significant issue constraining the growth of legal services exports. Australian legal firms often have difficulty providing services to clients operating in other countries, particularly in the Asian region. In some cases Australian lawyers are required to 'fly in, fly out' or provide services from Australia.

6.22 The submission of Mallesons Stephen Jaques highlighted a number of areas where Australian legal firms face trade barriers:

- structural issues – some countries prevent sharing of profit, prohibit partnerships between local and foreign lawyers and impose residency requirements;
- barriers to entry – restriction on firms setting up in-country;
- ease of business – different requirements country to country on when and whether registration is required;
- use of name – applications required for all firm names changes;
- taxation – difficulties in claiming money from relevant authorities;
- remittance of profits – some Asian jurisdictions do not allow the remittance of profit after payment of local tax; and
- disclosure obligations – ability to share the risk of a transaction and propose competitive fee arrangements based on clients' requirements is limited by disclosure obligations.¹¹

6.23 The Victorian government noted that Australia, unlike many countries, is very open to allowing foreign firms to operate here:

9 Australian Bureau of Statistics, *Legal practices, Australia, 2001-02*, cat. no. 8667.0, ABS, Canberra, 2003.

10 Australian Bureau of Statistics, *International trade in goods and services*, cat. no. 5368.0, ABS, Canberra, 2007.

11 Mallesons Stephen Jaques, *Submission no. 18*, pp. 2-4

Australia has made a binding, nonreciprocal offer under the General Agreement on Trade in Services (GATS) to provide foreign lawyers with access to the Australian legal services market. However, this has not necessarily been reciprocated and barriers to entry for legal services still exist in a number of markets.¹²

- 6.24 Some submissions raised concerns over the 'brain drain' phenomenon involving the loss of talented lawyers to overseas firms, particularly in the United Kingdom and United States. Aside from the obvious attractions of working internationally, evidence suggested that recent graduates are also moving overseas to avoid paying HECS debts. Robert Milliner of Mallesons Stephen Jaques asserted that HECS is a factor, but not the definitive factor:

The advantage is that they do not have to pay back their HECS if they go over there, whereas if they stay here they do... [However] I do not think that [HECS] is the primary driver; it is just a factor. There is no doubt that the primary driver is a mixture of generational issues and opportunity. There is phenomenal opportunity. If you go to London and say that you have worked at Mallesons for the last three years, you will get a job straight away. There is an explosion of growth. UK firms are reporting growth rates of somewhere between 15 and 22 per cent over the last six months.¹³

- 6.25 The committee heard that a more substantial export industry in legal services would not only bring financial benefits, but also allow Australian law firms to offer workers 'global careers', providing them with an additional incentive to remain in Australia.¹⁴

Opportunities for growth and policies for realisation

- 6.26 The export of legal services is complicated by the fact there are different legal systems around the world. Australian companies tend to focus on countries founded on common law principles such as the UK, India, Hong Kong and Singapore. The committee heard that it is, for example, difficult for Australian lawyers to work in the US:

In different jurisdictions in the world the prevailing legal system is a different system of law. If we are to practise in the US, we need to be trained, qualified and admitted as US lawyers. Mallesons

12 Victoria Government, *Submission no. 38*, p. 15.

13 Mr R Milliner, Mallesons Stephen Jaques, *Transcript of evidence*, 14 November 2007, p. 8.

14 Mallesons Stephen Jaques, *Submission no. 18*, p. 4.

Stephen Jaques tend not to do a lot of business in the US. We tend to do it more in the English law countries—common-law countries—such as the UK, Hong Kong and associated countries. The US is not a target market for us.¹⁵

- 6.27 Mallesons Stephen Jaques told the committee that it expected high levels of work in China and India as these economies allow foreign entrants. Robert Milliner of Mallesons Stephen Jaques discussed the prospects in China and India:

We are very keen to get a leg into the Chinese market. India is virtually encircled by UK and US law firms waiting for some concession from the Indian government, which I think is less likely to occur than it is in China.¹⁶

Committee conclusions

- 6.28 The legal services industry is a significant domestic industry but underdeveloped in terms of exports. There appears to be scope for exports of legal services to increase appreciably.
- 6.29 Australian law firms currently face a number of barriers to trade in attempting to export their services, including structural differences, licensing obstacles and barriers to entry. This is compounded by fundamental differences in legal systems across the world. Given the limited number of ‘common law’ countries, it is important that non-tariff trade barriers are resolved in order to allow Australian firms to access those markets.
- 6.30 As China and India increasingly allow foreign law firms to operate in their jurisdictions, the opportunities for Australia’s legal services industry will further expand.

Engineering services

- 6.31 There are little data available on the size and composition of the engineering industry, largely due to the diverse nature of engineering. Most engineering activities are included in data for other industries, for

15 Mr R Milliner, Mallesons Stephen Jaques, *Transcript of evidence*, 14 November 2007, p. 7.

16 Mr R Milliner, Mallesons Stephen Jaques, *Transcript of evidence*, 14 November 2007, p. 8.

example construction and business services, both of which are significant industries enjoying strong growth.¹⁷

- 6.32 The ABS completed a focussed study on consultant engineering firms, one component of the engineering industry, in 2003. This is the most recent relevant data available on the industry. The study indicated that the consultant engineering services industry was growing rapidly, expanding at an average rate of 12.2 per cent between 1996 and 2002. Consultant engineering companies generated income of around \$9 billion and employed 65 000 people in 2001-02.¹⁸
- 6.33 The engineering export industry is still relatively small in Australia, with exports of architectural, engineering and other technical services totalling \$1.3 billion over 2006.¹⁹ However, the increasing mobility of labour has seen a growth in the number of engineers working overseas, with almost 70 per cent of respondents to the latest Engineers Australia survey reporting that they have worked overseas at least once in the last two years.²⁰

Issues for the industry

- 6.34 Engineers reported a multitude of non-tariff trade barriers which affect the growth of exports. Engineers Australia noted that regulations which effectively restrict exports 'are usually aimed at domestic policy objectives rather than trade policy objectives.'²¹
- 6.35 Engineers face many such regulatory requirements that effectively act as trade barriers, including:
- Mandatory requirements for membership of professional associations;
 - Non-recognition of Australian qualifications;
 - Inability to gain registration for employees;
 - Education and experience that differs from Australian standards;
 - Registration linked to residency or citizenship;

17 Australian Bureau of Statistics, *International trade in goods and services*, cat. no. 5368.0, ABS, Canberra, 2007.

18 Australian Bureau of Statistics, *Consultant engineering services, Australia*, cat. no. 8693.0, ABS, Canberra, 2003.

19 Australian Bureau of Statistics, *International trade in goods and services*, cat. no. 5368.0, ABS, Canberra, 2007.

20 Engineers Australia, *Submission no. 18*, p. 25.

21 Engineers Australia, *Submission no. 18*, p. 19.

- Inability to gain registration for company; and
 - Registration of firms where directors must be engineers.²²
- 6.36 The trade limiting effects of many of these regulations are often incidental to domestic policy goals. As such, the governments imposing them may be more amenable to negotiation than they would be to lowering, for example, more deliberate barriers applying to goods.
- 6.37 A second issue constraining growth in the industry is the shortage of engineers. There was ample anecdotal evidence that the resources boom has created a substantial demand for engineers affecting other industries' ability to source them.

Opportunities for growth and policies for realisation

- 6.38 Australian engineers are in demand worldwide reflecting the fact there is a global shortage in the profession. Of course, both China and India are currently undergoing rapid urbanisation which is accompanied by rapid growth in demand for engineering services.
- 6.39 Australia's capacity to export engineering services may increase if or when our mining boom eases.

Committee conclusions

- 6.40 Expansion of the trade in engineering services is currently constrained by a range of non-tariff barriers such as differences in licensing and certification of engineers. In some case these barriers may be an unintended side-effect of regulations servicing domestic policy goals, rather than an explicit attempt to protect the domestic industry.
- 6.41 It is therefore important that the Australian government encourages the consideration of these non-tariff barriers at future trade negotiations. Similarly, it would be helpful for the government to consider the impact of its own engineering licensing regulations on international trade and align domestic certification with international standards where they exist.

²² Engineers Australia, *Submission no. 18*, p. 18.

ICT services

- 6.42 The information and communications technology (ICT) industry is regarded as imperative to Australia's productivity growth. The implementation of IT products and services has dramatically improved the productive capacity of many businesses.²³
- 6.43 An increasing proportion of ICT income is generated in companies that are not ICT specific. While around 90 per cent of income generated in the industry is still done so by ICT specialist companies, this share is decreasing—down from 95 per cent in 2000-01.²⁴ This suggests that a growing proportion of ICT services are undertaken by firms whose primary business is not ICT, which may be due to a blending of industries or a diversification of firms.
- 6.44 The ICT industry as a whole is exhibiting healthy growth, with the total value added to the economy growing from around \$29 billion in 2000-01 to around \$35 billion in 2004-05.²⁵
- 6.45 Data on ICT services, as opposed to the ICT industry (including manufacturing), is limited. However the ABS estimates that in 2002-03, ICT services contributed around \$25 billion gross value to the economy. This represents around 3.5 per cent of total industry gross value added, and 72% of total ICT gross value added.²⁶ In 2006 exports of 'computer and information services' were \$1.4 billion.²⁷

Issues for the industry

- 6.46 The Department of Communications, Information Technology and the Arts (DCITA) submission emphasised the importance of increased broadband connectivity both as a necessary pre-condition for Australia's ICT industry, and as key infrastructure that has the potential to generate broad productivity increases across the economy. DCITA added:

23 Department of Communications, IT and the Arts, *ICT and Australian productivity*, p. 18, 2005.

24 Australian Bureau of Statistics, *Information and communication technology*, cat. no. 8126.0, ABS, Canberra, 2002 and 2006.

25 Australian Bureau of Statistics, *Information and communication technology*, cat. no. 8126.0, ABS, Canberra, 2002 and 2006.

26 Australian Bureau of Statistics, *Australian national accounts: information and communication technology satellite account*, cat. no. 5259.0, ABS, Canberra, 2006.

27 Australian Bureau of Statistics, *International trade in goods and services*, cat. no. 5368.0, ABS, Canberra, 2007.

Accelerating the adoption and effective use of broadband across Australia will improve our international competitiveness, including by connecting us with key international markets and facilitating exports. The widespread diffusion of broadband technologies has the potential to revolutionise the way services are delivered in a range of sectors including health, education and research.²⁸

- 6.47 Instantaneous communication around the world is now essential for services industries, not just ICT services. Australian industries face the added disadvantage of great distance separating them from lucrative markets in Europe and North America. In order to compete, it is important that Australia's broadband infrastructure is comparable to the technology in those markets. DCITA cited the government's *Broadband Blueprint* as an important step to achieve adequate broadband infrastructure.²⁹

Opportunities for growth and policies for realisation

- 6.48 Submissions from Federal, Victorian and Western Australian government agencies highlighted areas in which Australia has been successful in developing ICT services and products. Some of these areas include:

- Telecommunications services;
- Niche software and services for mining, defence and other industries;
- Wireless communication services and technology;
- Remote area communications;
- Bioinformatics;
- ICT-based games; and
- Health and education applications.³⁰

- 6.49 As the worldwide market for these specialised services continues to grow, the success of Australia's highly developed ICT industry depends upon continued innovation and research and development (R&D). DCITA noted the importance of ongoing R&D to ensure Australia remains at the forefront of technological advances:

28 Department of Communication, IT and the Arts, *Submission no. 49*, p. 9.

29 Department of Communication, IT and the Arts, *Submission no. 49*, pp. 9-10

30 Department of Communication, IT and the Arts, *Submission no. 49*, p. 15; Austrade, *Submission 26*, p. 7; Western Australia Department of Industry and Resources, *Submission no. 15*, p. 9; Victoria Government, *Submission no. 38*, p. 12.

Increasing government investment in ICT research and development (R&D) in combination with a renewed emphasis on commercialisation opportunities will also boost Australia's capacity to contribute to new and emerging supply chains.³¹

- 6.50 The department noted the government's \$250 million commitment to National ICT Australia, a world-scaled ICT research and training institute. Further, the DCITA submission noted the ICT incubators program which provides a range of assistance to early stage ICT businesses with the goal of accelerating their growth.³²

Committee conclusions

- 6.51 ICT is a \$35 billion industry in Australia that is imperative to the nation's productivity growth. ICT services are the largest component of the industry. Exports of ICT services are a small component of total industry output.
- 6.52 One of the key factors in the future expansion of ICT services is increased broadband speeds. Increased broadband speeds facilitate the provision of ICT services domestically, but also internationally into export markets.
- 6.53 Continued ICT R&D will be important into the future to ensure the industry continues to offer cutting edge services and products.

Science services

- 6.54 The science industry is defined as research and development, design, production, sale and distribution of laboratory-related goods, services and intellectual capital used for measurement, analysis and diagnosis.³³ Much of the economic activity involved in the industry is classified as part of other industries and as such limited data are available on the industry.
- 6.55 Science Industry Australia (SIA) reported that in 2002-03 Australia's science services industry generated an estimated income of around \$3 billion and employed 39,000 people. Exports of science services—a relatively small niche market—were estimated to be \$110 million. SIA also reports that the industry is growing at an annual rate of 10 per cent.³⁴

31 Department of Communication, IT and the Arts, *Submission no. 49*, p. 15.

32 Department of Communication, IT and the Arts, *Submission no. 49*, pp. 15-16.

33 Science Industry Australia, *Submission no. 6*, p. 1.

34 Science Industry Australia, *Submission no. 6*, p. 2.

Issues for the industry

- 6.56 SIA raised concerns over the red-tape involved in requests for R&D assistance. While it was agreed that scrutiny and accountability is a necessary component of government assistance, the organisation questioned whether the Australian Tax Office and other government agencies had at times been excessive in their documentation requirements. It was reported that, in some cases, larger corporations had concluded that the compliance costs of obtaining R&D assistance outweighed the financial benefits it provides.³⁵ R&D assistance is discussed in greater detail in this committee's report on Australia's manufacturing sector.
- 6.57 The science industry is highly knowledge-intensive, and in a workforce where almost 50 per cent has a university degree, it is important that there is enough skilled labour to meet demand. SIA reported that surveys of the science industry indicate that the industry has shortages of laboratory technicians, technical trades, chemists, mechanical and software engineers, sales and management staff.³⁶
- 6.58 The science industry also reported that trade barriers are a significant constraint on export growth. Laboratory and technical services must comply with global regulations and standards in addition to local ones. It was suggested that the European Union is particularly hostile to trade in science services.³⁷

Opportunities for growth and policies for realisation

- 6.59 SIA reported that there are encouraging signs of growth in exports of laboratory and technical services. Having established themselves in Australia and New Zealand, Australia's leading laboratories are expanding their operations into Asia (51 per cent of science services exports), EU (19 per cent), New Zealand (12 per cent) and North America (2 per cent).³⁸
- 6.60 Once again, trade liberalisation was cited as the most important policy to realise global opportunities. The harmonisation of regulations for laboratory services in particular would go some way to facilitating further trade in the science industry.

35 Science Industry Australia, *Submission no. 6*, pp. 6-7.

36 Science Industry Australia, *Submission no. 6*, p. 8.

37 Science Industry Australia, *Submission no. 6*, p. 7.

38 Department of Industry, Tourism and Resources, *Survey of Australia's science industry 2004* as cited in Science Industry Australia, *Submission no. 6*, p. 7

Committee conclusions

- 6.61 Science services comprise a relatively small but important industry in the Australian economy. It is successful by international standards but, like many industries in Australia, is currently suffering from shortages of skilled labour. While Australian laboratories have begun to expand into international jurisdictions, the industry faces a number of non-tariff barriers obstructing further expansion.
- 6.62 A harmonisation of these regulations acting as trade barriers would smooth the transfer of science services across borders—an important activity in an industry that benefits greatly from international collaboration, knowledge-transfer and specialisation.
- 6.63 R&D support from the Australian government is central to the continued success of the science services industry. The government's R&D support mechanisms are reviewed at greater length in this committee's report into the manufacturing sector.

Construction services

- 6.64 The construction industry is one of the fastest growing in the economy, with gross value added increasing by 10.8 per cent on the year to March 2007. The industry contributed \$62 billion to economy in 2005-06, accounting for 8 per cent of GDP. In contrast to this, exports in the industry remain small, at \$129 million in 2006.³⁹ The construction industry is a significant employer in the economy, employing around 965,000 people in February 2007.⁴⁰

Issues for the industry

- 6.65 As an industry that is strictly regulated with standards that differ significantly throughout the world, construction companies face complex barriers in exporting their services. Australian personnel qualifications and certifications may not be recognised in foreign countries, and businesses may have difficulty remaining competitive in an environment with unfamiliar regulations and building specifications.

39 Australian Bureau of Statistics, *Australian national accounts*, cat. no. 5206.0, ABS, Canberra, 2006.

40 Australian Bureau of Statistics, *Australian labour market statistics*, cat. no. 6105.0, ABS, Canberra, 2006.

- 6.66 Standards Australia reported that while a small number of international benchmarks have been established (in quality management, for example), they are not widely utilised throughout the world.⁴¹ This group highlighted the importance of Australia adopting international standards, not just in construction, but in all industries:

Should Australia decide to isolate itself from international standardisation activities, Australian practices will quickly evolve to be out of touch with the world market and we would risk stifling opportunities to export not just our goods but also our services ... For a relatively small economy like Australia, with minimal leverage, there is little scope to expect the international market to bend to suit our practices. If Australia wishes to trade either goods or services, it needs to take account of the practices and requirements in the target markets.⁴²

- 6.67 A number of groups commented that the demand for labour in the mining industry is drawing significant resources from other industries. Construction is an industry that is particularly impacted as it suffers from direct competition for labour with the mining industry.

Opportunities for growth and policies for realisation

- 6.68 The submission of the Cooperative Research Centre (CRC) for Construction Innovation highlighted the potential benefits of innovative construction services and products. Not only does innovation assist in Australia's construction industry becoming globally competitive, it provides a significant domestic benefit, improving productivity, safety and efficiency. Innovative services are, of course, also exportable to the world.⁴³
- 6.69 Environmentally sustainable construction has been identified as a major new area of innovation with strong prospects for the Australian construction industries. The CRC has developed a number of innovative products that aim to assist the construction industry in targeting this market.⁴⁴
- 6.70 The Western Australian and Victorian governments both outlined a plan to target the Chinese market, which clearly has a growing demand for construction services. The WA Department of Industry and Resources suggested that China might also begin to develop a demand for

41 Standards Australia, *Submission no. 4*, pp. 4-5

42 Standards Australia, *Submission no. 4*, p. 2

43 CRC Construction Innovation, *Submission no. 1*, p. 3.

44 CRC Construction Innovation, *Submission no. 1*, p. 3.

environmental management services to counteract rapidly increasing levels of pollution.⁴⁵

- 6.71 However, the CRC argued that China presents the greatest threat to the international competitiveness of Australia's construction industry. Cheap labour and economies of scale combine to make Chinese construction companies significant players in the region. The CRC's submission emphasised the role of innovation in combating this competition and maintaining a high-quality industry that capitalises on Australia's comparative advantages.⁴⁶

Committee conclusions

- 6.72 The construction industry is growing particularly well, adding \$62 billion to GDP in 2005-06. However, exports in the industry are constrained by differing standards in overseas jurisdictions. As a fundamental aspect of construction operations, significant time and training is required to adjust to differing regulations. The standardisation of these regulations would go some way to opening up the market for international construction services.
- 6.73 Niche markets such as environmentally sustainable construction offer growth opportunities for the industry. The urbanisation and development of China and India are potentially significant markets in this area.

The Hon Bruce Baird MP
Chair
31 May 2007

45 Western Australian Department of Industry and Resources, *Submission no. 15*, pp. 13-14.

46 CRC Construction Innovation, *Submission no. 1*, p. 3.