

(International Trade Modernisation) Act 2001 provides for contingency arrangements should Customs information systems not be operable. As with Customs systems that currently operate, mechanisms will be in place to ensure that industry is informed about the contingency arrangements, and how they are invoked.

COMMONWEALTH GOVERNMENT RESPONSE TO THE RECOMMENDATIONS OF THE SENATE SELECT COMMITTEE ON SUPERANNUATION AND FINANCIAL SERVICES

THE OPPORTUNITIES AND CONSTRAINTS FOR AUSTRALIA TO BECOME A CENTRE FOR THE PROVISION OF GLOBAL FINANCIAL SERVICES

The Senate Select Committee on Superannuation and Financial Services tabled the report

The Opportunities and Constraints for Australia to become a Centre for the Provision of Global Financial Services in the Senate on 22 March 2001. This is the Government's response to that report.

The Government has committed itself to the success of Australia as a Centre for Global Financial Services initiative, as announced by the Prime Minister on 17 May 1999. Axiss Australia, the vehicle through which the Government is meeting the objectives of the initiative, received renewed funding of \$11.4 million over three years in the 2001-02 Budget. The renewed funding provides Axiss with the necessary resources to continue to implement the global financial services strategy and to build on the successes achieved in the first two years of the initiative, as noted in the Committee's report. To this end, Axiss Australia has already implemented, and is continuing the process of implementing, many of the recommendations of the report.

Axiss places great emphasis on Australia's many and varied advantages when promoting Australia to potential foreign entrants that are considering Australia as a location for financial services business as well as those existing foreign entrants who are considering expanding their Australian operations. It is recognised that the promotional effort needs to cover broad issues not limited by any one factor and that integrating factors such as lifestyle, environment, infrastructure and political stability, with Australia's sound economic and financial systems, is critical to the success of the promotion.

The Government is strongly committed to implementing an efficient and fair tax and regulatory system that enhances the opportunities for Australia to capture significant overseas financial services investment. The Australian tax system has already undergone significant reform. Many of the tax issues raised in the report have either already been considered by the Government, will be considered as part of other reviews or reports, or will be addressed through further implementation of particular measures of the remaining business tax reforms.

In addition, the Government is strongly aware of Australia's position as a gateway to the

Asia-Pacific region and the advantage Australia has as a critical time-zone between the closing of business in Europe and the opening of business in America. More broadly the Government has done much, and continues to seek new opportunities through various initiatives, to engage appropriately in the Asia-Pacific.

The Government's response to the fourteen specific recommendations as tabled by the Committee are as follows.

Recommendation 1

The Committee recommends that Axiss Australia continues to investigate innovative ways of promoting Australia's

competitive advantages to overseas investors and businesses by integrating messages about lifestyle and cultural advantages with financial and economic advantages.

The Government supports the Committee's view that Australia's messages in terms of lifestyle and cultural advantages are significant and hence must be integrated into core marketing messages that also cover financial and economic issues. The Government acknowledges that lifestyle considerations can be a major decision factor for senior executives when determining the locality for Asia-Pacific operations and hence must be incorporated into marketing targeted to this audience.

The inclusion of lifestyle and cultural messages has, and continues to be, integrated into marketing strategies adopted by Axiss Australia.

Examples of such integration are included in the fortnightly electronic newsletter a2a and major publications such as *Australia - A Global Financial Services Centre in the Asian Time Zone*, and *Australia's Financial Services Data File*. These publications highlight the significant competitive advantages Australia possesses in this area relative to other countries in the region. Advantages such as a skilled and multilingual population, a low cost of living and high quality of life are each discussed. Comparisons with other countries are made to highlight Australia's position and are done using independent data gathered from respected sources such as the IMD World Competitiveness Yearbook, PERC Business Environment Report and the Australian Bureau of Statistics.

Lifestyle and cultural messages also feature prominently in Axiss' on-line/internet strategy, which includes webcasting and an Axiss microsite hosted by euromoney.com. These initiatives ensure that Axiss is promoting Australia's attractions in an appealing and compelling way to a global audience.

Axiss Australia has also arranged the production of a series of television commercials that outline Australia's strengths as a global financial services centre within the Asia-Pacific region. The commercials, which have been aired on CNBC Asia and Bloomberg Television, highlight Australia's economic advantages (ie low cost infrastructure, skilled multilingual workforce and liquid capital markets) and also make reference to quality of life issues, with video footage of attractive locations in Australia used to reinforce this message.

These messages have also been disseminated via Axiss' media activities, which have resulted in coverage both domestically and internationally in publications such as *The Australian Financial Review*, *The Sydney Morning Herald*, *Business Review Weekly*, *Business Asia* and *Asia Money*.

Recommendation 2

The Committee recommends that Government and industry continue to monitor Australia's potential to develop niche markets in the Asia-Pacific region and work together to identify educational, IT and other initiatives which will generate opportunities for Australia and enhance Australia's reputation in the global financial services industry.

The Government agrees with the Committee's assessment that the development of niche markets is essential to Australia's continued competitiveness as a global financial services centre.

In achieving this objective the Government, through Axiss Australia, works closely with a number of finance and industry associations to identify opportunities and develop strategies that enhance the growth of niche sectors of the financial services industry.

To date, the area in which the greatest success has been achieved has been in the field of treasury processing.

The decision by Deutsche Bank to locate its Asia-Pacific global processing hub for foreign exchange in Australia is one example of a global investment bank opting to locate treasury processing operations in Australia. A further example is that of US investment bank, JP Morgan, who has relocated a number of securities and derivatives processing activities from Singapore to Australia. Such activity is being done on a regional rather than on a domestic basis and, as such, is very important to Australia's status and future development as a global financial services centre. In recognition of this, Axiss is currently working with a number of other global investment banks on this issue and is also completing a round of visitations to other banks who may shortly consider undertaking similar activity.

In addition to treasury processing, Axiss Australia has also implemented a number of initiatives to capitalise on Australia's strengths in the area of investment management.

With total funds under management currently exceeding SA600 billion, Australia has the second largest market for investment management in the Asia-Pacific (after Japan). With total funds under management predicted to rise to over SA2.3 trillion by 2015, Axiss sees considerable potential for Australia to further leverage off its investment management expertise and to use this industry as a draw-card to attract new firms to Australia.

To this end, Axiss has published a 36-page executive briefing document *Investment Management in Australia* which showcases the size, range of products and relevant regulatory guidelines that apply to Australia's managed investments industry. This document has been distributed to leading funds management organisations globally and is also available via the Axiss website. Axiss will also be publishing in the second half of 2002, a further executive briefing document on Australia's hedge fund industry. Hedge funds are one of the fastest growing segments of Australia's investment management community with a number of international participants such as hedge fund managers, prime brokers, custodians and investment administrators establishing operations in Australia. Axiss has worked closely with Australia's peak body for hedge funds (the Alternative Investment Management Association) to foster the development of the hedge fund sector in Australia. These efforts, together with the scheduled executive briefing, will enhance the understanding of Australia's hedge fund industry amongst international investors and is intended to encourage both investment inflows and relocation activity from other offshore centres.

This direct mail and website strategy has been augmented by several missions to the United States, the United Kingdom and Hong Kong by the Axiss CEO, Mr Les Hosking. For the United States visits, Mr Hosking was accompanied by Mr Ken Allen, the Australian Consul General in New York. Mr Hosking targeted primarily funds management firms on each mission. Further meetings between Axiss and North American, European and Asian fund management firms are scheduled for later in 2002.

Another area of the financial services industry that has strong growth prospects is the venture capital and private equity investment industry. While still small by international standards, Australia's venture capital and private equity market has enjoyed vigorous growth over recent years with venture capital firms raising over SA1.2 billion in 2000.

To promote and enhance the development of the venture capital industry, Axiss maintains ongoing dialogue with the Australian Venture Capital Association (AVCAL) and has involved AVCAL staff and members in marketing and press functions concerning the global financial services centre initiative. In addition, Axiss commissioned a

consultant from the venture capital industry to author an executive briefing paper on the venture capital market in Australia. The publication has been distributed to executives of financial sector firms within Australia and overseas so as to profile the achievements made in this sector.

Export of Australia's expertise in finance education and training is a niche area which Axiss has been helping to develop through the Australian Financial Services Training Alliance (AFSTA). A survey of export opportunities for AFSTA members was conducted in conjunction with Austrade. The survey will assist AFSTA to develop joint marketing initiatives to promote the export of education to key Asian markets.

In relation to IT initiatives, Axiss has identified the strategic importance IT holds for further development of the financial services industry in Australia. Several projects are currently underway internally to increase Axiss' involvement with industry so as to better understand IT's impact on financial services. Additionally, a number of IT-related issues are being explored including the cost and availability of domestic and international bandwidth.

On a more general level the Government has been looking at mutual recognition in the financial services industry as a means of promoting regulatory cooperation between jurisdictions and as a way of creating opportunities for Australian participants to access markets within the region. To assist in this activity, Axiss hosted an APEC Future Economic Leaders Think-Tank in April 2002 on the topic of capital markets harmonisation.

Recommendation 3

The Committee recommends that to support the global financial centre initiative a "whole of government" approach should be adopted to promote development at the value-added end of the financial services market, to maximise opportunities and to build wealth for all Australians.

The Government agrees with the Committee's recommendation of the adoption of "a whole of government" approach to support the global financial centre initiative so as to promote development of the value added end of the financial services market.

Since its inception, Axiss Australia has sought and received cooperation from appropriate federal, state and local government agencies.

The initial staff of Axiss were drawn on secondment from the Commonwealth Treasury, Reserve Bank of Australia, Austrade and the State Government of Victoria.

As a member of the Regulatory Advisory Committee (RAC), Axiss meets frequently with the Australian Taxation Office (ATO), the Australian Securities and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA), the Australian Bureau of Statistics (ABS), the Australian Competition and Consumer Commission (ACCC), and the Reserve Bank of Australia (RBA) and Treasury.

Axiss cooperates closely with Invest Australia and Austrade and continues to utilise their overseas networks in the international promotion of Australia as a global financial services centre and in the export of financial services.

There continues to be a high degree of coordination and cooperation with numerous Government agencies on specific projects and policy initiatives. Examples include:

- Co-authoring of the Axiss executive briefing *Information Technology & Communications Infrastructure in Australia* in conjunction with the Department of Communications Information Technology and the Arts (DoCITA).

- Regular cooperation with the Department of Foreign Affairs and Trade (DFAT) on international policy and promotional activities including negotiation of the Singapore Free Trade Agreement and promotion of Australia as a global financial services centre during the Olympics. Axiss is also a regular participant in the International Media Visitors Programme that is organised by DFAT.
- RBA sponsoring the Axiss organised APEC Future Economic Leaders Think-Tanks. The second Think-Tank was held in Sydney in April 2002. The Think-Tank concept, which draws participants from all APEC member economies, was developed in consultation with DFAT and PM&C. The inaugural event in August 2001 received AusAid funding support through the APEC Support Programme.
- Axiss coordinating its activities in the education and training sector with the Commonwealth Department of Education, Science and Training (DEST). The former Minister of Education, Training and Youth Affairs, the Hon Dr David Kemp, MP, participated in December 2000 in a roundtable discussion, organised by Axiss, with senior management of the Australian financial services sector.
- Axiss initiating discussions between Austrade and the Australian Financial Services Training Alliance (AFSTA) to explore education export opportunities. Axiss and Austrade have since completed a survey of AFSTA members to gauge current export activity in this area. The Survey has inspired the planning of a 'road-show' to China to promote Australia's expertise in finance education and training. Axiss has also been working with Australian Education International (AEI), an agency of DEST, on the development of the *Study in Australia* brand.
- Axiss working closely with the ABS to ascertain detailed statistics on various aspects of Australia's financial services sector. A staff member of the ABS worked in the Axiss office during part of 2000.
- In January 2002, Axiss Australia launched the Workplace Learning Project, a joint initiative with the Enterprise Career and Education Foundation (ECECF), an organisation fully funded by DEST. The project develops career, enterprise education and structured workplace learning programs for secondary school students considering a career in the financial services industry. Key to this project is the development of alliances with government and private education bodies at State and Commonwealth level, along with the development of close relationships with industry associations and financial services organisations.
- Sponsorship of an APRA-coordinated training seminar for bank supervisors from APEC member economies.
- Regular monthly meetings with the NSW Department of State and Regional Development, including cooperating on numerous investment attraction projects and international promotional events. Examples of cooperation have included the Australian launch of the Japanese financial services technology firm MetaBit Systems in June 2002 and the staging in Sydney of the *Asia Australia Investment Conference and Expo* to coincide with the APEC Business Advisory Council meeting in May 2002. The Government of NSW was a sponsor of the Axiss-organised conference *Australia: Financial Gateway to the Asia Pacific* in London in July 2000 and the Premier of NSW spoke at the conference.
- Regular meetings with the Victorian Department of State and Regional Development, including cooperat-

ing on numerous investment attraction projects and international promotional events. The Victorian Government was a sponsor of the Axiss organised conference *Australia: Financial Gateway to the Asia Pacific* in London in July 2000, and the Premier of Victoria also spoke at the conference.

- Regular meetings with the Committee for Sydney and the Committee for Melbourne, including cooperating on investment attraction projects.
- Discussions with the Australian Vice-Chancellors' Committee to host jointly a high-level finance industry education round table.

Axiss intends to further broaden its inter-agency coordination and cooperation through its existing network of Government contacts, and by continuing to forge closer connections with appropriate agencies throughout Government at all levels.

Recommendation 4

The Committee recommends that, in order to ensure that Australia has a competitive taxation regime, the Treasurer refer the taxation issues raised during the inquiry to the Board of Taxation for review and advice, and to take action as appropriate.

Specific issues raised with the Committee that have already been addressed by the Government include, as noted in the Report, the treatment of overseas unit trusts under the *New Business Tax System*, and certain Goods and Services Tax issues.

The successful negotiation of changes to Australia's Double Tax Convention with the United States will address concerns that overseas dividend withholding tax rates permitted under Australia's double tax treaties are too high.

Preceding the release of the Report, the Government announced on 21 February 2001 changes to be made to section 128F of the Income Tax Assessment Act 1936 that will address certain concerns raised with the Committee. These changes have now been legislated and can be found in the *New Business Tax System (Thin Capitalisation) Act 2001*.

On 29 August 2001 the Government announced further changes to broaden the exemption from IWT that applies to interest payments on certain widely held securities. Changes to section 128F of the Income Tax Assessment Act 1936 will allow the interest withholding tax (IWT) exemption to apply in cases where widely held securities are purchased by onshore associates of the issuer and offshore associates acting in the capacity of a clearing house, paying agent, custodian or funds manager. These changes will facilitate the intended operation of the extension of the section 128F exemption to onshore associates originally proposed in the Government's 1997 'Investing for Growth' statement.

IWT will be removed from payments to nostro (settlement) accounts held with foreign banks.

The law will also be amended to exempt from IWT the deemed interest component of the purchase price of Australian-issued securities being purchased from non-residents. This change will allow the IWT exemption to apply in cases where securities are sold back to Australian purchasers prior to maturity.

All measures announced on 29 August 2001 apply from the date of announcement.

Recommendation 5

The Committee recommends that the Treasurer review the superannuation arrangements for expatriate staff, in order to ascertain whether:

a) Superannuation Guarantee arrangements can be streamlined; and

b) portability of funds for expatriate employees leaving the country could be effected more expeditiously through the present process of establishing bilateral agreements or through other, or interim measures.

The Government considers that the current policy of including double coverage provisions within bilateral social security arrangements is appropriate. The inclusion of double coverage provisions enables non-resident expatriate staff who would be ordinarily covered by a scheme in their home country and by the Superannuation Guarantee (SG), to be exempted from the SG.

Other countries levy payroll-based social security taxes, a proportion of which provide employees with pension benefits in retirement. As the size of the pension benefit depends on the level of lifetime contributions, and contributions are compulsory, contributions to these schemes are equivalent to SG contributions.

These SG equivalent contributions are compulsory for Australian expatriates who are temporarily working overseas and are generally non-refundable and the benefits are non-transferable. Further, most countries have a minimum contribution period before any entitlement to a pension benefit arises. Thus, Australian expatriates who are temporarily working overseas are generally not entitled to a refund of their SG equivalent contributions on permanent departure or retirement.

While the Government recognises the concerns raised by the Australian business community regarding the time taken to negotiate bilateral and reciprocal agreements for the transfer of superannuation benefits by non-residents on permanent departure from Australia, the present process of establishing bilateral arrangements is considered appropriate.

In addition, from 1 July 2002, eligible temporary residents will be able to access their superannuation benefits upon permanent departure from Australia.

Recommendation 6

The Committee recommends that the Board of Taxation review the arrangements for the taxation of salaries and remuneration for expatriate staff employed to work for varying periods of time in Australia and, within the limits and guides of the various international treaties, advise the Treasurer on whether or not:

a) the systems or regimes are onerous or complicated making compliance by companies difficult;

b) the systems or regimes are fair with respect to the levels of taxation required;

c) the systems or regimes are sufficiently attractive so as to not unduly deter prospective employees from coming to Australia; and

d) the current system of electing to defer tax to the time of ultimate realisation of assets is fair and equitable.

In May 2002, the Government introduced legislation into Parliament to change the taxation of expatriates to remove impediments and assist business in attracting highly skilled workers from around the world. These impediments relate to the tax treatment of foreign source income and the foreign investment fund rules in respect of expatriates.

This legislation was rejected in the Senate and the Government is considering how to progress these changes to expatriate taxation. This obstruction will adversely impact on skilled expatriates working in Australia and on Australian businesses seeking to attract skilled expatriates to Australia to temporarily fill skill shortages.

The Government is also seeking to address concerns relating to the CGT treatment of departing residents, including expatriates, on a country by country basis through renegotiation of double tax agreements. The recently signed protocol to our tax treaty with the US included provisions to address these concerns and the issue has been raised in all our current treaty negotiations, including with the United Kingdom.

Furthermore, the Government is undertaking a review of international taxation arrangements with particular attention on whether current arrangements impede Australian companies expanding offshore, whether they impede attraction of domestic and foreign equity, and how they affect holding companies and conduit holdings being located in Australia.

The focus of the review is on at least four principal areas: the dividend imputation system's treatment of foreign source income; the foreign source income rules; the overall treatment of conduit income; and high level aspects of Double Tax Agreement (DTA) policy and processes. The review is also examining expatriate taxation issues. The Treasury is preparing a paper for public release around mid-year to serve as a basis for consultations to be undertaken by the Board of Taxation in the second half of 2002, with a report by the end of the year to Government.

The taxation of foreign expatriates will be considered by the Board of Tax during its consultations on the review of international tax.

Recommendation 7

The Committee recommends that the Treasurer review the entitlements of expatriate staff to Medicare and consider ways to streamline the exemptions requirements.

The Government does not support recommendation seven.

The Government considers that the current arrangements relating to the entitlements of expatriate staff to Medicare benefits and the process relating to their applying for exemptions from the Medicare levy are broadly appropriate.

Eligibility for Medicare benefits is conferred by the Health Insurance Act 1973 which falls within the portfolio responsibilities of the Minister for Health and Ageing. Generally, eligibility for Medicare benefits does not extend to foreign expatriates unless there is a reciprocal health care agreement in place between Australia and the expatriate's home country. These agreements are negotiated and established at ministerial level between Australia and the foreign country. Comments were made to the Committee that reciprocal health care agreements are not in force with all countries, notably the United States. However, these agreements are generally considered appropriate only where the public health system in the corresponding country offers a similar level of coverage to that provided in Australia. Accordingly, they will not be appropriate in all cases.

Persons who are not entitled to Medicare benefits may apply to the Minister for Health and Ageing to be certified as such and therefore exempt from liability to the Medicare levy. While the Government notes the concerns that have been raised with the Committee regarding this process, it considers that the current arrangements offer advantages with respect to the integrity of the Medicare levy and Medicare levy surcharge systems compared with alternatives. In particular, the Government is concerned that the approach identified in the Committee's report of allowing taxpayers to make an election on their annual income tax return would involve increased compliance risk relative to the current certification-based arrangements. In this context, the Health Insurance Commission is currently work-

certification systems, including developing automated compliance checking.

Recommendation 8

The Committee recommends that the Government support and encourage industry groups to look at ways in which the Australian financial services industry can become more competitive and cost effective, including through consolidation and rationalisation of processes and activities within the industry.

The Government supports the Committee's recommendation that Government and industry groups work together to ensure Australia's financial services sector remains globally competitive and cost-effective. The Government also supports the Committee's view that Australia needs to examine ways to exploit the opportunities that have arisen as a result of the rationalisation and consolidation taking place globally across the finance and securities industry.

As outlined previously, the Government through Axiss Australia, maintains regular dialogue with major finance and securities industry associations and private sector firms. Where possible, Axiss provides strategic advice, data and research to assist these firms in developing their business strategies. It also acts as a conduit between these firms and the Government on policy and regulatory matters to identify and correct any impediments or regulatory anomalies that impact on Australia's ability to be globally competitive.

Recommendation 9

The Committee recommends that the Commonwealth Government work with State Governments, regulators and service providers to provide a one-stop shop to streamline access to Australia for companies and others seeking to enter the Australian financial services market.

The Government agrees with the Committee's conclusion that streamlining access to Australia and its services is one of the keys to more effective promotion of Australia and its advantages to the rest of the world. Frequently, decisions to enter new markets or the actual establishment of a presence within a new market need to be made quickly and efficiently in order to maximise the benefits from that decision. The Government, through Axiss Australia, seeks to demonstrate its commitment to growing the financial services sector in Australia by facilitating the entry process.

Axiss recognises the need to help companies through all stages of the entry process, from constructing an initial business case, through to visa requirements for expatriates. For legal and practical reasons, Axiss cannot offer to complete the entry process for incoming market participants, however it readily offers its services as a guide and facilitator within the Australian financial services system and with Government departments at all levels. One way in which Axiss provides assistance is via the *Locating in Australia* section on the Axiss website, which provides useful information in areas such as licensing, taxation, visas, government assistance and finding skilled staff for firms considering establishing their operations in Australia.

Axiss has developed a one-stop-shop website for information relating to finance education and training called the Finance Skills Gateway. The site provides a searchable database of courses and information on Australian education and training, including training compliance required following the introduction of the Financial Services Reform Act (FSRA).

Axiss has built an extensive network of contacts that it can call upon to help new entrants when questions or problems arise. Through the establishment of the Regulatory Advisory Council, Axiss has close and regular contact with the Australian Taxation Office (ATO), the Australian Securities

and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA), the Australian Bureau of Statistics (ABS), the Australian Competition and Consumer Commission (ACCC), and the Reserve Bank of Australia (RBA). Axiss has also established close links with other organisations such as the Department of Immigration and Multicultural Affairs (DIMA), Invest Australia and the Department of Education, Science and Training (DEST). Axiss also maintains a range of constructive dialogues with financial services industry organisations and representative groups in addition to its contacts with individual companies. This network of contacts can be called upon for advice and/or insights into some of the technical or product-specific inquiries that may be directed to Axiss.

The Government believes that it is appropriate that State Governments make their own representations to potential entrants explaining the relative merits of their particular State in terms of locating operations within Australia. However, as explained in response to Recommendation 3, Axiss maintains regular contact with government bodies and organisations at various levels in other States, which also have the aim of attracting new entrants into the financial services sector. By maintaining constructive relationships at these levels, a duplication of effort is avoided and the possibility of sending conflicting messages is minimised.

By building on the information base compiled in its first year of operation, Axiss seeks to act as a comprehensive and useful information bank to help companies construct accurate and persuasive business cases for their entry into Australia. By offering guidance and advice Axiss aims to streamline the entry process itself. However, while the Government recognises the need to make entry into the Australian financial services market as smooth as possible, it does not wish to restrict potential entrants to one or two sources of information only. Companies wanting to explore the possibilities of entering the Australian financial services market are welcome to discuss matters with Australia's Ambassadors, State Representative Offices, and private sector legal and taxation advisers if they consider that these individual sources of information will provide them with the level of specific information they require.

Recommendation 10

The Committee recommends that the Government make a statement which reaffirms Australia's commitment to Asia.

Response to Recommendation 10 is incorporated into response provided for Recommendation 12.

Recommendation 11

The Committee recommends that Axiss Australia work with the Department of Education, Training and Youth Affairs (now the Department of Education, Science and Training) and other educational bodies to:

- a) consider the development of mechanisms for educating primary and secondary students about financial matters, including through IT initiatives;*
 - b) develop a coordinated strategy to build and promote the study of financial services skills along with Asian language and cultural studies in the tertiary sector, and within the Australian financial services industry; and*
 - c) consider ways in which to foster and promote existing developments in financial services accreditation, education and training overseas.*
- a) The Government agrees with the Committee that it is important to educate primary and secondary students about financial matters. The Government acknowledges that the development of mechanisms that include IT initiatives will have a positive impact on the talent pool available to the financial services industry

in Australia and assist in the promotion of the industry as an attractive study and career option to potential tertiary students and employees.

Axiss continues to explore new initiatives that promote education and training to school students and that involve the fostering of a close relationship with DEST. Axiss' Workplace Learning Project is one example of a mechanism by which Axiss is facilitating the access of school students to information concerning financial services. The project is the result of an alliance with the Enterprise and Career Education Foundation (ECEP), an organisation fully funded by DEST. Through the Workplace Learning project initiatives, school students will have increased access to information on career and education pathways in financial services, along with an increased understanding of financial matters. The project has established an Advisory Group in order to ensure that both industry and education objectives are met. The project works closely with the ECEP sponsored IT Targeted Industry Project in order to ensure that synergies between the two projects are identified and explored.

A further example is Axiss' sponsorship of the 2000 Australian Business Week (ABW) National Championships, an event also supported by DEST. The event involved 60-top Year 12 students competing in teams as "virtual" fund managers each responsible for \$500,000 in "virtual" investment funds. As part of this experience for students, the ABW National Championships utilised new computer technologies that simulate changing financial market conditions and facilitate the collection, analysis and organisation of information. The event was successful in increasing awareness and interest amongst students in the financial services sector and similar initiatives are planned for this year.

- b) The Government welcomes the Committee's recommendation concerning a coordinated approach to the promotion of financial services skills, Asian languages and cultural studies.

In regards to the promotion of Asian languages and cultural studies in conjunction with the study of financial services skills, the Government acknowledges the advantages to Australia of having a multilingual workforce that is also proficient in financial services skills. This objective is one that involves close coordination between a number of Government agencies including Axiss Australia, DEST and the Department of Immigration and Multicultural Affairs. To date, joint initiatives between these Departments have been limited, however the Government accepts the need for joint strategies to be implemented that involve each of these Departments. The promotion of such study by Axiss would complement, and indeed strengthen, Axiss' efforts in promoting Australia as having a broad base of language skills amongst the working population. This broad base of language skills provides a substantial benefit for those financial service organisations looking to locate regional headquarters within the Asia-Pacific.

In regard to the promotion of financial services skills, the Government through Axiss has initiated a joint programme between leading universities and the private sector known as the Axiss Scholar Programme. The Axiss Scholar Programme has brought together three universities and over thirty organisations in the financial services industry. One of the objectives of this Programme is to promote the study of financial services skills at the tertiary level through offering

scholarships that facilitate "on-the-job" learning in a financial services organisation. By enabling a "real-time" experience in the workplace for those studying tertiary courses related to the financial services industry, the Axiss Scholar Programme will enhance the attractiveness of these courses to those students who are entering tertiary institutions.

- c) The Government welcomes the Committee's recommendation for Axiss, with DEST and other educational bodies, to consider ways in which to foster and promote overseas Australia's offering in the areas of financial services accreditation, education and training. This process has been underway at Axiss for some time now. An early example of Axiss' efforts in this area was the brokering of the establishment of the Australian Financial Services Training Alliance (AFSTA) in June 2000. AFSTA comprises the major finance industry associations, universities and training bodies as well as the regulatory agencies ASIC and APRA. AFSTA provides a forum for developing joint international marketing initiatives such as a promotional website and a 'road-show' to China. Axiss is coordinating activity in this area with Austrade and Australian Education International (AEI).

Recommendation 12

The Committee also recommends that, to enhance international recognition of Australia's status as a 'gateway' to the Asia-Pacific region, the Government should continue to consolidate Australia's reputation by forging productive engagement between Australian institutions and organisations and those in the region, through regional organisations such as APEC and bilaterally.

The Government's commitment to Asia was explicitly outlined in the Coalition's foreign affairs policy statement for the 1996 election, *A Confident Australia* where the Coalition set out its position in very unambiguous terms.

The Government maintains its strong commitment to Asia, which it is actively developing through continuing work in a range of practical bilateral and institutional links. For example, Australia is actively engaging in APEC, which involves considerable assistance on capacity building to the region. In the area of economic and financial links, Australia is active in groupings such as the Manila Framework Group, the G-20 and the Financial Stability Forum, all of which give timely reflection to the changing distribution of global economic influence and give more voice to the growing economies of Asia.

In addition the Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Reserve Bank of Australia, Australian Competition and Consumer Commission, Australian Taxation Office, Australian Bureau of Statistics, and AusAid have all provided technical assistance to the region over the last year.

Technical assistance to the region occurs at multi-lateral and bi-lateral levels focusing on individual institutional requirements as well as providing broader education and training services, knowledge and skills transfer, and capacity building.

The Government has initiated a Mutual Recognition Project with Hong Kong and Singapore to enhance regional cooperative arrangements in the area of financial services regulation. The project aims to facilitate cross border flows of capital within the region and strengthen the ability of Australia and the Asian region to compete globally.

Australia is currently examining, with overseas regulatory bodies, mechanisms for achieving mutual recognition in a range of specific areas. While the project is currently

achieved could, over time, be extended to other jurisdictions in the Asian region.

Recommendation 13

The Committee recommends that Axiss Australia develop and conduct an on-going research project so as to provide advice to Government on:

- a) the reasons companies and other financial service providers come into and leave Australia; and*
- b) the reasons expatriate staff come to and leave Australia.*

An important aspect of the work undertaken by Axiss Australia is to understand the process by which financial services firms (both Australian and international) determine the location for their financial services operations.

To this end, Axiss meets regularly with senior personnel of financial services companies to discuss their latest thinking on this subject. Axiss supplies data and other relevant information to these firms to assist them in their decision making processes and also works closely with other Federal and State Government agencies to provide answers to questions on business issues such as immigration, tax and licensing requirements.

In addition to maintaining dialogue with financial services companies, Axiss also works closely with major accounting, legal and consulting firms who, on occasion, produce research and analysis on financial service sector trends. Findings from such research are incorporated into marketing done by Axiss.

To further understand the decision factors adopted by global financial organisations, Axiss commissioned a large global consulting firm to undertake a study of the relocation criteria used by global financial firms. The purpose of this study was to gain a better appreciation of the factors that firms take into account when making location decisions and to also understand the weightings given to these factors. The results of the study were presented to the Axiss Advisory Board for its consideration in preparation of an Advisory Board report to the Government.

Findings from this research will not only give Axiss a better insight into contemporary thinking on this issue but will also enable it to better attune its data and marketing publications to the needs of global financial services firms.

In regard to the entry and exit of expatriate staff, Axiss has spoken to numerous companies regarding their current policies on expatriate employees. Axiss has used the intelligence gained from these meetings to provide input to Treasury on issues such as international taxation reform.

Recommendation 14

The Committee recommends that Axiss Australia, as a matter of priority, develop some meaningful indicators by which it can measure its performance in delivering the outcome of promoting Australia as a global financial service centre.

An important overall indicator of the effectiveness of Axiss lies in the decisions made by major financial institutions to relocate their operations to Australia. Since the commencement of the initiative, over 80 companies have established a presence or increased operations in the Australian financial sector. However, global trends in financial services, including consolidation and convergence and other influences, make this measurement of success difficult to assess.

Rather than limiting performance assessment to a "success list", Axiss also measures its performance through its output of marketing and promotion initiatives; distribution of data and information materials; and facilitation and assistance for financial services companies already operating and newly entering Australia. In addition, Axiss continues

to investigate the feasibility of further developing outcome measures, which specifically relate to Axiss activity.

AUSTRALIAN GOVERNMENT RESPONSE TO THE REPORT OF THE JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

"CONVICTION WITH COMPASSION: A REPORT INTO FREEDOM OF RELIGION AND BELIEF"

RECOMMENDATION 1

The Committee recommends that the Australian Government continue to encourage and support the work of the Human Rights and Equal Opportunity Commission, and ensure that the resources with which it provided allow it to carry out its work in relation to freedom of religion in timely, efficient, effective and appropriate ways.

Accepted. The Government is committed to a strong and independent human rights body that provides effective and equitable protection and promotion of human rights, including freedom on religion and belief. The Government considers that the Human Rights and Equal Opportunity Commission (HREOC) is appropriately resourced to carry out its functions. As an independent statutory body, the allocation of resources between its functions is primarily a matter for HREOC.

RECOMMENDATION 2

The Committee recommends that the Australian Government table in the Parliament a response to the Recommendations made by the Human Rights and Equal Opportunities Commission, in its Report Article 18: Freedom of religion and belief.

Accepted in principle. The Government agrees the important issues raised in HREOC's Report should be considered.

In February 1999 the Attorney-General announced that the Government would not implement the main recommendation in HREOC's Report for a Religious Freedom Act.

A number of the Report's recommendations relate to matters within the responsibility of State and Territory Governments. The Attorney-General has referred these matters to his State and Territory counterparts for their consideration.

The Attorney-General has referred the remaining recommendations to relevant Ministers and relevant areas of his portfolio so that they may be taken into account in relevant policy development.

RECOMMENDATION 3

The Committee recommends that the Australian Government coordinate a review of Commonwealth, State and Territory legislation to ensure the maximum degree of domestic protection of freedom of religion, with a view to the introduction of a greater degree of uniformity of human rights law and practice in Australia.

The Attorney-General has brought the Committee's report to the attention of his State and Territory colleagues for their consideration.

RECOMMENDATION 4

The Committee recommends that, based on the detailed recommendations made to this inquiry, the Commonwealth, State and Territory Governments examine ways of promoting and extending freedom of religion and belief within their jurisdictions.

The Attorney-General has brought the Committee's report to the attention of his State and Territory colleagues for their consideration.