



Submission No 43

**Review of Australia's Relationship with the
Countries of Africa**

Name: Mr Charles Millward
President

Organisation: ACT Chapter
Australia Africa Business Council

SUBMISSION TO THE INQUIRY BY THE JOINT PARLIAMENTARY COMMITTEE
INTO AUSTRALIA'S RELATIONS WITH AFRICA

BY THE

ACT CHAPTER OF THE AUSTRALIA AFRICA BUSINESS COUNCIL

Background

The Australia Africa Business Council ("AABC") is a voluntary association of business people established for the purpose of promoting trade and investment links between Australia and Africa. The body was originally established as the Australia Southern Africa Business Council but in 2006 it expanded its activities to encompass the entire continent. The Council has active chapters in NSW, Victoria, Queensland, Western Australia and, as of last year, the ACT. The individual states run regular programmes inviting speakers with knowledge of Africa to share their experiences of business on that continent. In 2009 the ACT chapter hosted a former Australian ambassador to South Africa, an officer of Austrade, a director of a gold mining company in Egypt, a Ghana based project financier, an ACT export award winner supplying environmental management technology to Africa as well as the South African ambassador. Membership of the ACT chapter is spread across the Canberra business community, local and federal government officials and several African missions in Canberra. Thus, the ACT chapter, because of its unique access to the diplomatic community, is well placed to comment on the deepening business relationship between Africa and Australia.

Introduction

It is common knowledge that Australian business involvement in Africa has expanded dramatically since the beginning of the decade with at least 6 major mining projects on the continent initiated and operationalised by Australian companies during the period. By some estimates up to \$20 billion of capital has been invested and many more projects are at the conceptual or early developmental stage. The scores of Australian companies with mining projects in Africa presently are supported by well over 100 service companies – among our corporate members in the ACT we include one supplying water management systems to the mining industry and another mineralogical analysis software.

The challenge for Australian business is to make sense of a very large continent with many disparate cultures and geographies encompassing the full spectrum of political systems reflecting varying degrees of stability. The objective of the business council is to try to assist Australian businesses filter the mass of information on the continent and focus more easily on where opportunities lie.

Our activities

The various chapters provide informational services to members by organising regular functions addressed by speakers with intimate knowledge of doing business in Africa. In recent years the AABC has also hosted an investment conference in Botswana as well as one in Brisbane. Also, we hosted an investment delegation from Tanzania at our various branches round the country promoting that country's new investment friendly legal framework. The principal drawback has been a lack of funding particularly at a national level to develop some of these initiatives fully. Presently the activities of the council are undertaken by volunteers and funding comes largely from subscriptions. Corporate sponsorship of the various chapters has been limited – with one or two welcome exceptions – as it has been at national level providing a constraint on the scope of activities undertaken.

From an ACT perspective, counting a significant number of the African missions as corporate members, we have identified a clear need to try to enhance the level of interaction between the diplomatic missions and Australian business. The feedback we have received from our diplomatic members is that given the geographic size of Australia and the dispersion of business over several cities it is really difficult for the missions to achieve high levels of interaction with Australian business, based as they are in Canberra and with budgets being limited.

We are therefore trying to bridge this gap by establishing a programme of interaction between targeted companies and the various missions. As a first step we are engaged in discussion with a major mining house to have a day in the year where people from their various product groups fly into Canberra and can interact with embassy trade staff and share ideas on business opportunities. Of course the long term objective would be to expand this type of initiative systematically to increase awareness of business opportunities in Africa and deepen understanding of the business environment on that continent.

Australian business and Africa presently

Business interest in Africa, particularly mining, is extremely healthy and there are several companies now listed on the Australian Stock Exchange focused exclusively on developing mining properties in Africa – and more than 100 having projects in Africa. It has to be said though that there is a perception that the Australian capital markets have limited appetite for African risk and therefore Australian companies looking to establish expand their operations in Africa will often seek to list on the Toronto or London Stock Exchanges. Indeed one of our corporate members in ACT (with a mine in North Africa) listed on the London Stock Exchange believing that the access to capital would be better there.

While the Australian stock market is smaller than Toronto or London part of the reason for this trend may lie in the fact that the investment community has yet to catch up with the miners who have got actively involved in Africa with many having developed on the ground experience of the continent. Investment analysts are far less likely to have direct experience of Africa and may therefore be more conservative in their recommendations regarding African prospects. The investment community in Toronto on the other hand has developed what can probably be described as a financial cluster around African mining investment with several analysts focused on this area. This no doubt contributes to the attraction of that stock market to companies operating in Africa.

The Business Council in the ACT and the way forward

As a business council we in the ACT will continue to focus on educating and informing our business members about the opportunities in Africa. And we will equally try to assist in broadening the scope of the African diplomatic corps to interact with Australian business.

In this regard the opportunities for co-operation with the Australian government are manifold. As it is we enjoy very satisfactory and close relationships with representatives of DFAT and Austrade in Canberra and it is evident how seriously these government agencies are taking Australia's engagement with Africa from the attendance of high level delegations at events such as the Africa Downunder Conference in Perth. Equally our interactions with the academic community have been very fruitful and two of our members based at ANU have detailed knowledge of Africa which has provided fascinating insights to our business members as much as anyone else.

Going forward, the challenge will be to try to provide a systematic programme of interaction for Australian business to meet with the various missions, to explore opportunities and learn in more depth about the environment in Africa. And the objective here will be twofold, both to alert companies to prospects in Africa as well as to better educate the investment community about the risks of investment on the continent; although some troubled areas remain great steps have been made in many African countries in the last decade towards promoting stable investment friendly trade regimes.

In terms of co-operation there is a serious opportunity to co-operate with the various Australian government agencies in systematising and developing a broader understanding of Africa in the business community.

We would welcome the opportunity to attend the public hearing in Canberra

Charles Millward

President, ACT Chapter, Australia Africa Business Council