



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,
DEFENCE AND TRADE (TRADE SUBCOMMITTEE)

**Reference: Enterprising Australia - planning, preparing and profiting from trade
and investment**

MONDAY, 6 AUGUST 2001

CANBERRA

BY AUTHORITY OF THE PARLIAMENT

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Trade Subcommittee

Monday, 6 August 2001

Members: Senator Ferguson (*Chair*), Senators Bourne, Calvert, Chapman, Cook, Gibbs, Harradine, Hutchins, Sandy Macdonald, O'Brien, Payne and Schacht and Fran Bailey, Mr Baird, Mr Brereton, Mrs Crosio, Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Jull, Mrs De-Anne Kelly, Mr Lieberman, Dr Martin, Mrs Moylan, Mr O'Keefe, Mr Price, Mr Prosser, Mr Pyne, Mr Snowden, Dr Southcott and Mr Andrew Thomson

Subcommittee members: Mr Prosser (*Chair*), Mr O'Keefe (*Deputy Chair*), Senators Chapman, Cook, Ferguson, Hutchins and O'Brien and Fran Bailey, Mr Baird, Mr Hollis, Mrs De-Anne Kelly, Mrs Moylan and Mr Andrew Thomson

Senators and members in attendance: Senator O'Brien and Mr Baird, Mr O'Keefe and Mr Prosser

Terms of reference for the inquiry:

To inquire into and report on increasing Australia's trade and investment through initiatives for economic expansion, in particular:

- The role of development agencies in economic expansion such as the Industrial Development Agency in Ireland and the Economic Development Board in Singapore;
- Reasons for the success or otherwise of development agencies in establishing countries and regional areas as economic leaders;
- The comparative role of such development agencies to existing agencies in Australia;
- Incentives and impediments to foreign investment in Australia such as transport systems, taxation, telecommunications infrastructure, production costs, industrial relations structures, legal systems, federal systems of government and research and development initiatives;
- The adequacy of a skilled workforce in Australia particularly in new growth areas such as, though not limited to, financial services, information technology, E-business, education, pharmaceuticals and health care, and the competitiveness of that workforce; and
- Opportunities for encouraging inward investment and promoting export sales.

WITNESSES

APPLE, Mr William Nixon, National Research Officer, Australian Manufacturing Workers Union	171
ASH, Dr Greg, Director, Research Policy Section, Department of Health and Aged Care	194
COBBOLD, Ms Christianna, Assistant Secretary, Health Capacity Development, Department of Health and Aged Care	194
KINGDON, Mr Tony, Assistant Secretary, Policy and International Branch, Department of Health and Aged Care	194
McALISTER, Mr Stuart, Director, Diagnosis Related Group, Department of Health and Aged Care	194
NORTHCOTT, Ms Suzanne, Acting Assistant Secretary, Office of National Health and Medical Research Council, Department of Health and Aged Care.....	194
O'DONOGHUE, Mr Leslie, Policy Officer, Community and Economic Development, Aboriginal and Torres Strait Islander Commission.....	183
RACIC, Ms Lana, Acting Assistant Secretary, Office for Older Australians, Aged and Community Care Division, Department of Health and Aged Care	194

RICHARDSON, Mr Geoff, Manager, Community and Economic Development, Aboriginal and Torres Strait Islander Commission.....	183
SOTHINATHAN, Mr Dillon, Senior Policy Officer, Community and Economic Development, Aboriginal and Torres Strait Islander Commission	183
WARD, Ms Elaine, Director, Industry and International Support Section, Department of Health and Aged Care	194

Subcommittee met at 10.03 a.m.**APPLE, Mr William Nixon, National Research Officer, Australian Manufacturing Workers Union**

CHAIR—The reference of the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade is Enterprising Australia—planning, preparing and profiting from trade and investment. This inquiry arose out of a continuing interest by the Trade Subcommittee in expanding Australia's trade and investment. The subcommittee looks forward to receiving important and significant evidence over the course of the inquiry to assist in its deliberations. On behalf of the Trade Subcommittee, I welcome the representative from the Australian Manufacturing and Workers Union.

The subcommittee prefers that all evidence be given in public but, should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. The subcommittee has received a submission from the Australian Manufacturing Workers Union; that is, submission No. 5. I now invite you to make an opening statement before we proceed to questions.

Mr Apple—Thank you, Chair. First, I extend apologies from my colleague Doug Cameron and his associates. They would have liked to be here today to give evidence but the industrial dispute in the vehicle industry is still being worked on, so I am here to represent the organisation instead.

You would have seen from our submission that it is divided into two parts: the part that Mr Cameron and his colleagues put together and my part, appendix 2. My part is based on the 15 years experience that I had on the board of directors of the Australian Trade Commission under both Labor and coalition governments and what I learned in that capacity in promoting exports and investment. The remarks that I would like to focus on today deal with that section of the submission dealing with investment promotion, but of course I am happy to answer questions on the other part of the submission as well.

Four key issues are touched on in the submission, and in my part in particular. They are: what can we do better in terms of investment promotion; what can we do better in terms of export promotion; what is working at the moment and what could we do better in terms of venture capital, particularly at the early stage; and what are some of the things that we need to do in looking at and increasing research and development and the implications this has for exports.

By way of background, the 15 years experience I had with the Australian Trade Commission offered me a number of unique insights into what some of our competitors overseas are doing in investment promotion and export promotion. Also, for the last three years I have been on the board of directors of the country's largest venture capital provider. One of the concerns our organisation has is that, while you can take the existing stock of large ETM manufacturers, large simply transformed manufacturers, one of the problems all countries confront—Australia in particular—is the new generation of much more knowledge intensive smaller companies coming into existence and the fact that we do not have a large enough pipeline of these

businesses in terms of the McKinsey benchmark: how many firms does a nation have exporting more than \$2 million? How many firms each year does a nation have with turnover of less than \$5 million, and how quickly does it get them up to \$100 million? One of the major challenges that we face is how we are going to get more of those firms in the pipeline and bring more of them to fruition.

In terms of the policy instruments that help these things happen, most of the early part of my submission on export promotion looks at the history of what has been done. From pages 31 to 34 I look at what the outcomes have been. I think it is fair to say that, on average, our current investment promotion program attracts around \$1.5 billion in investment each year. When we do our surveys in Austrade of those people who made those investments and ask them how significant was the program in their deciding to invest in Australia, around 11 per cent of them will tell you, 'We could not have done it without this program.' Another 40 to 45 per cent will say, 'This program really helped in the decisions we made,' and another 40 to 45 per cent will say, 'It helped facilitate but it really was not the main issue.' So, by and large, if you are getting about \$1½ billion a year from this program, you probably could say that only 10 to 15 per cent or up to \$200 million is additional and would not have happened without the program.

The other thing that is fair to say about this program is that probably the greatest success that Australia has had is outlined on pages 34 and 35. This is where I give the example of why the nation's investment promotion program for regional headquarters was so successful. I note that the Prime Minister has appointed a former executive in the oil industry, Ian Blackburn, to report on the performance of the investment promotion program. I had a chance to talk to Ian. I think the issues he is looking at are very important and, in particular, this notion of a whole of government approach that was so successful with the regional headquarters: the way you involved the state governments in that program, the way there was consistency in ordering of the incentives that you provided and the way in which you had corporate champions to help take the program forward. These were the kinds of things that were incredibly successful in making that program contribute to the \$7 billion of investment in regional headquarters for more than 400 companies that Australia has attracted during the 1990s. I put on record my appreciation, and that of my colleagues, of the work that Peter Cook and Bob McMullan were involved in in helping to kick-start that regional headquarters program.

When we compare Australia's experience in investment promotion with that of some of our overseas competitors, I think it is fair to say that they are more successful in attracting a much greater quantity than \$1½ billion of investment a year. I think that part of their success in doing this is that they have had a very consistent framework in what they have been doing for 20 years, they have a very long-term view of the investment promotion program, they have been very consistent in the types of firms and industries they have targeted and they have also been very consistent in the way they package their incentives.

One of the problems that Australia has encountered over the past two decades is that when we put industry assistance programs in place we chop and change them so frequently. My experience in working with CEOs and accountancy firms is that many of the businesses now take the net present value of that incentive and discount it substantially because they think it will be changed. In other words, you are not getting the bang for buck from the program that you should. Just by way of example, the Export Market Development Grant Scheme has been investigated 16 times in 25 years. That program mainly services small and medium sized

enterprises. I must tell you that, when you talk to the production manager who is trying to convince the accountancy side that the money is there for the next round of marketing, it makes it a very difficult thing when the scheme is constantly changing. I think the fact that two of the more successful nations, Singapore and Ireland, have had a very consistent approach for 20 years, have maintained those incentives largely unchanged and have been very focused in the way that they have targeted these incentives has helped enormously in the way they have gone about doing their business.

In terms of the future of this program—particularly when things resume next year and we are not in the heat of political elections and so forth—I think that if you take a long-term view of this program either side of politics should be looking at setting itself a target in the vicinity of \$3 billion to \$4 billion a year to be attracted under this program rather than \$1½ billion. You should be looking at at least 25 to 30 per cent of the program being additional in the sense that it could not have happened without this program. I think you need to be targeting this program much more to regions with high unemployment. One of my deep regrets is that a lot of people knew more than two or three years in advance of the closure of BHP steel in Newcastle. We had two to three years to think about getting a replacement facility into Newcastle.

There is a great deal that can be done in tying investment promotion to regional development with regions with high unemployment. One of the issues that I discussed with Ian Blackburn that I think will receive bipartisan support is that I think you should give very serious consideration to trialling a small component of the investment promotion program—perhaps one or two sectors targeted at a handful of key regions—and do what you do with the investment innovation funds: have an auction, contract out a licence to people like McKinsey, the Boston Consultancy Group or Booz Allen and Hamilton, have them present business plans for securing such investments and the targets for those investments over three years. You would pay them a retainer and a success fee. You would want to do this very carefully because this is going to be more expensive than the program currently costs. But if I were Michael Renee at McKinsey and were thinking about how I would tender for that and you gave me, say, biotechnology, scientific instruments and ITC hardware, I would have my office in New York and my office in Europe and I would joint venture it with a venture capital firm in Silicon Valley and also one in Massachusetts. That would be my joint venture team for going in and eyeballing the six key firms that I would be seeking to get investment from for Australia. I would be doing the regional supply chain analysis that shows me that, if I put investment X into this region, this is what the linkages are, this is how I am going to strengthen the regions and those linkages.

Essentially, as I say in my part of the submission, there are four criteria that these people would be looking at. They would be looking at what net foreign exchange earnings you are likely to achieve over a five- to 10-year period relative to the value of any incentive that you may provide to get that investment. They would be looking at the payback period time to government in terms of how long in terms of revenue—do you get the incentive back that you put in if you do? They would be looking at the size of the employment, both directly and indirectly, that you would attract and any technology transfer. Most importantly for the regions, they would be looking at the strength of the forward and backward supply chain linkages and how strongly the project would provide and develop those linkages and how one differentiates between supporting a project like that and supporting another project.

I do not say that this is the whole answer to the investment promotion program; I do say that we are doing \$1½ billion a year now. Only 10 per cent of it is additional. We have an underdeveloped elaborately transformed manufacturing sector. We could be doing a lot more there and we could be doing a lot more in processed foods. I think we probably also need to undertake some institutional changes to the way the department of industry and Austrade operate the program. I think that Austrade's overseas network is very good; it should be built on. The merchant banking and venture capital skills that some of the investment commissioners have should be augmented with other people with those types of skills. I think on the DIS side we need to see a much greater focus and, if you like, a demarcation between strategic planning and major projects and strategic planning and smaller projects.

One of the reasons I say this is that not so long ago I was involved in producing a report on the future of manufacturing in Tasmania. In talking to the people in the Tasmanian government involved in investment promotion, they oftentimes found it very hard: the sorts of projects they were looking at were in the \$20 million to \$50 million category, whereas the projects that were attracting most of the interest from the investment commissioner were projects of about \$500 million, and they often felt that they were not getting much of a look-in on their types of projects. So I think we need to have a way of providing a division of labour between these large strategic projects and how you handle those and some of the smaller projects.

There is one thing that both sides of politics have done well in the past and that we have to do more of. McKinsey told us in 1991-1992 that one of the most important things that government ministers and governments can do is champion the local subsidiaries of their multinational corporations when they go to head office in order to get more investment for a particular project. I think this government did it very well with the Holden engine plant, and I think the partnership that you had with the Bracks government in Victoria was excellent. We need to see more of that. I think that there is a great deal to be said not only for attracting new investment from overseas in some of our strategic industries but also for ensuring that we secure the additional investment from those multinationals who are currently well established in Australia.

To make a few closing remarks on the related issues of export promotion, research and development and venture capital, one of the things I have learned in the last three years being on the board of the Development Australia Fund that invests in a number of the venture capital managers is that without exception at the early stage one of the things they all speak to me about is what they would call a managerial constraint to growth. It is very hard to get the right management team in place for a start-up business that has got \$500,000 in sales and intends to be up to \$100 million in sales within five years. Last week our fund gave in principle agreement to an investment consortium that will invest about \$10 million in one of these businesses that will go from less than \$2 million in sales today to over \$100 million in sales by 2005. We think it has the potential to be another CSL or a cochlea. We probably need 40 or 50 of those in the pipeline for Australia over the next five years and yet, time and time again, I hear from the VC managers the difficulty of finding the CEOs, finding the financial controller—finding the people who have got experience in those very fast-growing start-up businesses and how we make that happen. I do not pretend to have a solution to that, but I do think that key government ministers spending more time with a very small group of these VC managers who are right at the front end of the early stage investment is vital.

The other thing I would say about the early stage of investment is that the Commonwealth government's IIF licences have made the world of difference. We have now got nine of them. We have got \$360 million up there. That will lead to investments in about 100 to 150 companies at the early start-up stage. My only regret is that they are largely in the area of IT, software, dot.com. There is very little of this going into manufacturing. Only one of the nine licences, Nanyang Enterprises, has a business plan where 40 per cent will be at the traditional manufacturing end, 20 per cent in medical devices and 40 per cent in IT equipment. We have been trying to get some interest from the state governments in establishing IT licences at the state level and trying to use them in particular; not just to build a venture capital base in their state but to foster those linkages between the manufacturers and the R&D infrastructure in that state. We are still not very good at harvesting the ideas in that infrastructure, getting them into the factories and using these IIF licences to get these firms up past the early expansion stage and growing rapidly. I think we should persist with the IIF licences. The second round of licences was very good, particularly the way you tried to get a focus on some of the regional areas—when you picked foundation capital in Western Australia that pulled in WA, South Australia and the Northern Territory. I think there is more that we can do in focusing some of these IIF licences on the regions.

In terms of export promotion, I will leave that to questions. All I would say is that I hope we can get some bipartisan support for ensuring that EMDG does not have to be reviewed for another five years. I do think both sides of politics should look at making a commitment to doubling the number of exporters. It is something under debate while I was in my last days at the commission. It is something that Senator Cook and Senator McMullan looked at in 1993. The problem is that if you want to go from about 20,000 to 40,000 companies exporting, invariably 15 to 20 per cent will end up in the EMDG scheme and we cannot keep the \$150 million cap there forever. It is going to cost us, so we have to look at that.

I also think you should look at reintroducing the International Trade Enhancement Scheme with changed criteria so that it is WTO consistent. What you are going to find when that program is finally reviewed after its 10 years duration is that you gave out loans in excess of \$120 million to just over 100 companies which generated some \$6 billion in net foreign exchange earnings. The cost to the Commonwealth in interest forgone on the low interest loans versus the long-term bond rate and any defaulting of funds will be in the vicinity of \$40 million. So you spent about \$40 million to get \$6 billion of exports—some of which would have occurred anyway; there is no doubt about that—but a great deal of it was additionality and a great deal of it was taking these businesses with less than \$2 million worth of exports up to \$50 million of exports.

I have one comment on research and development. I know funds are very scarce right at the moment but, as Dr Peter Sheehan and his colleagues pointed out in 1994 in their study about the knowledge economy, if Australia has a decade growth rate of business investment in real terms of 5.3 per cent per annum it will support an overall GDP growth rate of about 3½ per cent. If you have business investment growing at about 12½ per cent per annum, then you will have a GDP growth rate of about 4.2 per cent. That extra 0.7 per cent growth not only does a lot for jobs but also gives you the fiscal dividend that helps you afford the R&D schemes and the other things that you need to do. I am sad to say that, after increasing by 92 per cent in real terms in the first half of the 1990s, manufacturing R&D has now fallen 18 per cent in real terms. From where I sit with my background in the commission, the linkage I see is: what is the implication

of this downsizing of business sector R&D in terms of how that will flow into exports of elaborately transformed manufactures? Again, that is something that really needs to be looked at.

My last word—I am sorry if I have gone over time—is on a very small issue, but sometimes the small issues are important. I have here with me an ABS survey form called ‘Business Growth and Performance Survey 1997-1998’. In the last 12 months, Mark Vaile has released two outstanding publications about Australian exporters—where they have come from and where they have been. This is the only publication that allows us to follow 5,000 firms for five years. It tells us whether the exporters are training more, investing more, in R&D. It tells us whether we have global born exporters who start exporting right from the day they started. It is the best survey of its kind. Unfortunately, the funding for this survey has stopped. The last time we can tell you anything about exporters in this great deal of detail is the end of July 1998. You actually need a very sophisticated information system to keep track of what you are doing. It is like a wheel with 12 spokes; this is only one of the spokes. That information system is absolutely vital to keep track of how we are doing on the export promotion front. I will leave it at that and take any questions.

CHAIR—Thanks for that. Questions?

Mr O’KEEFE—Thank you, Mr Apple. That was pretty wide-ranging and embraced a few good ideas along the way. We would like to go through a few of them, starting at the front. You have given quite a lot of emphasis to growing existing businesses as distinct from attracting big new operations—a la the McKinsey work in the early 1990s. Are you saying that the constraints on that are management skills and bundling or getting venture capital to it, especially when they are in small parcels? Am I correct? I think we are talking the same language here. How do you see us, in a government role, going about facilitating this process of getting small applications bundled up into a parcel that is big enough or manageable enough so that a fund such as the Development Australia Fund can say, ‘Right, here’s \$100 million. Apply it to 30 different companies’? What is the process you think government can play in that? Or do you think it is something the funds will learn to do anyway when they realise the opportunities that are here?

Mr Apple—I had two letters drafted to John Button last week when my investment committee and then my board met to decide whether we would go ahead with this investment in a small business. It is fairly risky but it can become another cochlea, another nuclear CSL. One of the letters was, ‘John, I’ve come to the conclusion that my employer and union colleagues are so risk averse that the government is going to have to step in and make us do these things on the one hand. On the other hand there’s the much softer option which would be to look at the prudential regulations that are constricting us, if you like, in terms of the prudent person, the sole person purpose test.’

I think we are seeing institutional investors committing more funds. I do not think it would have happened without the Commonwealth’s IIF licences. I think we would have committed more and we are committing more at the expansion stage in terms of management buy-outs. The market has basically gone from about \$500 million a year to over \$1 billion dollars now. But basically at that early high risk stage it is still very difficult for us to sit there and weigh up the risk return equation and make a commitment to something which has just put in an application for an R&D start grant, which has a prototype which is ready to be put in beside a smelter that

will do some downstream processing and feed, say, the automatic industry in Victoria. It is a lot easier for the institutional investors to get something that has been up and running for three years that needs an injection of \$5 million.

In terms of where we go from here, two or three things need to happen. A typical venture capital manager wants to step out of their investee company after four years and realise their return either through a trade sale or an initial placement offering, IPO, on the stock exchange: what we are seeing happen in the US and in Europe—particularly when the IPO market is broken, which is basically what has happened now in the tech wreck—is that other venture capital firms are stepping in and buying the business from one group of venture firms to another group of venture capital firms. So, if a firm like Rothschild bioscience take it up to a \$25-million investment and then somebody like Grant Samuel Private Equity comes in, buys the business, Rothschild bioscience realises their gains and then Grant Samuel takes it to the next stage. At the moment that is not happening in Australia. We believe that it will begin to happen by itself, but I think that that could be encouraged by a bit of jawboning from government.

There is another thing we need to do. We do not have much depth in the small cap sector of the Stock Exchange. Under about \$250 million stocks are very illiquid. I think superannuation funds, including my own, have to have a much better focus on the fact that there are some very good small cap managers. We need to think about possibly changing the investment criteria of our private equity side of our business to allow this mix between public and private equity, so that if one of our venture capital managers wants to go for an IPO it is going to need that support on the Stock Exchange for two or three years and we have a longer holding period. Our rules do not preclude a public equity investment because at the moment we say, 'You have to have a defined exit plan, and once you go public we're out of the business and we want our return.' I think that those things will help.

I do worry that not enough is happening relative to the challenge ahead. I think we need dozens and dozens of these firms under \$5 million going up to \$100 million and more. While the Commonwealth has done very good things with the IIF licences, we are probably going to have to keep doing those IIF licences on a very large scale. I think that there is a market for that amongst private investors; I think they will come in. I do not think that we are doing enough with business angels. They got burnt very badly on the dot com side of things; they are licking their wounds. They are going into biotechnology. Not many of them have come back to bricks and mortar manufacturing. One thing that is absolutely vital if you are going to do this bricks and mortar manufacturing early-stage is that you have to find new ways of finding deal flow. Obviously a manager up in Sydney is not going to go out the back of Bendigo and Ballarat and find two or three businesses that are actually in this league.

The other thing is that I went over to Canada recently to talk to some of my colleagues in the private equity industry. I must say that, when you are sitting down at a board table and looking at rates of return, if it is an infrastructure project the risk premium is beating the long-term bond by five to six per cent. If it is private equity, you are looking at beating the listed equity market with a risk premium of about five per cent. That is great for a very small handful of businesses, but there are not many businesses that have got a hurdle rate of return of 25 per cent before the VC manager goes in. There are a lot of good businesses out there that can do 10 to 15 per cent returns that are not getting the funding.

The problem for us from a superannuation point of view is the risk return equation. You would be asking us to go into something that has got the risk equivalent of a 25 per cent return for something that is a 10 to 15 per cent return. At the moment the IIF is underwriting that risk but it is basically only in areas where managers are looking for a 30 per cent return. Again, if you were to change or think about changing the sole person test and the prudent person test and jawbone us about doing a joint venture with, say, Bendigo Bank or with someone who has a very firm handle on deal flow in the 10 to 15 per cent returns, then take into consideration what some people regard as the concessional rate at which superannuation is taxed—even though others have a view that it is undertaxed—you might be able to do some interesting things there. I would not say I have a legislative solution for this, but it is something that has to be looked at. We started from behind. We are moving up very quickly. The IIF licences have helped a lot. But from where I sit in terms of manufacturing, I should have a dozen Nanyangs out there rather than one in terms of that happening.

Mr O'KEEFE—You mentioned two or three times in that response the prudential umbrella hanging over the top of everybody. Would it make any difference to prescribe, for instance, that there is an expectation that funds would have two per cent of their capital in the venture capital field; that that would not be regarded as being unprudential to be there? Or is this all happening anyway, in which case legislation does not make any difference?

Mr Apple—I am seeing a flurry of activity. In some respects it is almost like we have got too much money chasing too few deals, whereas a few years ago it was too little money chasing a lot of deals that could be done. I think there are two sides of the equation. One side of the equation is how we get more firms investment-ready for that injection, and that is not easy. Having watched the six-month process of trying to convince a family business what is involved for a VC manager to go in there, is was quite something. Funds like Unisuper, STA, HESTA—all these firms—are basically now moving towards a private equity allocation of about five per cent of the fund's assets. Some are already there. In addition to that, we probably have exposure to infrastructure of about five per cent. But if you did the average for superannuation funds and institutional investors, you are still less than half a per cent. Some are moving and some are not, in which case what you are looking at and saying is, 'It would not be unprudential to do this.' That may be a start.

There is another area where all of us have to become a little bit less risk averse. If I set up another fund with \$350 million today, basically I can rattle off the 10 fund managers that I would feel quite secure in investing with, in terms of them being on their second or third fund. We do not have the depth of the American market where people are on their fifth and sixth fund and have a track record so that you are able to discern the returns and the experience.

There has been an absolute inundation of the market by new funds. Our investment guidelines basically put pretty severe restrictions on—and probably quite rightfully so—the number of new funds that we would back. But we have to find some way of getting some of these new funds up and running so that we do not just have the big six or the big eight.

There is the additional issue which I am just starting to get my head around: a lot of people from the industry will argue that we are still keeping a lot of US pension fund and endowment fund money out of here because of their tax free treatment which they get in other parts of the world. I am going to have a good look at that because there are two issues there. One is how

much money they would bring in; the other is how much expertise they would bring in. When I listen to someone like Grant Samuel Private Equity present to our investment committee, the thing that impresses me is the fact that they can call on five or six really experienced manufacturing CEOs, financial controllers and marketing people to put into this business to provide that managerial expertise to grow the business. That is as much if not more the factor that makes deals happen. At the early stage we do not have enough of that. I am not sure that the US pension and endowment funds will bring in that particular expertise. What they are going to do, in my opinion, is invest their money with the established managers—rely on their expertise to make the investments and to get the return. It might give us more money, if that is the problem, but I am not sure that it gets us this expertise. The good thing about the IIF funds is that you have now got nine managers out there who hired more people who have got that expertise at the early stage. I think we need every bit of that that we can get.

CHAIR—You mentioned a little earlier the role that government ministers can play in regard to multinationals in getting them to invest in their Australian based operations. That brings me not only to multinationals but also to globalisation and the ill-informed community view in this regard that to get companies to base their manufacturing here in Australia is a good thing. I note that the trade minister has released a pamphlet entitled 10 great myths of globalisation. One of them is trade liberalisation, which the pamphlet says is destroying manufacturing. Can you expand on what we need to do to get a more informed community view? This leads into what you were saying earlier: how do we get more Australian companies to become export oriented and grow themselves.

Mr Apple—It has been very difficult for us in the manufacturing industry because you have had a great deal of downsizing and tariff cuts have hurt. From an economist's point of view, you look at the peak of each business cycle and you compare the situation as it was in 1972, 1973, 1979, 1980, 1989, 1990 and 1999. You look at levels of employment and levels of economic activity. When we do that comparison at the peak of the business cycle we have seen a lot of jobs disappear, we have seen a great deal of damage done and we have seen a great deal of job insecurity. Now we have to go back and argue with these same people that we actually needed reform of the transport infrastructure, we actually needed reform of the communications infrastructure, and we cannot totally grow our own multinationals and our own small companies. We actually need another two Holden engine plants, we probably need an intel chip plant. I find that when I go out and I deal with our shop stewards: it is about bringing a new steel plant to Newcastle or it is about bringing a new medical equipment plant out to the Sydney airport. I find that it does not matter very much these days the extent to which it is a multinational or a home-grown firm. Everybody would like the home-grown firm, there is no doubt about that, but increasingly people are realising that we need to attract this foreign investment, particularly in wealth creating activities.

Mark Vaile and I would have an enormous debate on this. The debate about whether tariff cuts and globalisation have been good or bad for manufacturing is a little bit like the story of the economist on a desert island. There are three people stranded there, they are looking at how to get off the island, and the economist says, 'Assume a boat.' Once you assume a boat you can get off the island and you can have the debate about how you got off the island. There are arguments on either side. But, from where I sit in terms of my experience at Austrade, I think we will have bipartisan support for building more Holden engine plants, for attracting ICT investment into Australia, for getting another large multinational pharmaceutical company and

hoping that Mayne Nickless does the right thing with Fauldings. I think that we can show the benefits of these investments. It is also the case for those businesses that are under \$5 million in turnover and have the potential to become our next generation of small-medium enterprising exporters. By and large they do not have union members in them, by and large their executives are not represented on the boards of the employer association businesses, by and large they are not the people that politicians tend to see.

There is a very interesting debate about how you form leadership groups and networks with this new generation of business leaders so that their story is heard, so that the constraints that they face—be they managerial, training or otherwise—are understood and so that they have their agenda championed, if you like, realistically. I am doing some work at the moment for the Victorian Manufacturing Industry Council. If I look at the people who make submissions there, if I look at the plants where our union has members or if I look at who the employers association have on their national council, I do not think this emerging generation of manufacturers have voice, and I do not think their agenda has voice. In terms of your question as to how we get the message out, I suspect part of getting the message out is not only the good news stories about these investments—the jobs that they are creating, the wealth that they are creating—but starting to get the stories out about this new generation of businesses that we need to see a lot more of, that are going from less than \$2 million in sales to \$100 million in sales, and what they are doing. Other things that I think both sides of politics are looking at in getting this message out are: how do we get into the schools and talk to the kids, not just about the globalisation debate but from a manufacturing point of view? How do you present them this image that manufacturing is not just old economy smokestack industries and that there is actually a career out there?

I must tell you that some of the ideas recently have been very good. You get a second-year apprentice to go in and talk to them, you get a person who is up in clerical. But it is not the clerical of 50 years ago: they are working on the company's e-commerce strategy. You get the person who is in their fourth year down in the research laboratory and, hopefully, you find that AFL football player who either had a manufacturing background or whose father had a manufacturing background. There is not just a managerial constraint to growth out there; there is a human capital constraint to growth. I am seeing a little bit of it in the nation's tool rooms, where the average toolmaker is about 50 years old now. The apprentices have pretty much dropped off, and there is not a great deal happening. So part of the globalisation is putting some of the success stories onto the table, and I think there is also a message to be gotten out there that there are really opportunities in the manufacturing industry for young people.

Mr O'KEEFE—I picked up a key message from you that in setting a trade export goal, say, of doubling the number of exporters there needs to specific goals about the returns we expect from investment in trade promotion or trade development activities, consistency of policy across both parties and long-term strategies that business can rely on. I am picking up a message from you that there is plenty of money there now to support development and there are plenty of businesses with the capacity to enter exporting and maybe we should be giving some government focus to attracting expertise into Australia, which we do not have a track record now of doing, to supplement that. I picked that up as a message.

That takes me to one other question. In developing this growing army of SMEs that can export, past strategies have involved partnerships and agents or someone down the other end.

Austrade has done a good job of getting them in the front door and, whenever they want to export, finding them to some extent someone to export to or with. How would you go about marrying the market they want to go into with the activity that they can do in Australia? That is the first question. The second question is how important is the exchange rate over a period of time to that equation? So I am asking how do we build it down that end, does price matter very much at the moment and how significant is it?

Mr Apple—In terms of the first part of the question, one of the exciting things that was happening in the last three years I was at Austrade was what became known as the information industry project, which is basically the online economy and e-commerce. Instead of spending \$400,000 to set up an office in San Francisco or Fukuoka, you basically have the opportunity of using that online economy and developing export markets in ways that we had not even thought about before. It also means that the interface between a trade commissioner and an exporter can now be not only virtual but also much more. One of the most successful programs that the Swedish trade commission ran was the export market manager for hire, where they took retired marketing executives and gave them 10 SMEs to parent and help them link what they were doing with the market. We can actually do that stuff online now and they can do 25, rather than just 10, of them. I am bit old-fashioned. I still think you have to be there in person sometimes. You cannot do all of this in a chat room up in cyberspace somewhere, but a lot of it you can, so I am very optimistic about what we can get done with the online economy to make that happen. Can you just give my memory a tick about the second question?

Mr O'KEEFE—It was about the price and the dollar exchange rate.

Mr Apple—The exchange rate is really a two-edged sword these days, because so much of what goes into some industries is the imported material inputs and components and the cost of capital for new equipment. During the 1990s the producer price index, which is the inputs that manufacturers have to pay for their components and equipment, was increasing by about one per cent per annum; in the last 12 months it is up by about 10 per cent per annum. That is a reflection of the exchange rate, and that is now what you are seeing a little bit going into the CPI.

On the other hand, there is no doubt that US50c is great in terms of export markets, but people should not forget that, if you are a large commodity producer, your exporting marketing costs are about one per cent of sales; if you are an ETM manufacturer, they are five per cent of sales; and, if it is a new product, they are about 10 per cent. So that exchange rate also works against you in terms of the cost of sales. Calling the exchange rate these days is like being able to predict that Carlton will knock off Essendon twice. I think it is not a US50c exchange rate; it is probably about US60c to US63c. It is hard to explain why it has been held down as long as it has.

If in the year 2025 we were looking at why some nations became wealthy and why some didn't then we would not be looking at the exchange rate for the major success factor; we would be looking at the capacity of a nation to build a strong tradeable sector where people understood that, for citizens to live well, the businesses they work for have to produce and trade well. We would also come to the realisation that those nations that succeed are the nations that are going to invest enough and get the returns from investing in education and innovation. The exchange

rate is a very distant cousin to either of those fundamentals. As I say, it is a two-edged sword at the moment.

CHAIR—Thank you very much for that and for your attendance here today. You will be sent a copy of the transcript of your evidence to which you can make corrections of grammar and fact.

Mr Apple—Thank you.

[10.53 a.m.]

O'DONOGHUE, Mr Leslie, Policy Officer, Community and Economic Development, Aboriginal and Torres Strait Islander Commission

RICHARDSON, Mr Geoff, Manager, Community and Economic Development, Aboriginal and Torres Strait Islander Commission

SOTHINATHAN, Mr Dillon, Senior Policy Officer, Community and Economic Development, Aboriginal and Torres Strait Islander Commission

CHAIR—On behalf of the Trade Subcommittee, I welcome representatives from the Aboriginal and Torres Strait Islander Commission. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give evidence in private, you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings before the respective houses. The subcommittee has received a submission from ATSIC, which we have numbered 20. I now invite you to make an opening statement before we proceed to questions.

Mr Richardson—Thank you for giving us the opportunity to be here today. The Aboriginal and Torres Strait Islander Commission has a deep interest in economic development and its effects on Aboriginal and Torres Strait Islanders across the nation. We look forward to presenting some information here today.

CHAIR—Thank you. I note that in your submission you go through a number of proposals, particularly in regard to some of the joint ventures. You talk about the South Australian citrus company and the work that Coles is currently looking at with your groups. Can you expand on those sorts of areas?

Mr Richardson—I do not have a detailed knowledge of that particular project. The citrus and horticulture industry is an industry that presents a significant opportunity for us, given that many of our communities are fairly large communities in geographic zones where citrus perhaps can be developed earlier than in established markets closer to the coastlines. We believe there is an opportunity for us to martial communities to capitalise on the very location of their communities, to establish new ventures in places where they have not been before. Our approach is to try to encourage communities to look at the benefits of their location. For example, in the gulf area in Queensland the potential to establish mango crops earlier than the established markets on the coastline is quite substantial. We are trying to work closely with communities to reassess the benefits they have in their present locations.

CHAIR—Given this inquiry is about enterprising Australia and whether we can do it better, we are looking not only at Australian industry and Australian business but also at how we can better attack export markets. I notice that in your submission you have a number of areas of rural industry—aquaculture; exporting camel meat, an industry I never knew of; bush foods, which I mentioned earlier; forestry; tourism and a whole range of others. Are you building a

strategy where ATSIC can encourage that sort of focus for export markets or import replacement?

Mr Richardson—Yes, we are developing a strategy. We have a range of smaller strategies but no overarching one at this stage which we are working towards. We have done a bit of work with other agencies and with AFFA—the national strategy on aquaculture with indigenous communities. We have looked at linking with other indigenous nations. We believe that there is some prospect there. We are basically moving towards an overarching strategy which looks at the major opportunities in new and emerging industries and those that are well entrenched in rural Australia particularly, like mining and tourism. We are participating in a whole range of committees or working groups. With aquaculture there is a major study which we are involved in. In tourism, we are on a national committee with private sector and other government agencies. There are a whole range of other areas where we are working closely with other people. For example, we are working with Reconciliation Australia and Indigenous Business Australia on a study of incentives for industry. We are in the process of developing an overarching strategy to pull the different elements together. There are a lot of players in indigenous affairs working on economic activity. We are hoping to link all that up and work collaboratively with those different players.

CHAIR—In your submission you spoke about the problems of getting investment capital. Take, say, Sanitarium, which is an enormous company. Given the funds that at different times come from royalties—mining companies particularly—have you looked at an area where you could gain those and put them into a ‘Sanitarium’ of your own?

Mr Richardson—Have we looked at that?

CHAIR—Yes. Then you could have a very large corporation.

Mr Richardson—One of the problems in indigenous affairs in the past has been this disjointedness between different agencies, state government agencies, a range of federal government agencies specialising in the area of indigenous affairs or service to indigenous people working independently. Part of our approach has been to work much more closely with different agencies working in Aboriginal and Torres Strait Islander affairs with state governments. The answer to the question is that there is a whole range of community factors that we have to work through—dysfunctional communities. That is a major impediment to economic development. Sure, communities get royalties. There is a whole range of moneys that go into communities, but when there is dysfunction on the ground it is very difficult to think about strategies as you are suggesting. So part of our approach is to address the economic development from the point of view of having to look at strategies to address dysfunction first. If you can address dysfunction and establish a firm, cohesive base for the community, you could actually build on that with all the factors such as education and training. That is really the thrust of ATSIC’s approach now rather than ad hoc projects and trying to make them work in an area where communities are sometimes in a very tumultuous situation. Our approach is to step back and work through and try and establish the foundations to build on.

ACTING CHAIR (Mr O’Keefe)—The chair has to go and do something else for a little while, so I will take over as acting chair. He will not miss what you are saying, by the way, because we get a transcript of all this to work through. Mr Baird has just joined us from the

government side. First of all, can I say that, in 17 years as a federal member of parliament, this is the first time I have seen a comprehensive, economic development strategy presented in this way. I do not know whether, through ATSIC and the work you have been doing, you have done this before, but congratulations on what you have done. If I have missed it before, then that is my fault, but this is the first time that I have seen it put together in this way. In a sense it is a very honest analysis of both the strengths and the weaknesses of why things are not happening and how they can happen. In a way, it is almost a micro system of what we are doing for the nation, because we are really identifying the strengths and weaknesses of a national strategy here. So I think what you have done is a very big step forward and it is very consistent with what we are trying to do in the broader sense. How did you approach the issue of identifying these weaknesses and then developing the strategies? For instance, you have placed a very big emphasis on tax deductions as a particular mechanism to attract business capital to the ideas you have developed. What drew you to the conclusion that tax deductions would bring capital that might not be attracted in other ways? How did you arrive at that as a No. 1 conclusion?

Mr Richardson—Thanks for the question. I suppose we have come to the realisation in ATSIC that we have to look at global trends. There has been plenty of work done in other countries on this very question of incentives for business. There has been plenty of talk inside Australia about incentives for rural Australia. Some of the research that we have seen in indigenous communities in Canada where there are very attractive taxation arrangements for people living on communities and for establishing businesses in indigenous communities in Canada has led us to believe that that is a path that we should at least try and pursue here.

We have been fortunate enough that a few of our officers have travelled to Canada. We have got an ongoing relationship with certain agencies over there in Canada. For example, there are 20,000 indigenous businesses in Canada, ranging from small business right through to medium and large-scale businesses and major mining companies with a fairly significant shareholding by indigenous people. There are 20,000 indigenous businesses there compared to the 1,000 that we would probably have here. Their population is about one million; ours is roughly 400,000 to 450,000. We believe that treaties and taxation benefits are what have stimulated that economic activity. Whilst we are pushing a treaty line, the issues on tax incentives and incentives for businesses are another area which we want to pursue.

ACTING CHAIR—I have noticed the development of this kind of thinking. I was up in Kakadu originally when the first royalty agreements were made and I was involved with Daryl Melham in resolving Century Zinc. The way things had moved forward in the way you would approach this sort of thing, using the benefits of having a project like that on Aboriginal land, has shifted a long way in a very short time. You have also given a lot of emphasis to skills and training development. Is that the same as elsewhere in Australia where we have also got to give the same emphasis or do you feel there are special ways to develop entrepreneurial expertise in indigenous communities that are different from the way we should focus on it elsewhere—bearing in mind that what we are on about, in particular, is an export trade development agenda? Obviously we want to see businesses grow, but we want to see them exporting. So how do we get indigenous businesses trained up to grow and then to export?

Mr Richardson—There are some cultural differences. There is a lot of emphasis on community business—a whole collective of people working together to establish a business where no individual benefits directly from dividends paid or profit paid out and where the

overall community benefits from any returns. The quality of life in that community improves overall, rather than certain individuals making huge amounts of money. That is a significant difference in indigenous communities, and it poses some problems with the need to consult widely, to talk through and to educate people about the benefits of this business, what it means and what their commitments have to be. There are those cultural aspects that are somewhat unique in terms of economic development opportunity. To relate that to the mainstream, mainstream people know that they have to work together, that if one business establishes there are spin-offs. There is a somewhat different approach in indigenous communities.

We have had some successes, of course. There are a number of successes around the country. But in terms of education and training, I had the good fortune to work on the Century project too, where you have a major mining opportunity—the world's biggest zinc mine in an area that is historically very disadvantaged—and the opportunities that come with that project. The mining company has negotiated quite a reasonable package of opportunities for the community.

One of the problems we are finding is that you can offer a whole range of jobs, but if you have not got the sustainability in the community, if the communities are in disarray or dysfunctional, it is very difficult to capitalise on those opportunities. At the end of the day, you are chasing ad hoc programs and trying to put them together in order to bring the community up to speed so that it can capitalise on the opportunity that presents itself. That is why we are directing a lot of energy towards community development capacity building. Hopefully, over time, as communities become more sophisticated, they will be able to capitalise on the larger opportunities that a mining venture like Century Zinc brings into play—not just the small end of the equation.

Mr BAIRD—I thought it was a very interesting, well-thought-out submission. I was mentioning to the committee secretary that it would almost be worthwhile for a future parliament to look at this whole area by way of an inquiry. We are looking at the Irish model and at what we can do in terms of enlarging the Singapore model. You are looking at the Canadian model in assisting indigenous people to develop their own employment opportunities. I was the head of the Tourism Council, so I know about some of the things in which you are involved in terms of the tourism summit. I was with John Anderson on the weekend on which it all began. There is a lot of interest in indigenous tourism, and there has been some significant success on the part of some of the groups. Usually there has been an Aussie entrepreneur behind it, as we have seen with the Cairns based group that has been so successful and which keeps winning awards.

In terms of understanding how the Canadian system operates, you talk about different hurdle rates in order for projects to get up. At one stage I worked for a multinational, and they kept talking about hurdle rates. What you are talking about is lowering the hurdle rates, I presume, in order for projects to get up, and for government assistance to be available. Could you flesh it out a bit? If we are in Canada, and if we are all together in an indigenous group and we are trying to get a project up, how does it work?

Mr Richardson—I need some clarification. Are you talking about a particular community or generally?

Mr BAIRD—Generally, so that we can get a handle on it. I believe it is interesting.

Mr Richardson—We have a lot of requests for financial assistance to establish businesses. We have hundreds of applications from communities all over the country for a diverse range of propositions, seeking financial support for business development.

Mr BAIRD—If you are pointing to the example of Canada, what actually happens with their system? Is there a board that evaluates various submissions that are put forward? Is there a special financial body that puts money directly into subsidising indigenous projects? I am trying to get a handle on it.

Mr Richardson—There are a number of agencies. There is DIAND, the Department of Indian Affairs and Northern Development, which is similar to ATSIC in terms of its program delivery funding. There is a whole range of indigenous owned and controlled organisations in the area of economic development. It is very competitive in Canada. There are a lot of indigenous entrepreneurs. I can provide some information to the committee on the range of different organisations. An ATSIC delegation visited Canada last July and attended a business expo that was held by one of the Canadian groups. It was held in conjunction with the Assembly of First Nations, which is the peak indigenous body in Canada. So there is a peak elected body and a peak indigenous economic development lobby group.

Mr BAIRD—They are assisting with trade fairs, but what happens in terms of the financial aspect? I certainly know from the tourism industry that that was a real problem—the lack of capital. There are tremendous opportunities but often there is a lack of financial assistance to get it moving.

Mr Richardson—I cannot recall the name of the funding body but there is a government funding body that provides business funding to communities. That is one of them. It is my understanding that the incentives for development of businesses in communities is really what has triggered economic activity and trade for those communities. The incentives are the management of their own communities—the treaties. Each community has got a treaty. There is the fact that no indigenous person in a community in Canada pays tax, so there are taxation benefits to establish businesses in communities. The other area that we are particularly interested in is that banks fairly aggressively chase indigenous business. Unfortunately, that is not the situation here. I do not think banks in Australia realise what potential there is in indigenous Australia.

Mr BAIRD—Yes, that is true.

Mr Richardson—The Bank of Montreal—

ACTING CHAIR—Geoff, just go back a step. You have identified as your number one suggestion the tax incentives. In response to me, you were saying that the very attractive tax regime means that mainstream businesses look for opportunities with indigenous working groups in one form or another. I gather what you are saying now is that, out of that, these other things develop. You are saying that in Australia there is not that same business community searching around for opportunities in indigenous business. Is the tax incentive the number one driver or does it have to be a package of a range of things?

Mr Richardson—I think it is a whole range of things. Incentives for businesses is one aspect, and an important one. Overall there is a lack of understanding in the business world of what is out there in indigenous Australia. Indigenous Australia has fairly substantial land-holdings; we have got quite a substantial population; we have got 33,000 people working on the equivalent of unemployment benefits. So we have labour, we have land and we have access to programs. We live in some of the choicest parts of the country.

Mr BAIRD—I clearly understand the zero tax aspect. How is it defined? Does it operate within an indigenous reservation in Canada or within a prescribed land area? Is it like a duty free zone?

Mr Richardson—Yes, that is right. That is how it operates. My experience with indigenous Canadians is that there is a great deal of entrepreneurship at the individual level.

Mr BAIRD—I hear that quite a bit of it is going into casinos.

Mr Richardson—A lot of money goes into casinos, that is right. Again, that is a land arrangement. That is basically because of the land tenure arrangement whereby companies can negotiate with communities over the placement of those casinos on indigenous land. Substantial employers are casinos in North America. My understanding is that the range of casinos in the USA turn over something like \$50 billion, of which \$8 billion is controlled by indigenous interests, which is a substantial amount of money.

Mr BAIRD—That is interesting, yes.

Mr Richardson—That is in the USA proper. To be honest, I cannot answer the question on how it works in detail.

Mr BAIRD—It would be interesting to know, because our responsibility is obviously from a government perspective, having regard to the joint standing committee's inquiry. In terms of precisely what the Canadians do, is it simply the tax-free issue, which is pretty significant in itself? Do they take equity in projects? Do they subsidise interest rates? Is there a sunset clause in terms of how long it actually lasts? That would also be of interest. I would appreciate it if we could have some details on that. I suppose the final one is: is there resentment amongst other members of the Canadian population about the tax breaks that the indigenous groups get? If people set up a company and pay no tax while another company pays normal corporate tax of 30 per cent, it can defeat the purpose in terms of the resentment that that can cause.

Mr Richardson—Understandably. My understanding is that—

ACTING CHAIR—If you do not know the answers to these questions at the moment—and this often happens with groups making submissions—once you go and find out the answers, drop us a note through Jane and give us all the detail you can. Go for your life now but do not feel that you have to give an answer just because the question is asked.

Mr Richardson—Fine.

Mr BAIRD—I think it is really interesting to look at it as a model, because employment to me is one of the keys to assisting indigenous people. Our methods have had varied success so we need to look at these things as well.

ACTING CHAIR—I will introduce Senator Kerry O'Brien who is a Labor senator from Tasmania. He is also a member of the committee. He has been tied up on other things until now so has just joined us.

Mr Richardson—There is the whole question of tax incentives, and it might not be just tax—there may be other incentives. We do not know what they are at the moment but we want to do a study on that. We want to work with Reconciliation Australia. We have actually had a number of meetings with Reconciliation Australia and with Indigenous Business Australia, working together on exploring these issues we are raising here today. We have not really done that in the past or worked as closely with other players in the indigenous environment. It is part of our overall strategy to work more closely, to not only look at small scale small business but to look at the whole range right up to large scale. We see some major opportunities in new and emerging industries as outlined in our submission, such as aquaculture. We believe that is a major area where we can have some significant stakeholding. Also there is mining, of course, and tourism, the arts and craft industry and forestry. We have to go back and talk to our communities without creating a whole range of expectation. We have to talk to communities about how they see themselves or whether they see themselves as being players or interested in these larger areas of activity that could be conducive to their environment. That is really the thrust of what we want to do, as well as look at this whole question of establishing communities on a firm basis. I think that will have spin-offs for a whole range of issues that we are currently experiencing.

ACTING CHAIR—In those opportunity areas you have identified, have you formed a view on whether, particularly for the newer ones like aquaculture as an example, it has to be done by yourselves and that the community has to learn the whole process itself and do it itself, or is there something to be said, just to take an example, for approaching the Tasmanian Atlantic salmon industry which is now exporting successfully a home-grown product, or is part of your strategy to find successful Australian companies in these fields to see if they might bring you into their operations in some way instead of having to learn the whole thing in one hit?

Mr Richardson—Yes, it is. Joint venturing is a major thrust. In the past in indigenous affairs, to be a successful person you had to own, control, do the books and do every aspect of the business, and that really has put a lot of pressure on the operators. There has been a much more open approach between ATSIC and its clients on the benefits of joint venturing, bringing partners in, bringing even silent investors in. That is an area we have to work on and place a lot more attention on. We believe we can come to the table with a whole host of things to offer, including people, land, some expertise, and we want to try and attract investors by saying, 'Here is a package of things that we can bring to the table.' Indigenous Australia has not done that very well in the past. Now we are going through a process of talking to industry groups, getting the aquaculture development strategy which we had some involvement in—AFFA took the major role—and talking to those agencies that do talk to other mainstream players, and that is one of the reasons we wish to try and tackle the question of the banking sector. We believe there is potentially a lot of major business out there. We need to attract the interest. We need to raise

the level of interest in the mainstream business sector and in the banking sector which is not there at the moment, I do not think.

Mr BAIRD—I noticed your comment about the absence of a lead agency in government to take responsibility for driving implementation of the tourism industry strategy. Is there no government agency that is taking a responsibility in that area to try and drive it?

Mr Richardson—Are we talking about the indigenous tourism strategy?

Mr BAIRD—Yes.

Mr Richardson—ATSIC has got a responsibility or has had that responsibility to try and work through and implement that strategy. It is very difficult when you do not have mainstream players on side—

Mr BAIRD—That is right.

Mr Richardson—It is impossible. To redress that, we are now participants on the federal government committee. A new committee has been established with industry and government. It is a national tourism industry group. It is chaired by the CEO of Accor, David Baffsky.

Mr BAIRD—Yes, he is a good guy.

Mr Richardson—I actually participate in that committee, on that working group. The objective of that is to stimulate greater cross-industry and community involvement in tourism. I might pass you on to Dillon.

Mr BAIRD—That sounds good. Who else is on the committee from the tourism industry sector? David Baffsky is one of the big players; he is the head of the biggest hotel group. It would seem to me that that is a pretty useful start.

Mr Sothinathan—We have representatives from the banks. The National Australia Bank is on that group as well and there is a mining—

Mr BAIRD—But who are the tourism people who would provide the tourism expertise?

Mr Sothinathan—Yes. Apart from Accor, there are private industry bodies who are mainstream indigenous tourism operators. We also have a representative from the Australian Tourist Commission. As time goes on, there will be an increase in membership. The purpose of it is to try to get the indigenous and the mainstream industry to work together.

Mr Richardson—Chair, we can get you a list of that.

Mr BAIRD—It sounds as though it has got promise anyway.

Mr Sothinathan—Yes. It is a leadership group.

Mr BAIRD—Do you get much funding for that?

Mr Richardson—ATSIC is contributing. At the moment, it has three-way government funding. ATSIC, DEWRSB and the Department of Industry, Science and Resources are collaborating on funding just that working group. There have been two meetings to date. It is only relatively new. It is a ministerial appointment.

Mr BAIRD—Geoff Dixon, who is the head of Qantas, has always been very interested in indigenous affairs, and it might be worth while writing direct to him and asking whether you could have a representative from there. If you started to include packages for visitors specifically to look at indigenous Australia, that would be interesting. Anyway, I think it would be a useful start.

Senator O'BRIEN—My apologies for being late; it is one of the problems of being the whip on a Monday morning. In terms of the submission that you have presented, I wanted to ask a question which arises particularly from your submission on bush foods and tourism. Some four years ago, the Senate Rural and Regional Affairs Committee handed down a report on the commercialisation of native wildlife. This dealt with bush foods and also with some of the Aboriginal communities in the Northern Territory providing fishing and potentially hunting experiences to fly-in tourists at a significant charge, because of the experience and the availability of the resource in the Aboriginal lands. Has ATSIC done any work on or focused any attention on the potential for further development arising from that report? Have you focused upon the report itself?

Mr Richardson—To be honest, I am not familiar with the report. I am, however, familiar with some communities. I have travelled extensively across Australia. There is a fair deal of interest in that whole experience of tourism—I do not know whether it is ecotourism. I know, for example, in areas of Cape York in northern Australia there are communities interested. I have to say that bringing tourists to remote communities can pose some problems if the communities are not structurally ready. There needs to be a fair deal of work done with communities to explain what tourists would expect of them, in terms of the experience that they are about to embark on. There is an interest in tourism. I just came back from Torres Strait last week, and I can tell you that quite a number of the outer islands in the strait are interested in tourism. Anyone who has been to the outer islands will know that it is a magnificent area; it is prime for tourism. Again, this brings about the question of dealing with dysfunction, or dealing with communities on the whole question of what is expected and trying to address some of that dysfunction, in order to get the tourists to enjoy a good experience rather than a bad one.

Senator O'BRIEN—The issue is that the provision of jobs in remote Australia is critical for community development and this is probably one of the few opportunities that some of those communities are going to have to generate those jobs. I take it that that is a fairly high priority from ATSIC's point of view?

Mr Richardson—The industry strategies that we have—arts and crafts, tourism and rural—have not been pursued. They emanate from the Royal Commission into Aboriginal Deaths in Custody. Due to lack of funding we did not pursue them to the extent that we should have or could have. We are now revisiting those strategies. We are placing a lot of attention on the tourism side of it because we believe there are untapped opportunities there. What we are trying

to do in ATSIC is to be honest about the overall situation in the community rather than pick an industry and try and say, 'Let's slap tourism'—or—'Let's put aquaculture in that area.' Although it might be prime for it, if the community is in a dysfunctional state we are saying that you have to address the dysfunction in order to capitalise. We believe that there are some major opportunities in the area of tourism, aquaculture and forestry and that that could be an export opportunity. We hope to see that develop over the next decade but we are realising that we do have to do the hard yards on addressing the whole question of dysfunction.

Part of that is also to address the business sector. We are trying to do a range of things at the same time. If we can attract the banks to understand that there are benefits in dealing with indigenous communities, as banks overseas have done, we believe that can stimulate some major activity on the ground. If you match it with incentives for industry, if you bring in a few of the components, then you are starting to make an attractive situation on the ground. It is a multilayered approach.

Senator O'BRIEN—The Flinders Island community experienced fundamental problems with its proposed establishment of Pacific oyster leases. Obviously those environmental issues can be an impediment to any aquaculture proposal these days, with the attention that has been given to all of the issues that arise out of aquaculture. Are all of the aquaculture proposals that you are contemplating sea based, or are some of them land based?

Mr Richardson—The national strategy focuses on the establishment of multispecies hatcheries, so they are land based. At the moment we are talking about the overall strategic approach to aquaculture development, which centres on the national strategy, focuses on the establishment of multispecies hatcheries—the development of a whole range of different species, which the communities could sell to other indigenous people or in the mainstream. Our approach has been centering on the aquaculture strategy and rolling that out over the next decade. I do not know whether that answers the question.

Senator O'BRIEN—I understand that you are saying that you are a step away from the phase that I was addressing my question towards. Hatcheries are one thing but growing the product for sale as an end product is the next and most profitable part of the growing process. I understand there are already crocodile hatcheries in the gulf country that are run by Aboriginal communities. Obviously there is a fair bit of technology being developed in the area of aquaculture. What linkages do you have with the main tertiary institutions that are working on aquaculture industry issues?

Mr Richardson—We understand that there is some link with the TAFE in the Kimberley. Unfortunately, in the past it has been done on a project by project basis. We now realise we have to deal with the state governments. We have now policy centres under the ATSIC structure. We have discrete policy units in each state, headed by a senior officer whose sole responsibility is to deal with governments at the state level and industry on such things as industry development or economic development. In the Kimberley, for example, there has been a connection with the TAFE. People go through TAFE so that they can learn some of the technical aspects of aquaculture.

I understand the question about Flinders Island. In the Kimberley area they propose to grow species like trochus shell in the hatcheries and then place them on a reef. So where the natural

stock has been fished out, they will take farm shells and put them on the reef. The same thing could happen with clams and other commercial products. So it is a bit of both. The environmental aspects are obviously very much a concern. We are working closely with AFFA and we will be working closely with Environment Australia. We have a good connection with them. We are trying to make sure it is a collaborative effort—whole of government.

Senator O'BRIEN—I presume that there would be some linkages with the aquaculture section of the University of Tasmania, which has done a lot of work on a variety of species. Perhaps you could take that on notice and let us know how you go on that.

Mr Richardson—Yes.

CHAIR—Time is just about up. If no other member has any pressing question, I thank you for your attendance here today. If you have been asked to provide any additional material, would you please forward it to the secretary. You will be sent a copy of the transcript of your evidence, to which you can make corrections of grammar and fact.

[11.40 a.m.]

ASH, Dr Greg, Director, Research Policy Section, Department of Health and Aged Care

COBBOLD, Ms Christianna, Assistant Secretary, Health Capacity Development, Department of Health and Aged Care

KINGDON, Mr Tony, Assistant Secretary, Policy and International Branch, Department of Health and Aged Care

McALISTER, Mr Stuart, Director, Diagnosis Related Group, Department of Health and Aged Care

NORTHCOTT, Ms Suzanne, Acting Assistant Secretary, Office of National Health and Medical Research Council, Department of Health and Aged Care

RACIC, Ms Lana, Acting Assistant Secretary, Office for Older Australians, Aged and Community Care Division, Department of Health and Aged Care

WARD, Ms Elaine, Director, Industry and International Support Section, Department of Health and Aged Care

CHAIR—On behalf of the subcommittee I welcome representatives from the Department of Health and Aged Care. The subcommittee prefers that all evidence be given in public but should you at any stage wish to give evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. The subcommittee has a submission from the Department of Health and Aged Care, which we have numbered submission No. 13. I now invite you to make a short opening statement if you wish before we proceed to questions.

Mr Kingdon—Thank you, Mr Chair, for the opportunity to appear before the committee. Our submission addresses two of the terms of reference of this inquiry—namely, the adequacy of a skilled workforce and the opportunities for encouraging inward investment and promoting export sales. Briefly, without going over the submission, the department has played an important role in promoting health exports. Much of our export promotion activities in the past have been focused on countries in the Asian region. Due to the slowdown of the regional economies, however, there has been a contraction of export opportunities in both the private and public sectors. This has meant that our activities have taken on a lower profile than, say, four years ago.

It would also be fair to say that many of the countries in our region are interested in accessing our health technology and services but are constrained by their capacity to pay. To that extent, much of our work is devoted to cooperating with funding bodies and aid agencies. Essentially,

this is consistent with being a good neighbour in the region, but in the long term it may enhance our image as a provider of world-class technology and services.

In addition, the department's international activities have continued to support the health industry by, for instance, cultivating bilateral avenues through memorandums of understanding and plans of action with regional neighbours. I should mention that government to government agreements create useful environments for industries interested in export opportunities. With the easing of the economic crisis in the Asian region, the department has recently been involved in a number of activities to promote the health industry. Of significance are the aged care missions led by the Minister for Aged Care to Japan in 1999 and Singapore and Malaysia in 2000. Ms Racic from the Office for Older Australians will be pleased to answer questions on these visits.

The department itself has successfully sold its diagnosis related group classification to New Zealand, Singapore and Germany. Mr McAlister, who is responsible for the licensing arrangements, is happy to talk about that. Also available to assist the committee are Ms Cobbold, who is happy to answer questions relating to the skills of the medical workforce, and representatives from the National Health and Medical Research Council, Ms Northcott and Dr Ash. I will not take up any more time of the committee at this point except to say that my colleagues and I hope we will be able to help you with your inquiries this morning.

CHAIR—Thank you very much for that.

Mr BAIRD—I am interested in how you interrelate with Austrade. What are you promoting? Are you promoting nursing training, are you promoting health care agencies, are you promoting manufactured equipment in the health and aged care area? Is it about encouraging people to come down to Australia to do training in the medical area? What is the focus in terms of your export orientation?

Mr Kingdon—The department's export orientation is mainly focused on the value added that the department offers in the health system domestically. We look very much to encouraging the development of health systems and structures in our region. We also have developed technologies such as the DRG, the Diagnosis Related Group, tool that we are happy to—

Mr BAIRD—You are probably used to all the terminology internally. Did you say that you were setting up health structures within Australia for the region?

Mr Kingdon—Yes, for countries within the region. We are interested in developing and helping them build their infrastructure and capacity to—

Mr BAIRD—What do you mean by build? How to build hospitals?

Mr Kingdon—It is more at the level of bureaucratic development—how you run a health system. It relates to the fact that the Commonwealth delivers very few direct services, and most of those are delivered at the state government level or through the private sector. From the department's perspective, people come to us to see how you manage at a national level a health system. We have very frequent visitors from the region and internationally—US, Canada, UK and other parts of Europe—who come to see how we are tackling certain problems. There is a fair amount of exchange. Sometimes, if there is a particular technology we have developed, then

that may have an export potential, but more often our contacts relate to fostering an understanding of the Australian health system with a view to it being seen as a world-class system, and that gives encouragement to other services to sell their pharmaceuticals, et cetera. In the nursing home area we have a number of very innovative developments, and we try to encourage people to see those and in turn relate to the people providing those services for export potential.

Mr BAIRD—How much do you estimate is the value of the export orders in the health area that flow from your work? Is it not quantified?

Mr Kingdon—It is not quantified.

Mr BAIRD—It is a generic feelgood relationship in the health area, is it?

Mr Kingdon—Yes, to a degree that is true. As I noted in my opening statement, much of the technology and much of the services that countries in the region would like to adopt from us involve quite significant costs for which they may not have the accessible funds. That leads to the question of how we work with aid agencies, like AusAID, the World Bank and the Asian Development Bank, to assist with introducing training technologies into those countries which have negotiated arrangements.

Mr BAIRD—It is mainly through AusAID funding. Do you send people up there? How does it work? Do they come here?

Mr Kingdon—We have people visit us. Training is offered here. We will also send people where that is appropriate. More often, we will identify experts in academia and in the health system outside the federal government and we will facilitate their visits to these countries.

Mr BAIRD—Thank you.

Ms Racic—Perhaps I might add a few points in relation to the aged care trade missions led by Minister Bishop in 1999 and 2000. The purpose of those trade missions was to increase the awareness of Australia's aged care capabilities and, with the private sector, to showcase some of their products and the services that they can provide in these emerging markets as well as to develop commercial networks and business opportunities. On both trade missions, Minister Bishop went along with a number of service providers as members of the delegation. The areas that those services covered ranged from education, nursing and care models, including assessment and dementia care, to development of different service levels and care needs, Australian products, design of facilities and research activities. So it covered the wide range of services and products that we have.

In organising both trade missions, the department worked very closely with Austrade in organising the trade missions and giving assistance on the ground. A key factor of the trade missions was a seminar followed by a networking opportunity. At the seminar, the minister as well as members of the delegation spoke. Afterwards, there was an opportunity to follow up and have some discussions. There were also opportunities to visit some facilities in the countries and to have other meetings. Austrade then continued to assist members of the trade mission in further developments.

Mr BAIRD—Do you have figures on what trade that has resulted in?

Ms Racic—At this stage we have not got firm figures on what is happening, but the indication from the delegates is that there are a number of things that are happening in the countries that they have visited. The aged care export has been likened to education 10 or 15 years ago in that it started off very slowly with limited export opportunities but since then has grown significantly over the years.

Mr O'KEEFE—That last comment, in a sense, leads into where I was going to come from. I would say that at least a decade ago when we were identifying how Australia could be an nation exporting other than just commodities, health and education were two fields in particular highly targeted. I thought that some strategies had gone into place to make that happen. Everywhere we travel around the place, we run into Australians selling Australian education services. It does not matter what country you go to, we seem to be doing that aggressively and strongly. This is not so in health. Is that because our whole focus has been on trying to solve our problems within Australia or is it because there has not been enough leadership from somewhere in the sector? Haven't people worked out how you get to wealthy buyers of the services, as has happened with education? Apart from aid projects and all that, education has found the wealthy buyers of the service and is marketing aggressively to them. This is not implied as a criticism, but if aged care has strong growth potential in export that was identified a decade ago, what haven't we been doing and what should we be doing to actually make it happen?

Mr Kingdon—When we first started, the question of exports was seen as being a regional priority. We discovered fairly early in the piece that we could engender a high degree of interest in our services. But it came to the capacity to pay. Unlike education which can become a much more private transaction between the person receiving the education and the giver, health is still seen as very much a government sponsored responsibility.

That changes the very nature of how you sell. You have to work government to government. In undertaking that approach we are seen as the 'big brother' in the region and therefore there is an expectation we will provide that more in the form of aid than in commercial transactions. In the global sense that is a very defining difference between health and education. That does not limit the possibility that people may want to train in the health arena and that has a potential for export. Quite a degree of training goes on. There are individual services that can be sold in the region such as pharmaceuticals and some of our technology. That has really been left as an industry decision in the sense of commercial opportunities. I think that is really the difference. We have come to the conclusion that we need to do more work promoting our health system as world-class, which we believe it is, and getting a better understanding of that in the region. When countries do have the ready funds, they are more inclined to go off to America or the UK or Germany. For all the faults of those systems, they are seen as world-class, so much of our effort at the moment is being put into promoting our health system.

Ms Racic—Perhaps I can again add from the aged care perspective that over the years individual service providers have been involved in various export activities in the region. The involvement of Minister Bishop in leading the trade mission delegations was to give some leadership and impetus. Following those trade missions and discussions with delegates, we are now looking to have an export conference here in Australia to inform the service providers of

the potential and opportunities for exports and also provide some information about how to go about doing that and the availability of Austrade assistance and so on.

Mr O'KEEFE—It sounds fantastic, but why has it taken 10 years to do this? Why have we not been doing this? Is it lack of resources? You have just mentioned promotion. Anyone trying to grow a business gets out and promotes. If a government is trying to grow a business it gets out and promotes it. Has there not been a linkage with Austrade? Has there not been a priority for health? It was identified a decade ago as a major export opportunity for Australia, as IT was. If it is not happening, why isn't it happening?

Mr McAlister—In my area of the department we are developing a casemix classification. That was recognised by other countries as an area of expertise that Australia did have. We have been approached by three other countries who have purchased licences to the product. In the case of Germany they have purchased a licence to develop a German product from the Australian product. There have been some areas of the department where these goods have been provided to other nations under a licensing arrangement.

CHAIR—On that point I note that one of the big issues with international research collaboration is the matter of intellectual property percentages. Following on from the point you just made, what formula is used in contracts with overseas researchers?

Mr McAlister—We have provided our product and then they are adding to it, so it is a point-in-time single licence fee in the case of Singapore, New Zealand and Germany as well. In the case of Germany, it is a licence for them to reproduce a new product, so they are adding intellectual property onto the base. We own the base and they own the continuation. After five years, it becomes their product to develop because we will have moved on in our production. In the case of Singapore and New Zealand, at this stage they are both just using off-the-shelf products produced by Australian companies under the classification that we have developed.

CHAIR—How would we compare, say, with the Americans or the Brits with respect to our percentage relationships? Are ours similar to theirs, more stringent than theirs or more generous than theirs?

Mr McAlister—I am unable to answer that.

Mr Kingdon—No, I could not answer that. I would have understood it to have worked on a case by case basis, although I do not think there would be any fixed formula, if that is what you are looking for, in terms of intellectual property.

CHAIR—I am trying to work out where we are in the ruck or how we compare with the others. As this seems to be an emerging area that we are getting into, what benchmark have we got in order to show that we are being reasonably tough or reasonably fair in our negotiations?

Mr Kingdon—The department does not get involved at that level of negotiation. It would be arrangements that would be done through the individual research institutes or private companies that may have developed a product. The reason we do not know is that it is not something that the department would normally be involved in. Mr McAlister can only answer with respect to his experience of a particular product that we have sold.

Senator O'BRIEN—On the second page of your submission you talk about the supply of health work force training places being determined by universities, and that being driven by demand for training. You refer to the well known shortages in the nursing profession. You state:

... there is a limited intake by universities in response to a lack of interest in undertaking nurse education, thereby contributing to a shortage of nurses.

I presume the department has done some work to ascertain the reason for the shortage and therefore demand for training places. What can you tell us about that?

Ms Cobbold—As you know, universities are essentially one-line funded. The Commonwealth, in its agreements between the Department of Education, Training and Youth Affairs and the universities, does not specify how many places there should be in any particular course. The work that has been done in relation to nursing in particular relates to a lack of suitable applicants, leading to relatively low UAI scores for entry. What has occurred over the last eight or nine years—I have not got the figures with me but I could get them—is that there has been a decline in the number of enrolments in nursing in most, if not all, of the universities at which registered nurse training, the degree course, occurs. It appears that, that has essentially been because of lack of demand.

That has been surmised to be because of a range of alternative career opportunities for people at entry level to universities being more attractive, so they have chosen other courses. Recently, because nurse training and employment is fundamentally a state government matter, not a Commonwealth matter, other than through the funding of universities, there have been initiatives in a number of states. Western Australia is one that I am familiar with, where they have run a promotional campaign directed at school leavers to encourage entry to nursing.

Subsequent to that there was indeed an increase in interest in enrolment and not only were all the places that were available in that year filled but the average entry scores were higher. I think there is a mix of issues there but I am sorry I cannot provide you with any more information than that at this stage.

Senator O'BRIEN—We do actually, certainly not by design, export trained nurses fairly regularly at least on a short-term basis. I do not think there is any secret of the fact that English speaking nations in the Northern Hemisphere are keen to attract our nurses because of their level of qualification as well as nurses from the Philippines and other countries to fill their shortfall. I guess the problem is not simply our own problem. It is a Western, English speaking nation problem at the very least. What about other training? Nursing is an example, but are there other examples in terms of medical education?

Ms Cobbold—In terms of medical education which I am familiar with, medical schools that we have in Australia do take fee paying students and a number of them are quite successful and aggressive in the marketing of those opportunities, particularly in the region but not only within our region. Depending on the economic circumstances in different parts of the world, Australia is more or less attractive as a place to undertake medical education. The medical faculties certainly do offer places to fee paying students and it is one of the most marketed areas of university education.

Senator O'BRIEN—In terms of the cost of education for Australian participants, are you saying the department has not done any work on barriers or impediments that restrict entry into, for example, nursing education?

Ms Cobbold—For overseas fee paying students?

Senator O'BRIEN—No. For Australian students, just going back to my first question.

Ms Cobbold—Barriers to entry for nurse—?

Senator O'BRIEN—Yes. Nurse training.

Ms Cobbold—In what sort of regard?

Senator O'BRIEN—Financial, locational?

Ms Cobbold—It is the standard university entrance for nursing and it is driven essentially by university admissions index scores. However, nursing education is provided at a broad range of regional universities, not just capital city universities and the department has, over recent years, had a number of programs in place which supplement state government-based programs providing a range of scholarships and other assistance to encourage nurse education. As I said, it is primarily a state government responsibility. Most of the state governments have quite extensive programs of support not only for undergraduate entry but, because the registered nursing qualification—the speciality training—is a postgraduate qualification, most of the state governments also have programs in place to assist postgraduate qualification for their nurses as well.

Senator O'BRIEN—So that is not an area in which this department would get involved in assessing what the impediments are that cause this problem? Is that what you are saying?

Ms Cobbold—Back in 1999 the Department of Health and Aged Care did actually sponsor and run a large seminar on nursing. I can certainly provide a copy of that report to you if you are interested.

Senator O'BRIEN—Yes, thank you.

Ms Cobbold—That canvassed a range of issues and a number of things have flowed from that. I think that is the best way of describing it but I am happy to provide that to the committee.

Senator O'BRIEN—Does the department have a handle on the extent to which medical services provided in Australia are provided to overseas residents at cost recovery or by for profit organisations?

Ms Cobbold—As you point out, that is fundamentally undertaken by the private health sector. I do not have that information with me today, but I could inquire with the part of the department that has carriage of that area to see if there is information available.

Senator O'BRIEN—That would be useful, thank you.

Mr O'KEEFE—I would like to do a quick run around the table and ask for a 30-second response: if we set you a goal to double Australia's health exports in the next decade, just give me, each of you, your three-vote priority. What would be the thing you would put the effort into first to double our exports?

Ms Ward—You are asking for three things?

Mr O'KEEFE—No, just one. What would you give the priority to?

Ms Ward—I would give a priority to work with industry groups to strengthen their capacity to work internationally. From my point of view, the industry is very fragmented; there are no real strong leaders in Australia. It is very fragmented and state based and we do not get out internationally with a national face. I do not think the industry has got that strength behind it yet.

Ms Cobbold—I think that is an entirely appropriate approach. It is a disparate industry.

CHAIR—You cannot pinch her ideas.

Mr O'KEEFE—You both say that the No. 1 priority is to get the industry's act together. What do you say, Greg?

Dr Ash—In health and medical research, we have got some well-renowned expertise. Some of those are in emerging areas that are of interest to the region, and particularly bioinformatics, which is a label you will hear more and more of now that we have sequenced the genome. Bioinformatics is about understanding the molecular mechanisms of disease, for instance.

Mr O'KEEFE—What would you do to sell it though?

Dr Ash—We have got Australian expertise, and other parts of the world and the region are interested in using our expertise and tapping into our services and facilities. So we can certainly do more to promote that.

Mr O'KEEFE—Promotion of our expertise.

Dr Ash—Building the expertise, retaining the expertise, things that we are doing.

Ms Northcott—I would probably say that promoting collaboration between Australians and international researchers. We have done quite a lot, as Greg mentioned. NHMRC has recently negotiated a licence for public sector researchers to access what is called the Celera database, which gives access to people at a very cheap rate for public institutes to all the human genome and the fruit fly genome and so on. That really is a very good model for looking at other areas that we could—

Mr O'KEEFE—So getting the smart heads together?

Ms Northcott—Yes.

Ms Racic—I would look at three issues. One is promoting export opportunity in particular in the region so that people are aware of what Australia has to offer. Secondly, we will be working with the industry. What we have learned from our trade missions and what delegates have come back with is the need to form small consortiums within Australia to market a package of services rather than to go in individually with specific services. My personal view is that continued government leadership and support are particularly important in the Asia-Pacific region in terms of supporting the exports.

Mr O'KEEFE—Yes, they have got to know that government is behind industry.

Ms Racic—Yes, that is right.

Mr McAlister—In my area of health information and health information systems, it is keeping and developing the Australian product so that it is attractive to other people overseas to use as a base for their national classifications and systems. So it is development here to keep ahead.

Mr O'KEEFE—How would you summarise all that, Tony?

Mr Kingdon—I would return to my original point—that we need to do more about promoting an understanding of our health care system. We have a unique blend of public and private provision. As every country is struggling with its health system, we seem to have many of the areas under better control. I believe there is a case for selling more private health schemes—setting up, in some countries that do not have good public health schemes, a Medicare type arrangement. That would be the first priority, but I think Elaine's point is a critical one; that is, the industry has not been particularly responsive to export opportunities.

CHAIR—So, Mr Baird, who is the weakest link?

Mr BAIRD—The votes are all in. We have decided to expel our chairman!

CHAIR—Mr O'Keefe, thank you for that; that was very innovative. It might set the pace for further inquiries. I thank the witnesses for their attendance here today. If you have been asked to provide any additional material, would you please forward it to the secretary. You will be sent a copy of the transcript of your evidence, to which you can make corrections of grammar and fact.

Subcommittee adjourned at 12.17 p.m.203