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The Parliament of the Commonwealth of Australia

# **Enterprising Australia – planning, preparing and profiting from trade and investment**

**A short report on the proceedings of the Inquiry**

**Joint Standing Committee on  
Foreign Affairs, Defence and Trade**

October 2002  
Canberra

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ISBN 0 642 78419 1

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## **Membership of the Committee – 40<sup>th</sup> Parliament**

**Chair** Senator A B Ferguson

**Deputy Chair** Hon L J Brereton, MP

**Members**

Senator A Bartlett (from 1/7/02)	Mr R C Baldwin, MP
Senator M Bishop (from 1/7/02 to 19/8/02)	Hon K C Beazley, MP
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Senator P H Calvert (to 19/8/02)	Mr L D T Ferguson, MP
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Senator the Hon P Cook	Mr D P M Hawker, MP
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Senator B Gibbs (to 30/6/02)	Hon Dr S P Martin, MP (to 16/8/02)
Senator B Harradine	Hon J E Moylan, MP
Senator S Hutchins (to 30/6/02; from 19/8/02)	Mr G R Nairn, MP
Senator D Johnston (from 22/8/02)	Hon L R S Price, MP
Senator J A L Macdonald	Hon G D Prosser, MP
Senator K O'Brien (from 1/7/02)	Hon B C Scott, MP
Senator M A Payne	Hon W E Snowdon, MP
Senator the Hon C Schacht (to 30/6/02)	Hon A M Somlyay, MP
Hon B G Baird, MP	Mr C P Thompson, MP

**Secretary** Mr Grant Harrison

## **Membership of the Trade Sub-Committee - 40<sup>th</sup> Parliament**

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<b>Members</b>	Senator H G P Chapman (to 30/6/02) Senator A Eggleston (from 12/7/02) Senator A B Ferguson ( <i>ex officio</i> ) Senator S Hutchins (to 30/6/02) Senator K O'Brien (from 6/8/02) Hon L J Brereton, MP ( <i>ex officio</i> ) Mr D P M Hawker, MP Hon D F Jull, MP Hon Dr S P Martin, MP (to 16/8/02) Hon J E Moylan, MP Mr G R Nairn, MP Hon G D Prosser, MP Hon B C Scott, MP Hon A M Somlyay, MP Mr C P Thompson, MP

**Secretary** Ms Jane Vincent

**Administrative Officer** Mrs Lesley Cowan

## Membership of the Committee - 39<sup>th</sup> Parliament

<b>Chair</b>	Senator A B Ferguson (from 1/7/99) Senator D J MacGibbon (to 30/6/99)	
<b>Deputy Chair</b>	Mr C Hollis, MP (from 9/8/99) Hon Dr A C Theophanous, MP (to 13/7/99)	
<b>Members</b>	Senator V W Bourne  Senator the Hon D Brownhill (from 1/7/99 to 13/4/00) Senator P H Calvert (from 1/7/99) Senator H G P Chapman Senator the Hon P Cook Senator B Gibbs (from 9/8/99) Senator B Harradine Senator S Hutchins (from 17/8/00) Senator J A L Macdonald (to 30/6/99; from 9/5/00) Senator K O'Brien Senator M A Payne (from 1/7/99) Senator J A Quirke (to 15/8/00) Senator the Hon M Reynolds (to 30/6/99) Senator the Hon C Schacht Senator K Synon (to 30/6/99) Ms F E Bailey, MP Hon B G Baird, MP Hon L J Brereton, MP	Hon J A Crosio, MBE, MP (from 9/12/99) Hon G J Evans, QC, MP (to 30/9/99) Mr L D T Ferguson, MP (from 9/8/99) Mr D P M Hawker, MP Hon D F Jull, MP Mrs D M Kelly, MP Hon L S Lieberman, MP Hon Dr S P Martin, MP Hon J E Moylan, MP  Mr P E Nugent, MP Hon N P O'Keefe, MP Hon L R S Price, MP Hon G D Prosser, MP  Mr C M Pyne, MP Hon W E Snowdon, MP Dr A J Southcott, MP Hon A P Thomson, MP
<b>Secretary</b>	Ms M Swieringa (from 15/6/99) Mrs J Towner (to 11/6/99)	

## **Membership of the Trade Sub-Committee - 39<sup>th</sup> Parliament**

**Chair**                    Hon G D Prosser, MP (On leave from 3/9/99 to 10/12/99)  
                                  Senator the Hon D Brownhill (acting from 3/9/99 to 10/12/99)

**Deputy Chair**        Hon N P O'Keefe, MP

**Members**             Senator the Hon D Brownhill (from 1/7/99 to 13 April 2000)  
                                  Senator H G P Chapman  
                                  Senator the Hon P Cook  
                                  Senator A B Ferguson (ex officio)  
                                  Senator D J MacGibbon (ex officio) (to 30/6/99)  
                                  Senator K O'Brien  
                                  Ms F E Bailey, MP  
                                  Hon B G Baird, MP  
                                  Mr C Hollis, MP  
                                  Mrs D M Kelly, MP  
                                  Hon J E Moylan, MP  
                                  Hon Dr A C Theophanous, MP (ex officio) (to 14/7/99)  
                                  Hon A P Thomson, MP

**Secretary**             Ms Jane Vincent

**Administrative Officers**    Ms Elena Hull  
                                  Mr Peter Ratas







## **Terms of Reference**

### **Enterprising Australia – planning, preparing and profiting from trade and investment**

The Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade is to examine 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.

Referred in the 39<sup>th</sup> Parliament by the Minister for Trade on 2 November 2000.



# The Inquiry

## Introduction

- 1.1 The inquiry on Enterprising Australia — planning, preparing and profiting from trade and investment — automatically lapsed on the dissolution of the 39<sup>th</sup> Parliament on 8 October 2001.
- 1.2 The Joint Standing Committee on Foreign Affairs, Defence and Trade (the Committee) under its resolution of appointment can consider and report on such matters relating to foreign affairs, defence and trade as may be referred to it by:
  - (a) either house of the Parliament;
  - (b) the Minister for Foreign Affairs;
  - (c) the Minister for Defence; or
  - (d) the Minister for Trade
- 1.3 With the re-establishment of the Joint Committee in the current Parliament, the 40<sup>th</sup> Parliament, consideration was given to seeking re-referral of the Enterprising Australia Terms of Reference.
- 1.4 The Committee's decision not to continue the inquiry in the current Parliament was based on a number of factors:
  - the poor response to the call for submissions;
  - the quality of the evidence;

- a review of the Commonwealth's investment promotion and attraction efforts by a taskforce headed by Dr Ian Blackburne, that embraced significant aspects of the Enterprising Australia Terms of Reference; and
  - broad acceptance by the Government of the recommendations made by Dr Blackburne in his August 2001 report *Winning Investment – Strategy, People and Partnerships*.<sup>1</sup>
- 1.5 Notwithstanding the lapse of the inquiry, we have taken the view that a short report should be tabled in the Parliament outlining some of the issues and conclusions that came out of the evidence. These reflect a similarity of view between our observations and the findings of Dr Blackburne's review team.
- 1.6 All the submissions made to the inquiry can be viewed on the Committee's website [www.aph.gov.au/house/committee/jfadt](http://www.aph.gov.au/house/committee/jfadt) as can the Hansard transcripts of the evidence given at the seven public hearings.

## The Inquiry Process

- 1.7 The Minister for Trade referred the Terms of Reference for the Enterprising Australia inquiry to the Committee on 2 November 2000. The Trade Sub-Committee, chaired by the Hon Geoff Prosser MP, conducted the inquiry.
- 1.8 The inquiry was advertised nationally and prospective sources, including federal, state and territory government departments, business organisations and chambers of commerce, and trade unions, were invited to provide submissions to the inquiry. The closing date for submissions was February 2001.
- 1.9 We were disappointed with the particularly poor response to the call for submissions. It was widely regarded as a very important inquiry but notwithstanding this view, promised submissions failed to materialise. A number of organisations and government departments (including state and federal) indicated they would provide a submission but did not do so, in spite of follow up by the Committee over several months.

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1 A report to the Prime Minister, *Winning Investment – Strategy, People and Partnerships*, A Review of the Commonwealth's investment promotion and attraction efforts, August 2001. (Blackburne Review)

- 1.10 The inquiry attracted only twenty-five submissions and twenty exhibits were incorporated into the records of the Enterprising Australia inquiry. The list of submissions is at Appendix A and the list of exhibits is at Appendix C.
- 1.11 Seven public hearings were held before the dissolution of the 39<sup>th</sup> Parliament and evidence taken from nineteen witnesses (see Appendix B for the list of public hearings and witnesses). The seven hearings ran from March to August 2001 but the level of interest in the inquiry by government and business was singularly disappointing. The small number of submissions received and the lack of good quality evidence were not encouraging signs. The evidence by departments generally was insufficiently comprehensive to allow a full appraisal of the impact of structures/policies and the performance of programs.
- 1.12 The first hearing of the inquiry was held on 5 March 2001 in Canberra with HE Mr Richard O'Brien, Ambassador for Ireland opening the proceedings. The evidence he gave was excellent, as was the evidence of the Singaporean High Commissioner, HE Mr Ashok Kumar Mirpuri on 25 June 2001.
- 1.13 The Committee was most appreciative of the outstanding assistance the Irish Ambassador and the Singapore High Commissioner gave to the inquiry.

## **A Review of the Commonwealth's Investment Promotion and Attraction Efforts**

- 1.14 The Prime Minister set up a taskforce to review Australia's investment promotion and attraction. Dr Ian Blackburne, the former Managing Director, Caltex Australia, was appointed chairman and was asked to examine the present system of investment attraction and promotion, at both Commonwealth and State level, and to report on ways to improve the system. The Chairman of the Trade Sub-Committee met with Dr Blackburne in June 2001. The Prime Minister received a copy of Dr Blackburne's report in August 2001 and The Australian Financial Review (AFR), in reporting it in the press at the time, said the major recommendations included:
- the Government develop a national strategic framework for investment promotion and attraction;

- a Prime Minister’s investment council to be established to advise on strategies and policies to increase overseas direct investment; and
  - a rolling three-year marketing plan to be developed by Invest Australia, in tandem with other government agencies and key business stakeholders.
- 1.15 The AFR went on to say the report warned that Australia would run the risk of falling further behind international competitors unless it reformed its investment program.<sup>2</sup>
- 1.16 In his review of the Commonwealth’s investment promotion and attraction efforts, Dr Blackburne examined:
- the rationale for overseas investment;
  - factors influencing investment (including removal of regulatory barriers and use of positive incentives);
  - the role of government in overseas direct investment (capitalising on Australia’s strengths);
  - existing government activities (including competitor nations’ investment promotion);
  - a national strategy — the Prime Minister’s Investment Council and a reinvigorated *Invest Australia*;
  - a comprehensive marketing and promotional program;
  - managing relationships (Commonwealth, States and Territories); and
  - reporting, evaluation and key performance indicators.
- 1.17 The review had access to the evidence collected by the Committee’s Enterprising Australia inquiry.
- 1.18 Dr Blackburne’s recommendation that a Prime Minister’s Investment Council (PMIC) be established, convened and chaired by the Prime Minister, involved an initial work plan. The work plan focused on aspects of the Enterprising Australia Terms of Reference – namely Terms of Reference 4 and 5. The Blackburne report states:
- The initial work plan for the PMIC should include advising on key sectors on which Australian investment promotion should concentrate; considering ways to improve the commercialisation of R&D [research and development] to encourage investment in enabling technologies, and the creation of new firms and
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2 *The Australian Financial Review*, ‘Australia Inc: the new blueprint’, 14 August 2001.

industries; advising on the international competitiveness of Australia's company and personal taxation rates; and assessing the adequacy of Australia's skill base to leverage and support growth in the target sectors.<sup>3</sup>

- 1.19 In describing the overseas investment promotion and attraction activities of the major Commonwealth Government agencies supporting such activity, Dr Blackburne noted the complexity and lack of efficiency resulting from current arrangements, a view that was held by the Committee and reinforced throughout the Enterprising Australia inquiry process.
- 1.20 The task force carried out a comparative study of eight overseas investment promotion agencies that were chosen because they were either internationally recognised or potentially in direct competition with Australia. Singapore's Economic Development Board and Ireland's Industrial Development Agency were among the eight. Dr Blackburne was of the view that no single overseas model stands out as offering a solution to Australia's needs for national coordination across a federal system. The overseas models did however seek to build industries and take a strategic approach to investment attraction, whereas Australia has traditionally used a range of programs and agencies to deliver inwards investment promotion and attraction activities.
- 1.21 Dr Blackburne concluded that a culture of investment attraction and promotion as well as the leadership and strategy to guide activities and focus on where most value can be added is essential if efficiency and effectiveness of effort is to be enhanced in Australia.
- 1.22 On 1 November 2001, the then Minister for Industry, Science and Resources, Senator the Hon Nick Minchin released Dr Blackburne's report and the Government's response to the specific recommendations (see Appendix D).
- 1.23 While not accepting the recommendation that a Prime Minister's Investment Council be established, the Government has agreed that a national strategic framework for investment promotion and attraction be developed. The Employment and Infrastructure Committee of Cabinet, with the Prime Minister in the chair, will oversee national strategy operations.

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3 Blackburne Review, op.cit. p. iii.

- 1.24 The next chapter records some observations from the inquiry and the challenges that they present to making Australia a highly competitive country in the global trade and investment stakes.



## **Some Challenges and Conclusions**

### **Background**

- 2.1 There has been a long history in Australia of formulating industry plans and action agendas to map out the strategic direction and action plans for specific industries. Government used these plans to facilitate greater cooperation between various stakeholders and the Government, and to assist the adjustment process to lower tariff levels.
- 2.2 The development of industry plans by government, industry and union bodies was strongly advocated by the Jackson Committee in its 1975 Green Paper. This led to the establishment of the Australian Manufacturing Council in 1977. It was reconstituted in 1984, together with eleven Industry Councils, and advised the Minister on actions for both industry and government to implement. However the Councils did not have a budget for industry assistance or the authority to commit participants to action agendas.
- 2.3 The Hawke Government went a step further than the Industry Councils and established statutory authorities to administer the Button industry plans for major restructuring/assistance packages to the steel, motor vehicle and textile, clothing and footwear industries. These authorities had substantial powers and budgets and exerted a strong influence on the future development of these industries. These industry plans, and the statutory authorities responsible for them, have now been disbanded.
- 2.4 There was also a Trade Development Council operating in the 1980s which was the predecessor to the current Trade Policy Advisory Council. The Trade Development Council, like its counterpart the Australian

Manufacturing Council, placed a strong emphasis on fostering consultation between unions, business and government on trade issues.

- 2.5 At the more aggregate level, there was the Economic Planning Advisory Council that was primarily concerned with macroeconomic issues but also examined opportunities for growth and strategies to promote investment and exports.
- 2.6 There was also the Australian Industry Development Corporation (AIDC), established in 1970, to facilitate investment in Australian industry, including the placement of public equity in selected companies. AIDC Ltd was sold in September 1997 and the other activities of the Corporation have been wound up.
- 2.7 The current equivalent to Industry Councils is the Action Agendas being developed mainly by the Department of Industry, Tourism and Resources (ITR) in consultation with industry. Action Agendas are a key element of the Government's strategy for fostering industry's international competitiveness and development and were announced as part of the *Investing for Growth* industry policy statement in December 1997. Action Agendas are now in various stages of development and implementation for 27 industries, and:

... are based on strong industry-government partnerships and provide a mechanism for jointly identifying the actions that are needed for an industry to reach its full potential. They are proactive in nature and are focussed on opportunities for the future.<sup>1</sup>

- 2.8 The Action Agendas cover 27 industry sectors and according to the Minister for Industry, Tourism and Resources:

These industries have also contributed to increases in investment, innovation, business competitiveness, education and training and regional development in specific sectors.<sup>2</sup>

## **A National Strategic Approach**

- 2.9 A national strategic approach to planning, preparing and profiting from trade and investment promotes and increases Australia's international competitiveness.

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1 ITR, *Development in Australian Industry Policy 2001*, Commonwealth of Australia, 2001, p. 19.

2 Foreword, Hon Ian Macfarlane, MP, Minister for Industry, Tourism and Resources, *Action Agendas 2002 Report*, Commonwealth of Australia, 2002.

2.10 The evidence presented to the inquiry showed there were a number of federal government agencies that played a role in promoting investment and exports and, as Dr Blackburne noted in his investment review, this is not efficient and does not allow for a single Australian brand.

2.11 In the climate of global competitiveness where national leadership is paramount, the multiple player approach promotes the insular culture of the bureaucracy and the notion of ‘turf’. To cite one call for cooperation, Professor Wainwright, Acting Deputy Vice Chancellor (Research and International) at the University of New South Wales noted that:

The Governments of Britain, Canada and Singapore, ... have proactively assisted with the export of education by developing policies to ensure the competitiveness of their countries in the international arena. The Australian Government must do likewise and must ensure that the following instrumentalities work together to enhance education exports: Austrade, DIMA, DETYA to name a few.<sup>3</sup>

2.12 The overseas models such as the Industrial Development Agency in Ireland and the Economic Development Board in Singapore, seek to build industries and take a strategic approach to investment attraction whereas Australia has traditionally used a range of programs and agencies to deliver inwards investment promotion and attraction activities. As noted in the Blackburne Review:

... there are at least six Commonwealth agencies or offices formally involved in ODI [overseas direct investment] attraction and many programmes that involve investment attraction to some extent.<sup>4</sup>

2.13 In addition, the states and territories mount independent efforts to attract investment. For example, the Western Australian Government said that its Department of Resources Development (DRD) is the State’s primary development agency for the resources sector as:

Being a small agency, it is focussed on helping companies make successful investments in Western Australia’s resources sector and ensuring returns to the community. This combines expertise in policy development, infrastructure planning, investment attraction and project facilitation to provide a service which is based on a

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3 University of New South Wales, Submission No.1, p. 3. DIMA—Department of Immigration and Multicultural Affairs; DETYA—Department of Education, Training and Youth Affairs.

4 A report to the Prime Minister, *Winning Investment – Strategy, People and Partnerships, A Review of the Commonwealth’s investment promotion and attraction efforts*, August 2001, p. iv. (Blackburne Review)

deep understanding of the resources sector and the needs of the community.<sup>5</sup>

- 2.14 The Australian Chamber of Commerce and Industry (ACCI) told the Committee that:

One can touch upon issues like whether we should have the bidding wars that go on between the state governments in terms of positioning ourselves abroad. This comes in the trade area, it comes in the investment area. Probably the most dangerous place in the world is being a federal government official between a state minister and a foreign investment project. It is really a high risk area. I think sometimes in our projection abroad, do we project Australia overall, or do we cloud it with a projection of the states? That is a message that we hear from time to time. I think the game is a strategic approach as to how do we promote ourselves abroad.<sup>6</sup>

- 2.15 Importantly the Western Australian Government, in noting that the inquiry was relevant to Western Australia's resources sector given the sector's major role in trade and the significance of its investment, recognised that:

... notwithstanding the global nature of the resources sector, there is much that governments can do to enhance Australia's competitive position in the area of trade and investment. The need for co-ordinated and co-operative State and Commonwealth government action to promote investment is a particular overriding requirement.<sup>7</sup>

- 2.16 The success of the Celtic Tiger is acknowledged world wide and as His Excellency Mr Richard O'Brien explained:

Consensus approach to government policy has been vital from 1987 on. There was the forging of a social partnership between government, the trade union movement, employers and farmers, bringing in others from time to time as well, like the universities. The social partners got together because they had to.<sup>8</sup>

- 2.17 It was evident that the degree of commitment to a national strategic approach is a key to advancing Australia's trade and investment competitiveness. A number of Commonwealth agencies appear not to have focused on the policy development linkages necessary to value-add
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5 Western Australian Government, Submission No. 22, p. 411.

6 ACCI, Transcript 18 June 2001, p. 116.

7 Western Australian Government, op. cit. p. 412.

8 Irish Ambassador, Transcript 5 March 2001, p. 14.

and promote Australia's competitiveness in a climate of globalisation. In discussing policy initiatives, departments were not necessarily aware of the initiatives of other agencies and consultation processes between departments were generally minimal, and appeared to be slow and cumbersome in nature.

2.18 The Blackburne task force came to a similar conclusion. The taskforce, in its report, pointed out that:

A culture of investment attraction and promotion as well as the leadership and strategy to guide activities and focus on where most value can be added is essential if efficiency and effectiveness of effort is to be enhanced. Australia also has to be marketed on its competitive strengths. There are wider national benefits to be gained by adopting a more strategic approach. The objectives of this exercise are for the approach to promoting, attracting and facilitating investment to be seamless to the potential investor and to be carried out in the most efficient and cost-effective manner. This will involve working more closely with the states and territories in partnership to deliver investment attraction and promotion outcomes, to reduce duplication and to allocate resources appropriately.<sup>9</sup>

2.19 With the Government's agreement to a national strategic framework, and the decision that the Employment and Infrastructure Committee of Cabinet will oversee operations, we are hopeful that this will indeed provide the capacity and capability to implement a whole-of-nation approach. With the intention that this framework will be developed in the context of Australia's overall objectives for economic growth and industry and regional development objectives, we regard the major national issues raised in Dr Blackburne's Review as very important to the task of looking forward. We are concerned that these issues, which were to be part of the work program of the proposed Prime Minister's Investment Council (PMIC), may not be addressed. The Government says in its response that they are *not applicable* given the decision not to establish the representative - based PMIC.

2.20 Although the Government is addressing and progressing whole-of-government issues such as innovation, investment, market access, regional development, education and training, environmentally sustainable development, workplace relations and regulatory reform, we take the view that the major national issues identified during Dr Blackburne's consultations are very important and need to be addressed. They should

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9 Blackburne Review, op. cit. pp. 43-44.

not be dismissed as *not applicable* and lost to examination within the changed operational arrangements of *Invest Australia*.

- 2.21 The 'new' *Invest Australia* came into operation on 1 July 2002 'as an autonomous agency, taking on the investment promotion and attraction activities of other Commonwealth agencies':

Invest Australia will also promote new venture capital arrangements, implement a coordinated Information and Communications Technology Investment Attraction Strategy and activate the recommendations of the Light Metals Action Agenda.<sup>10</sup>

- 2.22 Its operational arrangements are still to be advised.

- 2.23 It is most important that the changes to be made to the operational arrangements involve a total commitment to champion Australia and include a commitment to resource properly and address the identified major issues. Anything less will be a hollow gesture. The national issues identified by the Blackburne Review are set out at Appendix E.

## Regional Initiatives

- 2.24 It is of interest to note that in Europe a regional development agency (RDA) has been defined as:

...a regionally based, publicly financed institution outside the mainstream of central and local government administration, designed to promote indigenous economic development through an integrated use of predominantly 'soft' policy instruments.<sup>11</sup>

- 2.25 Furthermore in discussing regional development agencies in Australia it is of value to note a paper by Maude and Beer from Flinders University, entitled *Regional Development Agencies in Australia: a Comparative Evaluation*, presented at the Pacific Regional Science Conference Organisation 15<sup>th</sup> Meeting, 8-12 December 1997, Wellington, New Zealand. They wrote that:

Australia has witnessed a proliferation of regional and local economic development agencies in recent years. Queensland, New South Wales and Victoria have had Regional Development

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10 Media Release, Minister for Industry, Tourism and Resources, *Invest Australia – New Role, New CEO, New Challenges*, 02/097, 14 May 2002.

11 Halkier, H. and Danson, M 1997, 'Regional development agencies in Western Europe: a survey of key characteristics and trends', *European Urban and Regional Studies*, 4(3), p. 245.

Organisations, Regional Development Boards and Voluntary Regional Associations of Councils since at least the 1970s, but in the 1980s and 1990s they were joined by new systems created in Western Australia, South Australia and the Northern Territory, while arrangements in Victoria have been restructured a number of times over the last decade. Local governments have also become increasingly involved in economic development. Many employ one or more staff to work on economic development issues while also participating in regional agencies such as regional development boards or Voluntary Regional Organisations of Councils. For a period there was also growth in Commonwealth Government involvement with local and regional development. In the five years to 1996 the Commonwealth set up with Rural Partnership Program, Area Consultative Committees and the Regional Development Program, delivered labour market adjustment programs through locality-based Office of Labour Market Adjustment sub-committees, and established a set of regions through the Aboriginal and Torres Strait Islander Commission to encourage regional planning and development.

As a consequence of these Commonwealth, state, territory and local government initiatives regional development agencies (RDAs) are now established in all the states and territories of Australia, and in some regions there are two or three agencies operating at different scales but with a common aim of increasing local economic activity. ... These agencies vary considerably from state to state in their constitution, capacity, size and relationship with state and territory governments. The question therefore arises as to whether some types of agencies are better structured for effectiveness than others. Despite the important role of these agencies in regional and local economic development, there has been little published on this question.<sup>12</sup>

- 2.26 Since the paper was written there have been a number of fora to further Australian trade and investment in Regional Australia. For example, the Regional Australia Summit, the Foundation for Rural and Regional Renewal, the meeting between State and Territory Ministers for regional development and the Australian Local Government Association, the Northern Australia Forum, the Collaboration Across the North initiative and the Committee for Economic Development Australia seminars.

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12 Maude, Alaric and Beer, Andrew, 'Regional Development Agencies in Australia: a Comparative Evaluation', *Pacific Regional Science Conference Organisation*, 15<sup>th</sup> Meeting, 8-12<sup>th</sup> December 1997, Wellington, New Zealand, p. 2.

2.27 According to the Department of Transport and Regional Services (DoTRS) in its submission, these for:

... use collaboration between business, community and government and coordination of government activities in regional Australia to further a wide range of regional issues. These include: infrastructure and the appropriate regulatory, taxation and business support environment to facilitate its development; sustainable growth in Northern Australia; entrepreneurship; telecommunications; access to finance; additional tax incentives; the identification and promotion of trade links to Asia; skills development and community leadership; native title and other land access issues; developing new industries; sustainable development; health and education; unemployment and labour market issues; and defence.<sup>13</sup>

2.28 The Department of Foreign Affairs and Trade (DFAT) made the point that, in examining the success of development agencies, the absence of clear and measurable performance indicators is a significant impediment to accurate evaluation of the performance of development agencies in establishing countries and regional areas as economic leaders.<sup>14</sup>

2.29 The Aboriginal and Torres Strait Islander Commission (ATSIC) provided a substantial submission to the inquiry that covered initiatives being undertaken to attract inward investment or generate export sales on Aboriginal and Torres Strait Islander lands. We were impressed with the work that is being undertaken and see the need for the initiatives to be given consideration within a whole-of-government approach to issues rather than seen initially as an Aboriginal issue per se.

2.30 ATSIC cited a number of impediments to realising business opportunities and these include:

- lack of resources in regional development agencies that affects the ability to develop regional industries and assist entrepreneurs to realise business opportunities;
- lack of capital that is compounded by ‘the “inaccessibility” of Indigenous people because of culture, language, remoteness, class differences, marginalisation and the confusion caused by Indigenous ownership structures and land tenure’.<sup>15</sup>
- marginalisation of indigenous groups from mainstream business activity;

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13 DoTRS, Submission No. 2, p. 13.

14 DFAT, Submission No. 4, p. 34.

15 ATSIC, Submission No. 20, p. 348.



- failure of mainstream government agencies to invest in programs; and
  - lack of access to, and failure to access, mainstream programs.
- 2.31 Having the capability and capacity to fully implement strategies at a regional level is an ongoing challenge. Obstacles to implementation can hinder progress, and with it the ability to profit, with the result that the potential benefits of a strategy are never fully realised. This is best illustrated by the ATSIC example where the three Indigenous Industry Strategies that were prepared in 1997 have only been partially implemented.<sup>16</sup> According to officers of ATSIC this is partly so because:
- Responsibilities rest with other agencies and these agencies claim to have too few resources to contribute to implementation—despite the fact that these same agencies participated in the development of these Strategies.<sup>17</sup>
- 2.32 Furthermore there is the need at the regional level to develop and put in place a range of investment and trade strategies with government initiatives, beyond the standard one of tourism, to build a diverse base for regional economic wealth.

## Research and Development Initiatives

- 2.33 Research and development (R & D) is critical to the issues that we were looking at in the Enterprising Australia inquiry. According to the Australian Research Council (ARC):
- It is the foundation and fount, if you like, of ideas that underpin a lot of the commercial activity that the country will be looking for to boost its performance in trade and to attract foreign investment. It is also critically important to generating the sorts of skills in the Australian people that are going to be needed to underpin that activity.<sup>18</sup>
- 2.34 Scientists, academics and business groups had warned that Australia faced the risk of being overtaken by competitor nations that had substantially increased their research funding while Australia remained at early 1990s levels. In August 2000 the final report from the Innovations Summit Implementation Group, titled *Innovation—Unlocking the Future*, was released. In September a related and complementary discussion paper, titled *The Chance to Change*, was released from the Chief Scientist,

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16 Tourism, Cultural Industry Strategy and Rural Industry Strategy.

17 ATSIC, op. cit. p. 350.

18 ARC, Transcript 18 June 2001, p. 99.

Dr Robin Batterham. The *Innovation—Unlocking the Future* report stressed the importance of developing the necessary relationships between education, research, business and government to generate and act on ideas.

- 2.35 On 29 January 2001, in response to both reports, the Government launched *Backing Australia's Ability—An Innovation Plan for the Future*. There are three elements to the Backing Australia approach – backing research capabilities, backing ideas for commercial success and backing skills.
- 2.36 The fact that there is now a strategic approach by government to R & D in the Innovation Plan is commendable. What this has done is to raise the profile and status of R & D in the economic expansion stakes and put in place a commitment, through consensus, to make gains and reap the rewards. We hope that the major funding set down for 2004-2005 and 2005-2006 will not be eroded.
- 2.37 The challenges will include the pursuit of commercial outcomes for R & D. We are of the view that in pursuing commercial outcomes the capability to reach commercialisation should not become the sole criterion for funding an R & D project. Not every project can lead directly to a commercial outcome. If the policy focus on commercialisation becomes the be all and end all for Australian R & D, then Australia as an innovative country, for which it is recognised world wide, will lose research capability. Balancing R & D is a fine line. Managing this fine line is critical to the future and needs to be understood in the current policy climate by R & D boards and public administrators.
- 2.38 The nexus between R & D and skilled people must be nurtured. It is essential for Australia to have the ability to attract and retain the best and brightest that it produces. As the ARC pointed out:

If you are able to attract the best people and provide them with the facilities that they need, what they then become is magnets for the best and brightest students—not only those early career researchers coming up through the systems within Australia but postgraduate students from overseas. So you start to build a scale of activity with leading researchers and research students; the best infrastructure concentrated in one area which can then develop a high profile, both nationally and internationally, and is in a position to make significant and productive links with similar research centres internationally. This is critically important.<sup>19</sup>

- 2.39 Evidence shows there is failure of the critical linkages between R & D and the availability of a pool of skilled people. This has occurred in the manufacturing sector.
- 2.40 Mr Michael Rice argued that:
- While Australia's research and development expenditure relative to that of other industrial countries is at a rather mediocre level this is almost entirely a consequence of the low level of expenditure on research and development by the manufacturing sector.<sup>20</sup>
- 2.41 It is evident, according to Mr Rice, 'that any substantial increase in the level of R & D in the Australian manufacturing sector will be constrained by the limited availability of appropriately qualified engineers in the earlier stages of their careers'.<sup>21</sup>

## Incentives and Impediments

- 2.42 Austrade in addressing incentives and impediments to foreign investment in its submission, argued that:
- In making their choice of investment destination overseas investors will consider positively a range of criteria including a stable political environment, solid economic performance and a well educated workforce. Australia is also in a unique position in that it has geographic proximity to Asian markets, a multi-cultural/multi-lingual workforce and a timezone well positioned to enable follow the sun capability between the markets of America and Europe. These features make Australia an attractive location for regional headquarters and shared service centres.<sup>22</sup>
- 2.43 Although Australia is a relatively small economy (and it performs well on these criteria) Austrade says that Australia 'needs to constantly ensure that it is actively seeking and encouraging appropriate investment'.<sup>23</sup>
- 2.44 The former Department of Industry, Science and Resources (ISR) pointed out a key difference between the activities of *Invest Australia* and other economic development agencies is the 'quantum of inducements offered to potential investors.' *Invest Australia* does not:

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20 M Rice, Submission No. 7, p. 94.

21 *ibid.* p. 109.

22 Austrade, Submission No. 3, p. 22.

23 *ibid.*

... provide across-the-board, open-ended monetary or tax incentives. It is considered that Australia's key advantages as an investment location will continue to be our stable and transparent political and economic systems; highly skilled and multicultural workforce; the broader business regulatory arrangements; and internationally competitive financial and taxation systems.<sup>24</sup>

2.45 Interestingly the Australian Academy of Science in its submission cited the example of Glaxo Smith Kline that decided to set up the headquarters for its Asia-Pacific research operation in Singapore. Australia was on the short list along with Singapore, China, India and Korea. The firm's criteria were quality of life, long-term national positive industry policies, financial incentives and geography.

2.46 Australia's weakness was perceived as:

... its lack of financial incentives, lack of a long-term industry policy and the perception that it was not a 'friendly' country for business. Australia is seen as a high-tax country for new start-up operations. Although Australia judges itself to be one of the lower taxing countries this is not acknowledged by the global corporate world.<sup>25</sup>

2.47 The issue of taxation policy is one that 'haunts' the debate on Australia's global competitiveness. Evidence from a number of Commonwealth agencies displayed a fairly dismissive view of the important role lower taxation regimes in Singapore and Ireland played in the growth of direct investment from overseas, questioning the long term sustainability of the tax breaks.

2.48 Although agencies maintain in Australia's case there are other more important factors that influence investment decisions apart from taxation regimes, this was not so in the Smith Kline Beecham (now Glaxo Smith Kline) case where Singapore's attractions were:

- tax incentives, which were 'irresistible' and part of a long term stable policy of tax incentives;
- training grants provided by Singapore for Singapore postdoctoral fellows to be employed by SKB (Smith Kline Beecham) with the objective of teaching these young people to be the very best in pharmaceutical R & D.<sup>26</sup>

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24 ISR, Submission No. 21, pp. 385-386.

25 Australian Academy of Science, Submission No. 6, p. 86.

26 *ibid.*

- 2.49 The Irish Ambassador emphasised the importance of taxation policy in the mix of incentives that promoted Ireland's development:

The ten per cent corporation tax was vital. Taxation policy is very important. The rate has gone up to 12 ½ per cent. It was at 10 per cent for the manufacturing sector. We had to bring the services sector in as well and in so doing we had to equalise the rate for everybody. It was 28 per cent or thereabouts for certain Irish companies. This was also found to be discriminatory. We had representations from Brussels to fix this internal distortion in the economy. Many thought that we move everybody up to 28 per cent but we thought it best to move most down and in fact we brought everybody to the same rate of 12 ½ per cent.<sup>27</sup>

- 2.50 We take the view that tax issues need to be examined. As Dr Blackburne noted, most overseas agencies that the task force studied use incentives to varying degrees and most offer corporate tax exemptions or holidays. Many countries (for example, Malaysia and Canada) target R & D through concessional tax treatment, while some offer grants (Ireland) or co-funding (Israel and Singapore).<sup>28</sup>

- 2.51 The importance of addressing the major national issues raised during the Blackburne Review have been emphasised above including the issue of advising on the international competitiveness of Australia's company and personal taxation rates. Moreover a major national issue is the need to assess the adequacy of Australia's skills base and skills development programs and facilities to leverage and support growth in target sectors.

- 2.52 The issue of the adequacy of a skilled Australian workforce, particularly in new growth areas, was part of the Enterprising Australia inquiry. The former Department of Employment, Workplace Relations and Small Business (DEWRSB) outlined reforms to the workplace relations framework, the importance of Australia's skills base and the ability to respond to structural change and address skill shortages.

- 2.53 DEWRSB pointed out that strategies for addressing skill shortages included the availability to industry of enhanced workplace flexibility provisions as well as:

Policies to emphasise vocational education in schools, increase new apprenticeships, improve labour market flexibility and enhance the responsiveness of education and training to emerging labour market requirements help to expand the availability of appropriately qualified labour to meet Australia's future skill

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27 Irish Ambassador, Transcript 5 March 2001, p. 10.

28 Blackburne Review, op. cit. p. 42.

needs. Arrangements for the temporary entry of skilled specialists from overseas facilitate the entry of migrants to meet skill gaps.<sup>29</sup>

2.54 The University of Melbourne made a number of important points on the adequacy of a skilled workforce particularly in the pharmaceutical industry and information technology, information systems industries and the competitiveness of that workforce. In a study over fourteen years that links occupations to the nature and extent of their global market forces, three broad trends emerged—two of which were less positive:

- The largest section of the labour force was still employed in occupations categorised as high- and low-skilled *routine production services* (tradespersons, clerks, office workers, machinists, operatives and drivers) which were most vulnerable to global competitive forces; and
- Low-skilled jobs which had minimal interaction with the global labour force were growing rapidly.<sup>30</sup>

2.55 The University pointed out that employment in Australia is increasingly the outcome of global labour market transactions and not just local or regional considerations. It recommended that this growing awareness of the nature of Australian employment 'be translated into education and training policy and planning to provide sectors of the Australian workforce with the skills to succeed in a globalised labour market'.<sup>31</sup> Furthermore as labour markets become more globalised, many aspects of employment such as availability, security, remuneration and skills are perceived to be changing rapidly.<sup>32</sup>

2.56 In this global environment the importance of a strong general education to encourage breadth of understanding and sensitivity to cultural difference and creativity was emphasised by the University. The Deputy Vice-Chancellor (Research) said:

Australia must follow the lead of countries such as Ireland and Singapore and ensure that educational and research policies recognise that narrow specialisation is ill-suited to creativity and enterprise. Both Ireland and Singapore have educational policies designed to sustain and develop core disciplines including those in the humanities and social sciences.<sup>33</sup>

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29 DEWRSB, Submission No. 9, p. 131.

30 The University of Melbourne, Submission No. 10, p. 141.

31 *ibid.*

32 *ibid.* p. 140.

33 *ibid.* p. 141.

- 2.57 Investment in education is critical to the future of Australia. Future sustainability depends on how much Australia values education and our ability to design education policies and programs that will guarantee sustainability in the long-term, pushing beyond the short-term budgetary focus. Ireland and Singapore provide lessons in this respect.

## Conclusion

- 2.58 Irrespective of Australia's achievements in encouraging inward investment and promoting export sales, the challenge for Australia and its policy-makers at all levels of government is to move forward and put us ahead of our competitors.
- 2.59 Australia needs to focus on becoming even more competitive than our competitors to go out there and be the best in the world.
- 2.60 The lack of quality evidence and interest shown by agencies in the inquiry, at all levels of government and business, is indicative that there is still a long road ahead to have in place a national strategic approach with commitment and ownership on trade and investment. The multiplicity of players and unresponsiveness of government processes do not assist Australia in planning, preparing and profiting from trade and investment.
- 2.61 Dr Blackburne's comments, in relation to investment, sum up Australia's situation accurately:

The decline in Australia's comparative effectiveness in winning international investment appears to be, at least in part, linked to the fact the we have been both 'out-marketed' and insufficiently aggressive in the pursuit of opportunities.<sup>34</sup>

Senator Alan Ferguson  
Chairman  
18 September 2002

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34 Blackburne Review, op.cit. p. 54.



## **Appendix A – Submissions Received**

<b>Submission No.</b>	<b>Individual/Organisation</b>
1	The University of New South Wales
2	Department of Transport and Regional Services
3	Austrade
4	Department of Foreign Affairs and Trade
5	Australian Manufacturing Workers Union
6	Australian Academy of Science
7	M R Rice
8	Australian Research Council
9	Department of Employment, Workplace Relations and Small Business
10	The University of Melbourne
11	Department of Defence
12	Academy of Technological Sciences and Engineering
13	Department of Health and Aged Care
14	Department of Immigration and Multicultural Affairs
15	Attorney-General's Department



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16	Communications Electrical Plumbing Union (CEPU)
17	Western Australian Government
18	Queensland Government
19	Austrade (Supplementary Submission)
20	Aboriginal and Torres Strait Islander Commission
21	Department of Industry, Science and Resources
22	Western Australian Government (Supplementary Submission)
23	Australian Chamber of Commerce and Industry
24	The Association of Australian Hotel Schools and the Australian Council of Independent Vocational Colleges
25	Department of Education, Training and Youth Affairs



## **Appendix B – Public Hearing and Witness List**

**Monday 5 March 2001 - Canberra**

### **Austrade**

Mr Craig Symon, General Manager, Export Finance Assistance Programs

Mr Michael Crawford, General Manager, International Business Services

Mr Greg Joffe, Corporate Adviser, Strategic Development

Mr Bernd Neubauer, General Manager, Invest Australia

Ms Meredith Wilkes-Bowes, Senior Policy Adviser

### **Embassy of Ireland**

HE Mr Richard O'Brien, Ambassador

**Monday 26 March 2001 – Canberra**

### **Department of Foreign Affairs and Trade**

Ms Zena Armstrong, Director, North and West Europe Section, Europe Branch, Americas and Europe Division

Mr Peter Baxter, First Assistant Secretary, Market Development Division

Ms Jill Cortney, Director, Subsidies and Trade Remedies Section, WTO Trade Law Branch, Trade Negotiations Division

Ms Jeannie Henderson, Acting Director, Philippines, Malaysia, Singapore and Brunei Section, Maritime South-East Asia Branch, South and South-East Asia Division

Mr Adrian Morrison, Acting Director, Trade Liaison Section, Market Development Division

Mr Jonathan Richardson, Director, WTO Regional and Free Trade Arrangements Section, Trade Negotiations Division

### **Department of Transport and Regional Services**

Mr William Dejong, Director, Regional Adjustment, Regional Development Branch

Ms Susan Elderton, Assistant Secretary Cross-Modal and Maritime Transport

Mr Des Harris, Director, Regional Forums

Mr Christopher Stamford, Director, North Asia Multilateral and Regulatory Reform, International Branch, Aviation Division

Mr Anthony Wheelens, Assistant Secretary, Aviation Division

### **Department of Employment, Workplace Relations and Small Business**

Ms Gail Finlay, Assistant, Regional Strategies Branch

Mr Denis Hart, Occupational and Skills Analysis Section

Dr Kathy MacDermott, Assistant Secretary, Framework Policy Branch

Mr Scott Matheson, Assistant Secretary, Economic and Labour Market Analysis Branch

## **Monday 2 April 2001 – Canberra**

### **Department of Transport and Regional Services**

Mr Bill Ellis, First Assistant Secretary, Land Transport

Mr Christopher O'Grady, Director, Rail Enterprise

### **Department of Defence**

Ms Justine Greig, Director, Strategic Personnel Planning and Research, Defence Personnel Executive

Mr Maurice Hermann, Assistant Secretary, Science Industry and External Relations, Defence Science and Technology Organisation

Dr Graham Kearns, Head of Industry Division, Defence Materiel Organisation

Commander Peter Ong, Deputy Director, Strategic Personnel Planning, Defence Personnel Executive

Mr John Popham, Director-General, International Materiel

### **Department of Immigration and Multicultural Affairs**

Mr Abul Rizvi, First Assistant Secretary, Migration and Temporary Entry Division

Mr Bernard Waters, Assistant Secretary, Business Branch

### **Monday 18 June 2002 – Canberra**

#### **Association of Australian Hotel Schools**

Professor Michael Conlin, Chairman

#### **Australian Chamber of Commerce and Industry**

Ms Karen Curtis, Director, Industry Policy

Mr Brent Davis, Director, Trade and International Affairs

#### **Australian Council of Independent Vocational Colleges**

Mr Andrew Leary, Director

#### **Australian Research Council**

Mr Simon Sedgley, Director, Policy and Planning

### **Monday 25 June 2001 – Canberra**

#### **Australian Academy of Science**

Professor Athel Beckwith, Treasurer

Professor John White, Secretary, Science Policy

**Department of Industry, Science and Resources**

Mr Grahame Cook, Head of Division, Innovation and Science Division

Ms Helen Georgopoulos, Head of Division, Business Competitive Division

Mr Michael Holthuyzen, Deputy Chief Executive Officer

Mr Barry Jones, Executive General Manager, Invest Australia

Mr David Purcell, Principal Adviser, Strategic Investments and Policy

**Singapore High Commission**

HE Mr Ashok Mirpuri, High Commissioner

**Monday 6 August 2001 – Canberra****Australian Manufacturing Workers Union**

Mr Nixon Apple, National Research Officer

**Department of Health and Aged Care**

Dr Greg Ash, Director, Research Policy Section

Ms Christianna Cobbold, Assistant Secretary, Health Capacity Development

Mr Tony Kingdon, Assistant Secretary, Policy and International Branch

Mr Stuart McAlister, Director, Diagnosis Related Group

Ms Suzanne Northcott, Acting Assistant Secretary, Office of National Health and Medical Research Council

Ms Lana Racic, Acting Assistant Secretary, Office for Older Australians, Aged and Community Care Division

Ms Elaine Ward, Director, Industry and International Support Section

**Aboriginal and Torres Strait Islander Commission**

Mr Leslie O'Donoghue, Policy Officer, Community and Economic Development

Mr Geoff Richardson, Manager, Community and Economic Development

Mr Dillon Sothinathan, Senior Policy Officer, Community and Economic Development

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## **Monday 27 August 2001 – Canberra**

### **Communications Electrical Plumbing Union**

Mr James Claven, National Industrial Research Officer

### **Department of Education, Training and Youth Affairs**

Ms Rebecca Cross, Assistant Secretary, Australian Education International Branch

Mr Douglas Gorman, Assistant Director, Skills Analysis and Data Management Section

Mr Lucio Krbavac, Director, Skills Analysis and Data Management Section

Mr William Thorn, Acting First Assistant Secretary, International, Analysis and Evaluation Division

### **Australian Chamber of Commerce and Industry**

Mr Brent Davis, Director, Trade and International Affairs



## Appendix C – Exhibits Received

Exhibit Number	Description
1	Material received from the Singapore High Commission: <ul style="list-style-type: none"><li>• <i>Enabling the Knowledge – Based Economy</i>, Economic Development Board Yearbook 1999/2000;</li><li>• <i>Taking Business Further</i>, Singapore Trade Development Board.</li></ul>
2	<i>Why Australia Needs Exports: The Economic Case for Exporting</i> - A discussion paper of the Australian Trade Commission and the Centre for Applied Economic Research at the University of NSW, Sydney, 2000.
3	<i>International Air Services</i> - A Policy Statement by the Hon John Anderson MP, Deputy Prime Minister and Minister for Transport and Regional Services, dated June 2000.
4	Attorney-General's Department - attachments to submission: <ul style="list-style-type: none"><li>• Practice of Foreign Law Bill 1996;</li><li>• <i>Australian Legal Services Export Development Strategy 1999 to 2002</i>. The International Legal Services Advisory Council (ILSAC), November 1999; and</li><li>• <i>Transnational Practice for the Legal Profession</i>. Report of the Law Council of Australia Delegation to Paris and Geneva 8-13 November 1998, Law Council of Australia, International Legal Services Advisory Council, April 1999.</li></ul>

5	<p>Material supplied by the Department of Foreign Affairs and Trade, 26 March 2001:</p> <ul style="list-style-type: none"> <li>• <i>From Sheep's Back to Cyber Space-Trade and Regional Australia in Changing Times</i>, Foreign Affairs and Trade, 2001;</li> <li>• <i>APEC Getting results for Business</i>. APEC Secretariat, Singapore;</li> <li>• <i>Open Economies Delivering to People-APEC's decade of progress</i>. A report prepared for the APEC Economic Leaders Meeting, Brunei Darussalam 2000;</li> <li>• <i>Trade Liberalisation: Opportunities for Australia</i>. Foreign Affairs and Trade, 1997;</li> <li>• <i>Global Trade Reform-Maintaining Momentum Values</i>. Foreign Affairs and Trade, 1999;</li> <li>• Press Release Embassy of Japan, Canberra, 7 July 2000, <i>Japanese Companies in Australia</i>. Second Survey of the Contribution to Employment and Exports of Japanese Affiliated Companies in Australia;</li> <li>• <i>Economic benefits from an AFTA-CER free trade area-Year 2000 study</i>. Report prepared for the Department of Foreign Affairs and Trade by the Centre for International Economics, Canberra, June 2000.</li> </ul>
6	<p>Material supplied by the Department of Defence, 2 April 2001: Australian Technology &amp; Innovation, Technology Clusters - Australian Defence Industry – Achieving World Class Standards:</p> <ul style="list-style-type: none"> <li>• <i>Simulators</i>;</li> <li>• <i>Vehicles</i>;</li> <li>• <i>Surface Warfare</i>.</li> </ul>
7	<p>Material supplied by the Department of Immigration and Multicultural Affairs, 2 April 2001:</p> <ul style="list-style-type: none"> <li>• <i>Business Skills Migration</i> booklet.</li> </ul>
8	<p>Material supplied by the Department of Defence, 2 April 2001:</p> <ul style="list-style-type: none"> <li>• <i>Australian Technology &amp; Innovation Technology Clusters – Underwater Warfare</i>. Australian Defence Industry Achieving World Class Standards, February 2001.</li> </ul>
9	<p>Department of Foreign Affairs and Trade, Answers to Questions on Notice, 26 March 2001.</p>
10	<p>Department of Defence, Answer to Question on Notice, 2 April 2001.</p>



11	Department of Defence, Answers to Questions on Notice, 2 April 2001.
12	Department of Immigration and Multicultural Affairs, Answers to Questions on Notice, 2 April 2001.
13	Department of Employment, Workplace Relations and Small Business, Answers to Questions on Notice, 26 March 2001.
14	Department of Transport and Regional Services, Answer to Question on Notice, 26 March 2001.
15	International College of Tourism and Hotel Management 2001/2002, Sydney, Australia - Brochure.
16	<p>Material supplied by The Australian Academy of Science, 25 June 2001:</p> <ul style="list-style-type: none"> <li>• <i>Comments by the Royal Australian Chemical Institute 19 January 2001 - The Chemicals and Plastics Industry Steering Group Report to Government - Draft for Consideration by Industry, 12 December 2000, Professor J W White, President.</i></li> </ul>
17	Department of Industry, Science and Resources, Answers to Questions on Notice, 25 June 2001.
18	<i>Attracting Foreign Direct Investment</i> , powerpoint presentation by the Australian Chamber of Commerce and Industry, 27 August 2001.
19	Material supplied by Emeritus Professor Lawrie Lyons.
20	<p>Additional material supplied by the Aboriginal and Torres Strait Islander Commission:</p> <ul style="list-style-type: none"> <li>• Information relating to Coles Taste Australia project dealing with bush food;</li> <li>• The Canadian and Australian Indigenous business scenario;</li> <li>• Tax incentives involving Indigenous Canadian businesses (KPMG report on Canadian taxation and Indigenous peoples called <i>First Nations and Canadian Taxation</i>); and</li> <li>• A list of members on the Indigenous Tourism leadership group.</li> </ul>



## **Appendix D – Recommendations from 'Winning Investment – Strategy, People and Partnerships'**

<b>Recommendation</b>	<b>Government Response</b>
<b>General economic conditions</b>	
<ul style="list-style-type: none"><li>• The Commonwealth Government continue actively to encourage overseas direct investment with a view to it sustaining a valuable contribution to Australia's economic well-being.</li></ul>	Agree.
<ul style="list-style-type: none"><li>• The Government continue to give on-going high priority to sound and stable macroeconomic policies and microeconomic reforms in order to attract investment.</li></ul>	Agree.
<ul style="list-style-type: none"><li>• These (macroeconomic and microeconomic) policies be kept under constant attention to ensure that Australia remains at the forefront as an investment location.</li></ul>	Agree.

<b>National strategy</b>	
<ul style="list-style-type: none"> <li>• A Prime Minister's Investment Council (PMIC) be established.</li> </ul>	Not agreed. Operations will be overseen by the Employment and Infrastructure Committee of Cabinet which the Prime Minister will chair.
<ul style="list-style-type: none"> <li>• Under the guidance of the PMIC, a national strategic framework for investment promotion and attraction in Australia be developed. This framework should be developed in the context of Australia's overall economic growth and industry and regional development objectives.</li> </ul>	Agree to national strategic framework.
<ul style="list-style-type: none"> <li>• The membership of the PMIC comprise appropriate ministers, eminent business leaders and <i>ex-officio</i> the CEO [Chief Executive Officer] of <i>Invest Australia</i>.</li> </ul>	Not applicable.
<ul style="list-style-type: none"> <li>• The appointment of business leaders to the PMIC be on the basis of their individual capacities, not because of their current corporate positions, and that they not send substitutes to PMIC meetings.</li> </ul>	Not applicable.
<ul style="list-style-type: none"> <li>• The work programme of the PMIC include the major national issues raised in this report.</li> </ul>	Not applicable.
<ul style="list-style-type: none"> <li>• The states and territories be partners in the national overseas investment promotion and attraction strategy.</li> </ul>	Agreed.
<ul style="list-style-type: none"> <li>• The states and territories and Commonwealth heads of investment agencies form a 'National Investment Advisory Board' to formalise the relationship.</li> </ul>	Agreed.
<ul style="list-style-type: none"> <li>• A standing item on investment be included on the Industry ministers' meeting agenda.</li> </ul>	Agreed.
<b>Invest Australia</b>	
<ul style="list-style-type: none"> <li>• Investment promotion and attraction be delivered through an autonomous, prescribed agency called <i>Invest Australia</i> in the industry portfolio.</li> </ul>	Agreed. Location of agency to be advised.

<ul style="list-style-type: none"> <li>• The inwards investment promotion and attraction activities of other Commonwealth agencies be incorporated into <i>Invest Australia</i>.</li> </ul>	<p>Agreed.</p>
<ul style="list-style-type: none"> <li>• The role of <i>Invest Australia</i> include the following specific responsibilities: <ul style="list-style-type: none"> <li>- The development of an appropriate, whole-of-nation strategy for promoting and attracting overseas direct investment into Australia;</li> <li>- The development of a whole-of-government investment promotion and attraction policy;</li> <li>- The effective and efficient implementation of the investment promotion and attraction strategy; and</li> <li>- The effective management of all the relationships involved in the processes of promoting and attracting investments into Australia including relationships with states and territories, other Commonwealth agencies, and the private sector.</li> </ul> </li> </ul>	<p>Whole-of-nation strategy agreed.</p> <p>Implementation issue agreed.</p> <p>Relationship management agreed.</p>
<ul style="list-style-type: none"> <li>• The CEO of <i>Invest Australia</i> be expected to have the leadership qualities that will facilitate cooperation among the stakeholders and sharpen the marketing focus of the organisation. These qualities should include in-depth knowledge of the Australian economy, strategic vision and leadership, and understanding of the global investment environment.</li> </ul>	<p>Agreed.</p>
<ul style="list-style-type: none"> <li>• The roles of the Strategic Investment Coordinator and CEO be combined in the new <i>Invest Australia</i>.</li> </ul>	<p>Not agreed. Strategic Investment Coordinator role to be separately retained.</p>
<ul style="list-style-type: none"> <li>• The CEO report directly to the Prime Minister on matters relating to major projects deemed to be of national importance and to the portfolio minister on all other matters.</li> </ul>	<p>Not applicable.</p>
<ul style="list-style-type: none"> <li>• The use of financial incentives to attract investment be seen as only one of a number of possible initiatives, kept to a minimum and that rigorous criteria be used in their application.</li> </ul>	<p>Agreed.</p>

<ul style="list-style-type: none"> <li>• The threshold for major project facilitation status be reconsidered to attract contestable investment in enabling or potentially high-growth sectors.</li> </ul>	Agreed.
<ul style="list-style-type: none"> <li>• <i>The Australian Trade Commission Act 1985</i>, Section 8 (a) (v) be amended to clarify the respective roles of Austrade and <i>Invest Australia</i> and to enable Austrade to assist <i>Invest Australia</i> as a service delivery agent.</li> </ul>	Agreed.
<b>Resources</b>	
<ul style="list-style-type: none"> <li>• <i>Invest Australia</i> be allocated the Commonwealth's entire appropriation for investment promotion and attraction activities including facilitation. The funding allocated in the ISR portfolio and by Austrade to overseas investment promotion and attraction activities (minimum \$20 million) be transferred to the revamped <i>Invest Australia</i> by no later than 1 July 2002 <ul style="list-style-type: none"> <li>- Those offshore employees currently funded by <i>Invest Australia</i> but employed by Austrade be transferred to <i>Invest Australia</i>;</li> <li>- in this context, discussions also be held between <i>Invest Australia</i> and Austrade concerning the extent to which <i>Invest Australia</i> may wish to use Austrade staff and facilities offshore;</li> <li>- the financial resources allocated to NOIE [National Office for the Information Economy] for overseas investment promotion and attraction be transferred to <i>Invest Australia</i> by no later that 1 July 2002;</li> <li>- DFAT [Department of Foreign Affairs and Trade] continue to lend support in-market to Australia's overseas investment promotion and attraction efforts; and</li> <li>- Resources allocated to Axiss Australia be transferred to <i>Invest Australia</i> within three years subject to the review of Axiss Australia.</li> </ul> </li> </ul>	<p>New funding of \$11 million committed in addition to existing funding.</p> <p><i>Invest Australia's</i> operational arrangements to be advised.</p>

<ul style="list-style-type: none"> <li>• If additional Commonwealth resources are thought to be required by <i>Invest Australia</i>, these be sought in the context of the 2002-03 Budget once the proposed PMIC has considered <i>Invest Australia's</i> strategic direction, noting the need for some transitional funding for the new entity in 2001-02.</li> </ul>	<p>Not applicable.</p>
<ul style="list-style-type: none"> <li>• The CEO of <i>Invest Australia</i> have responsibility for the development of the agency's resources and the extent to which it purchases services from others in fulfilling its charter.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• A small cross-agency implementation group, including a DOFA [Department of Finance and Administration] official, be assembled to establish and staff the new entity.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• <i>Invest Australia</i> enter into a foreign exchange agreement with DOFA to cover its exchange rate exposure in undertaking offshore activities.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<p><b>Marketing</b></p>	
<ul style="list-style-type: none"> <li>• In the light of information deficiencies in the global marketplace about Australia's comparative advantage, strengths and capabilities the Commonwealth be focussed on promoting Australia offshore as a place to invest.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• Government should engage with the private sector in promoting Australia.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• The promotional activity be both generic and industry-specific in focus.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• Industry-specific promotion should be directed to industry sectors in which Australia is assessed as having a comparative advantage or excellent potential.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• A rolling three-year marketing plan be developed by <i>Invest Australia</i>, in partnership with relevant Commonwealth agencies, state and territory governments and key business stakeholders.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>

<ul style="list-style-type: none"> <li>• <i>Invest Australia</i> devote substantial resources to its marketing programme, and that the allocation of these resources be considered in the light of the findings of recent reviews.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• Investment officers have a good understanding of investment opportunities in regional areas of Australia, and that promotional material produced by <i>Invest Australia</i> highlight the industry strengths available in the regions; and</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• Commonwealth ministers consult <i>Invest Australia</i> in developing their overseas travel programmes to maximise opportunities to address appropriate investor audiences, and be involved in other promotional activities.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<h2>Reporting</h2>	
<ul style="list-style-type: none"> <li>• <i>Invest Australia</i> prepare (1) annually, an <i>Investment Outcomes and Objectives Statement</i> which would be tabled in Parliament by the responsible Minister; and (ii) reports on objectives and performance to PMIC for each meeting of the that Council.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• All agencies assisting <i>Invest Australia</i> in investment promotion and attraction activities report on their work through these reports.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• A comprehensive set of performance indicators which will measure the success of the strategies adopted by <i>Invest Australia</i> be developed in consultation with stakeholders in investment.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>
<ul style="list-style-type: none"> <li>• Satisfactory performance against key performance indicators be required before any funding is provided beyond end-June 2007 for <i>Invest Australia</i>.</li> </ul>	<p><i>Invest Australia's</i> operational arrangements to be advised.</p>



## **Appendix E – Major National Issues Raised During Consultations in the Course of the Blackburne Review**

The following major national issues were raised during consultations in the course of the Review and were to be included in the work program of the proposed Prime Minister's Investment Council (PMIC):

- advice on the use of an Australian business brand and associated promotional campaign to develop internationally a business image for Australia, as well as the core strategies of the marketing plan of *Invest Australia*;
- identify the key domestic sectors on which Australia should concentrate its investment promotion and attraction efforts to maximise its international competitive advantages, as well as those sectors Australia wants to develop;
- highlight future industry sectors that could provide for Australia's continued economic growth, especially industries that will enhance living standards, develop new skills and boost employment opportunities;
- discuss business and industry impediments to investment, and how these might be overcome;
- advise on tax issues seen as an impediment to business;
- assess the adequacy of Australia's skills base, and skills development programmes and facilities, to leverage and support growth in target sectors;
- suggest ways to improve the commercialisation of R & D in Australia, to complement the work of PMSEIC [Prime Minister's Science, Engineering and Innovation Council], particularly publicly funded



R & D, including the role ODI [overseas direct investment] could play in this process;

- consider ways to encourage further venture capital involvement, both domestic and international, to invest in Australia's growth;
- develop a strategy to raise public awareness of the benefits to Australia of globalisation and foreign investment, and to development an 'investment culture' in Australia; and
- discuss a forward overseas visit programme based on the plans of individual members of the PMIC, in order to maximise the potential investment promotion benefits of these visits.