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# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Small business employment**

THURSDAY, 15 AUGUST 2002

SYDNEY

BY AUTHORITY OF THE SENATE

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**SENATE**  
**EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION**  
**REFERENCES COMMITTEE**

**Thursday, 15 August 2002**

**Members:** Senator George Campbell (*Chair*), Senator Tierney (*Deputy Chair*), Senators Barnett, Carr, Crossin and Stott Despoja

**Substitute members:** Senator Conroy for Senator Carr and Senator Cherry for Senator Stott Despoja

**Participating members:** Senators Abetz, Boswell, Buckland, Chapman, Cherry, Jacinta Collins, Coonan, Denman, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Harradine, Harris, Hutchins, Knowles, Lees, Lightfoot, Ludwig, Mason, McGauran, Murphy, Nettle, Payne, Sherry, Watson and Webber

**Senators in attendance:** Senators Barnett, George Campbell, Cherry and Conroy

**Terms of reference for the inquiry:**

To inquire into and report on:

1. The effect of government regulation on employment in small business, specifically including the areas of workplace relations, taxation, superannuation, occupational health and safety, local government, planning and tenancy laws.
2. The special needs and circumstances of small business, and the key factors that have an effect on the capacity of small business to employ more people.
3. The extent to which the complexity and duplication of regulation by Commonwealth, state and territory government inhibits growth or performance in the small business factor.
4. Measures that would enhance the capacity of small business to employ more people.

**WITNESSES**

**De IULIIS, Mr Giuseppe (Joss), Board Director, Hunter Economic Development Corporation ..... 652**

**HARCOURT, Mr Tim, Chief Economist, Australian Trade Commission..... 664**

**PATTISON, Dr Allan, Chair, Hunter Economic Development Corporation ..... 652**

**SUMMERS, Ms Gillian, Chief Executive Officer, Hunter Economic Development Corporation ..... 652**

**WILKES-BOWES, Ms Meredith (Dee) Katherine, Acting Manager, Government and Policy,  
Australian Trade Commission..... 664**

**Committee met at 9.04 a.m.**

**CHAIR**—I declare open this public hearing of the Senate Employment, Workplace Relations and Education References Committee. On 28 March 2002 the Senate referred to its Employment, Workplace Relations and Education References Committee an inquiry into small business employment. The terms of reference focus broadly on two main issues: first, the effects of government regulation on the performance of small business, including the complexity of these regulations and the overlap between Commonwealth, state and local government regulations; and second, the special needs and circumstances of the sector, particularly in regard to the capacity of small business to employ more people. Some of these issues were canvassed by this committee in its inquiry into regional unemployment, which reported late in 1999.

The committee acknowledges the vital importance of small business in the Australian enterprise structure and the need to ensure that the sector has the capacity to grow and to increase the size of the labour market. Of particular interest to the committee is the challenge of transforming successful small businesses into dynamic medium sized industries capable of driving economic growth and employment. The committee has received submissions from a wide range of small business interests and is conducting public hearings in most states, as well as less formal, roundtable discussions with local businesspeople.

Before we commence taking evidence today, I wish to state for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to the evidence provided. Parliamentary privilege refers to special rights and immunities attached to the parliament or its members and others necessary for the discharge of parliamentary functions without obstruction and fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given before the Senate or any of its committees is treated as a breach of privilege.

[9.05 a.m.]

**De IULIIS, Mr Giuseppe (Joss), Board Director, Hunter Economic Development Corporation**

**PATTISON, Dr Allan, Chair, Hunter Economic Development Corporation**

**SUMMERS, Ms Gillian, Chief Executive Officer, Hunter Economic Development Corporation**

**CHAIR**—Welcome. The committee has before it submission No. 78. Are there any changes you wish to make to the submission?

**Dr Pattison**—No, although I would like to make a statement.

**CHAIR**—The committee prefers all evidence to be given in public, although the committee will also consider any request for all or part of evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite Dr Pattison to make a brief opening statement.

**Dr Pattison**—Thank you for the opportunity to make our submission and this opening statement to your inquiry. First, may I give you brief background information about the Hunter Economic Development Corporation, about myself and my colleagues, and the Hunter region. The HEDC is an organisation set up and partially funded by the New South Wales government through its Department of State and Regional Development. Its board comprises 12 residents of the region. Each board member has a background and experience appropriate to regional economic development, as well as first-hand knowledge of the region.

My own background is that of a professional engineer with experience in regional development. I have held senior academic and administrative positions at the New South Wales Institute of Technology, which was the predecessor organisation of the University of Technology, Sydney. Also, I have had extensive experience at a senior level in the New South Wales Public Service, having held the position of Director-General of the New South Wales Department of Technical and Further Education for over seven years. Following my retirement, I was appointed chair of the Hunter Economic Development Corporation, a position I have held for the last six years. I am also a board member of the Hunter Valley Research Foundation, the Hunter Area Consultative Committee and a member of the Hunter Catchment Management Trust.

I am accompanied today by one of the members of the HEDC board, Mr Giuseppe De Iuliis, and the corporation's chief executive officer, Ms Gillian Summers. Mr De Iuliis is a leading citizen and businessman of the Hunter Valley. He is the managing director of Waratah Engineering Pty Ltd, a firm with business interests throughout the Hunter region, other parts of Australia and internationally. As well, he is a grower of some of the Hunter's highest quality grapes and a producer of some of the region's best quality wines. Also he operates a first-class restaurant. His vineyard, winery and restaurant are located at Pokolbin, an area which is not

only famous for its wines, but which is now a central part of the Hunter's rapidly growing tourism industry. Mr De Iuliis is a member of the Newcastle and Hunter business chamber, and is chairman of the Hunter Institute of TAFE Council.

Ms Gillian Summers has had a distinguished career in marketing and regional economic development. As the HEDC's CEO, she is responsible for the implementation of the board's decisions and communicating these, where appropriate, to governments and to the community at large. She administers and is actively involved in the activities of the HEDC's task forces and committees. It is through these groups that the board develops its activities and is one of its important interfaces with the community. As well, Gillian is the mother of two small children and the wife of another of the region's business leaders.

This submission which we have put before you today touches on a number of issues which I believe to be relevant to the subject of your inquiry. These issues have been selected from amongst matters which the HEDC has identified over recent years as being of concern and in need of appropriate action. Our concerns apply of course to the Hunter region of New South Wales, but it might be noted that the region is viewed by many to be a microcosm of Australia as a whole. The region includes 13 local government areas, covers an area of about 31,000 square kilometres and has a population of almost 570,000 people of whom just over 28 per cent are under 20 years of age.

The region is served by approximately 26,000 registered businesses, each of which employs fewer than 100 people, and by about 220 businesses, each of which employs 100 people or more. In recent years the region has undergone massive economic change, much of which has brought about serious social issues for the region such as unacceptably high unemployment. In response to these difficulties, the region works hard to reposition itself in the national economic structure so that it will in the future, just as it has done in the past, continue to make a significant contribution to the nation as a whole and, at the same time, do whatever it can to ensure the protection of its environment and the wellbeing of its citizens.

**Senator BARNETT**—Thank you for your submission and congratulations on preparing that. Sometimes I think it would be nice if the committee was at Joss's establishment to try first-hand some of the good work of the small business operators in Australia.

**CHAIR**—Not before lunch.

**Senator BARNETT**—Let me go back a step to your establishment and the reason that the state government established the Hunter Economic Development Corporation. Can you provide a touch of history there?

**Dr Pattison**—It has come across several governments over the years and it has been established to, first of all, promote the region, to identify economic development issues in the region, to take government policies and help in the application of government policies in relation to regional development, and to pursue the development of industry and job opportunities wherever possible.

**Senator BARNETT**—Excellent. I can understand that to some degree. Obviously, we do not have an economic development corporation in every regional area of New South Wales, but there has been a focus on the importance of the Hunter region to New South Wales.

**Dr Pattison**—No, there is an equivalent organisation in every region of New South Wales.

**Senator BARNETT**—Is there?

**Ms Summers**—The Hunter was the first.

**Senator BARNETT**—How long have you been operating, approximately?

**Ms Summers**—Since 1989.

**Dr Pattison**—I understand the board was formed by the Greiner government.

**Senator BARNETT**—The reason I asked is that obviously we are looking nationally at the best practice models for how to get growth and development in the region and particularly in small business employment. So I am throwing it back to you again. Do you think it is a good initiative by a state government or any government to have an economic development corporation in the different regions of Australia—not just in New South Wales but across the country? Do you think that type of thing could be replicated across the country?

**Dr Pattison**—If I could draw the comparison throughout the rest of New South Wales, these organisations exist in all parts of the state with varying degrees of success. The success has developed out of need but largely out of the energy and enthusiasm of the individuals. Success depends on your own effort. We are particularly fortunate in the Hunter in having a particularly talented team of staff and board people.

**Senator BARNETT**—Do you have business enterprise centres up there?

**Dr Pattison**—Yes.

**Senator BARNETT**—Do they operate out of your entity or are they separate?

**Dr Pattison**—They are separate. They operate generally as we do under the general mantra of the Department of State and Regional Development, but there is a linkage. We know where we all are and we have our area of activity that we work in—

**Senator BARNETT**—How do you differentiate what you do compared to, say, a business enterprise centre? The other one is an area consultative committee—do they also exist in your region?

**Dr Pattison**—I happen to be on the area consultative committee as a board member. For a start, the area consultative committee works more on employment issues and in the application of special Commonwealth grants such as Dairy RAP and those sorts of programs. One might say that we are doing equivalent things with state funds, although our emphasis is more towards

business attraction rather than project work that gets done under special Commonwealth programs such as the dairy industry.

**Senator BARNETT**—How do you coordinate all of that? Do you just liaise with each other? Do you have a monthly meeting, or do you just know what each other is doing?

**Dr Pattison**—We work through various task forces and the like where there is a common membership. One of the longstanding interrelationships is that the chairman of the HEDC board is on the board of the HACC. That is a fairly formal linkage. However, it goes beyond that: the executive officers are always together and we work through subcommittees or task forces in respect of which we make sure that there is some common membership.

**Senator BARNETT**—Being a bit of a devil's advocate, do you think that there would be merit in doing away with those three for the Hunter region and putting all the effort and services into one entity, whether it be the Hunter Economic Development Corporation or something with another name and that entity dispersing the services? Would that be a better way of serving the Hunter region?

**Dr Pattison**—The short answer is no, although the question deserves a longer answer. There is often an argument locally that there are too many organisations working more or less in the same field, tramping across each other's path. I do not believe that is true. I hold quite firmly to the view that these organisations provide an opportunity for specialisation and for groups of people to come together to give their energy, enthusiasm and skills to the particular set of issues in front of them. If you took that away, by and large you would find that the total effort being put into these issues would be less than it is now, and not only less in quantum but less in capacities and skills. I hold that view quite strongly, and this is not a new issue.

**Senator BARNETT**—I am sure it has been brought up with you. We are trying to see the big picture and we want to have a vision for 10 years from here. The idea is: if you had a blank piece of paper, how would you do things in 10 or 20 years time? What is the best practice in terms of helping and supporting small business, microbusinesses and home based businesses? How do we design something that is really going to work? Perhaps we have no entity and just lower everybody's taxes. There are different ways to go about it.

**Dr Pattison**—Different communities have different needs, and the great problem is that we have to have more or less a common pattern across the whole lot.

**Senator BARNETT**—You don't have to—

**Dr Pattison**—That is our tradition: if they've got it, we want it.

**Senator BARNETT**—But not every corner of Australia has an area consultative committee.

**Dr Pattison**—No, but we are rather fortunate in the Hunter in that the areas of interest of those two groups more or less coincide—not exactly.

**Senator BARNETT**—And I am sure that you would work together.

**Ms Summers**—As Allan said, it is fortunate that in the Hunter we have that overlap with the ACC. The Hunter is unique in that, for historic reasons and for geographic reasons—we have a natural river valley—there is a defined region. When I talk to some of my colleagues in other regions, that is not the case. The ACC, the board and the councils have this overlapping, all of which differs. It is very important for the community, including the business community, of a region to be able to identify that it comes from that region.

**Senator BARNETT**—I can understand that. It builds a sense of community—a sense of belief and a sense of empowerment for that local community. Is that what you are saying?

**Ms Summers**—Exactly. Funding comes through, and it manifests in all ways.

**Senator BARNETT**—Focusing on your response to the fact that you are geographically located away from Sydney, exactly how far would it be in travel time?

**Dr Pattison**—A couple of hours by car.

**Ms Summers**—We did it this morning.

**Senator BARNETT**—How can we help support small businesses and microbusinesses in that community in light of the geographic difference? For example, there is a business entry point service and a business licence information service provided in the various states. Is that something used by your small businesses and microbusinesses to find out about government regulation and red tape? Do you find that they use the Internet to search for those sorts of things, or do they just take a trip a couple of hours down the road to pick up all their rules and regulations?

**Mr De Iuliis**—You ended on the right subject: the Internet. Businesses are using new technology more and more. The situation is that we are competing on a worldwide basis and we are trying to use the latest technology. Of some impediment to small business is the utilisation of that technology. I have some cases that I can quote for you. For instance, I run a business that employs 120 people Australia-wide, and we are trying to use Newcastle as our headquarters. At the moment I am having some difficulty doing that, because we have to drive this through the mainframe network of our communications system. The impediment is that, being in a regional area, we are penalised by having higher charges.

**Senator BARNETT**—Higher Internet charges?

**Mr De Iuliis**—No. We have higher telephone line charges, because we are in a regional area. Mind you, if we did not have this geographical location and were an hour and a half down the road we would probably be okay. So that is one of the issues. I am quoting this because I have the same issue with our Emerald operation; it also is not metropolitan and therefore we are in trouble. It is putting in non-metro lines for technologies that I believe is creating some issues for small businesses.

**Senator BARNETT**—You have talked about the benefits of the Internet. Do you think the government should subsidise small businesses and microbusinesses in regional areas to access the Internet, to make it valuable and empowering for businesses?

**Mr De Iuliis**—That is exactly what we are using in the vineyard area. It is a fantastic tool to use, because it reduces your costs and all of those things. But, again, it comes back to having the infrastructure in place to allow you to do this. Businesses are using it but they are being frustrated by the length of time it takes to do a transaction. Therefore, you go back to the old way. For example, my wife runs the restaurant and I have tried to train her in how to do business over the Internet so that she can do the banking, but she keeps going to Cessnock to the bank because we are having difficulties with the lines not being available in the way they should be. I will be more specific: ADSL is a great tool that is available within metro areas and within Newcastle itself in some areas, but it is not available to all areas. So the choice comes back to the country-wide solution, which is to have a satellite dish so that you transmit through one way and receive it through another tool. But this adds additional cost to doing business. It is the same for the guy here in Phillip Street: the costs are increased. So these are some of the impediments we experience in our areas.

**Senator BARNETT**—In your submission you mention the higher costs of doing business in regional communities. Is that one of the things you are referring to?

**Mr De Iuliis**—Yes.

**Senator BARNETT**—Are there any others that you want to identify for us?

**Mr De Iuliis**—Yes. It comes back to things like the roads and road conditions in some of our municipalities that basically make our business fairly costly. I can quote for you specific estates that have been asked by the council to be a party to building public roads within those estates. This makes it difficult for those businesses we are trying to retain and the new ones that we are trying to attract: it makes the cost of rates too high so they choose a different area.

**Dr Pattison**—Can I come back to the telephone charges. There is a lot of fibre optic in the bush, for example. Getting fibre optic in and around Newcastle and the Hunter Valley is of itself not a problem, but getting that last kilometre from where you live to the tunnel is very expensive. There is a lack of willingness on the part of providers to do that, other than at exorbitant cost.

**CHAIR**—The last time I was in Newcastle you were talking to a private company about putting a local loop in. How far has that developed?

**Ms Summers**—That company would have been Ipera. They have put that loop in around the CBD of Newcastle in the path of the major businesses, but again it is the last mile to the SMEs that would be the issue. It serves the NIBs and the ATOs and such organisations, but if you are in that side street and you are running a small Internet company you need to pay them to get connected.

**Dr Pattison**—Ipera is in the downtown area of Newcastle. For the other vast areas of small business throughout the region—including the rest of Newcastle, Lake Macquarie and so on—it does not exist.

**CHAIR**—There are no proposals on the table to extend the loop out into these areas?

**Dr Pattison**—Not that I am aware of, in the detail that Ipera has gone into. There are other telecommunication proposals for parts of the lower Hunter, Newcastle and Lake Macquarie, but generally speaking they are general telecommunications centred on television—

**Ms Summers**—And pay TV.

**CHAIR**—So it is not focused on broadband services?

**Ms Summers**—No. I might add one point there. When Ipera was talking about putting that loop in, the vision was to reinvent this industrial town into an ICT centre by providing the broadband. An application was made under one of the federal technology programs, I think, by our organisation and Newcastle council to feed off that loop into those small businesses in the small side streets so that you could attract some of the microbusinesses. There was a perception that Newcastle would be all right because we were not in the back of Bourke somewhere—that we were okay, there was fibre optic in Newcastle. Therefore, we did not qualify for that funding. Yet it would have made a huge difference to that CBD.

**Dr Pattison**—And to the ultimate success of the IP area investment.

**Senator BARNETT**—If there was one thing that the government could do to help and support small business in your community, what would it be?

**Dr Pattison**—The one immediately in front of us is the attraction of large-scale government investment to patrol boat construction, which would provide the opportunity for numerous small providers to get those large government contracts.

**Senator SHERRY**—Following up on that point, in your area do you think that economic development comes from a couple of ‘big bang’ projects like that or from putting emphasis on promoting specialist small firms and growth in that particular sector? State premiers seem to put so much emphasis on the ‘big bang’ projects.

**Dr Pattison**—I am not a believer in the ‘big bang’ process. We have emerged from a period in which a dominant organisation, BHP steel and manufacturing, really did hold sway in Newcastle for many years. We have emerged from the closure of that plant via a large number of small to medium sized businesses, and that is our future. The thing is to make the working environment within the regional or non-metropolitan areas a level playing field, to use that awful expression, with the metropolitan areas. We can hold our own with all the other factors except the infrastructure and regulation. If you can make it possible for Joss and his colleagues to compete evenhandedly with, say, the western suburbs of Sydney, we will take them on at any time without government assistance.

**Senator CHERRY**—Coming back to identification, in your paper you say that only about four per cent of firms would be growth oriented firms. What are the mechanisms for identifying such firms, and do they tend to be in the export oriented sector?

**Mr De Iuliis**—The impediments to small business growth are many, but there are a few people, like me, who are struggling to go forward and are exporting. The increase in my business has been in export. Export focus is very high on our agenda. The problem that small business

has is changing over and going from that very small bit—because the next thing you have is a six per cent impost for employing people. I talk to some of these guys and they say, ‘Why would I want to put another person on? I am going to increase my turnover but I am going to pay six per cent of it back to the government.’ These are some of the imposts. Eighty per cent of big growth in Australia is small business. That is where it is all coming from. But you are crueling the enthusiasm to go through—

**Ms Summers**—And to employ.

**Mr De Iuliis**—and to employ additional people, because people make a judgment call and say, ‘I am on the threshold.’ I talk to the guy who owns the restaurant chain and I say, ‘Why don’t you do this?’ He says, ‘The moment I do this, my wage bill goes up, I get into a new tax bracket and I am six per cent behind my competitor down the road.’ You must consider that.

**Dr Pattison**—There are a host of other issues as well. It is simply that very often there are a whole group of operational factors, and the moment you push businesses along the growth path they have to hand over so many of those dearly held traditions to other people. They have to enter a whole host of new worlds, including the world of payroll taxes and those sorts of issues. They go from being one- or two-man enterprises to whatever it is—five or six.

**Senator CHERRY**—Are growth oriented firms self-identifying or should there be some process of trying to identify or encourage them?

**Dr Pattison**—We have a general argument in the Hunter which says that the growth firms will be those which look to export markets. We put a lot of effort in the region into encouraging people to enter the world of exports. There is a strong tradition of export oriented industries in the Hunter. They have been there from day one. But it is hard work to get everyone to go that path who we believe might have the potential to go that path. You have to keep working at it. I do not think you can come in and grab them by the throat and say, ‘Go export!’ There has to be a system there that encourages and draws out firms. The organisation that forms part of the Hunter cluster in all of this is the Hunter Export Centre. That organisation, with others, develops educational programs, methodology programs and the like to help people in that regard.

**Ms Summers**—I might add that through the Department of State and Regional Development, which is the New South Wales department, there are programs to encourage high-growth companies that include assistance from the development of business plans right through to employing further people, so there is financial and non-financial assistance. With those companies I think it is a combination: some self-elect, so they come to government and say, ‘We are going through large growth,’ and in some cases they are identified by the officers of that department.

**Senator CHERRY**—Thank you for that.

**CHAIR**—Dr Pattison, we heard yesterday of a common pattern that is emerging through this inquiry that there is a very significant section of small business that does not want to grow. They are the lifestyle companies and there is a range of factors. They have kept their growth at the level they are at, they are not interested in growing any further and they are not interested in

employing because of all the problems that come with that. A lot of them are home based businesses and there are problems associated with that.

But there is a small group that do grow, for whatever reason. We had evidence yesterday, for example, from a person in the Illawarra saying that that was a small group of about five per cent, mainly companies who were export focused. We raised the question of how they identified companies that wanted to grow. It seemed to be much more difficult to be able to put a finger on the actual companies that you know are going to grow. The evidence we got yesterday afternoon would tend to suggest that a lot of that is actually driven by the individuals in the companies and that it is not so much that you can point to a company profile and say, 'If it has got this criteria it will grow,' but that a lot has to do with the individuals who are running the companies having the energy, time, knowledge et cetera.

That seems to come back to the issue that has been consistently talked about right throughout this inquiry: the level of skills that small business proprietors present in the managerial area, quite apart from the issues you raise about the shortage of work force skills that might be available to small business. I refer to the actual business skills—managerial skills—that small business proprietors have, and in the main they are very low on the scale. Most people who enter a small business enter with no skills base at all or a minimal amount of managerial skills. They might be very good at producing wine or running a restaurant but—

**Mr De Iuliis**—I can tell you about that.

**CHAIR**—All of the skills associated with making a successful business are very low. We have had discussions here about how we might lift that skill level, and the issues have ranged from having a certificate that says you cannot start a small business until you can present evidence that you have actually done some training in the skills area—and whether that is too onerous—to the need to start the training process back in the school system so that people get a feel for what basic entrepreneurial skills are required to run successful businesses at that level before they actually make a decision. That is a pretty long question, but I would like to know what your experience has been in the Hunter in this area. I know you put a lot of focus on training, although a lot of it has been on the group apprenticeship schemes and the skilled labour force. I wonder whether you have paid any attention to this dimension of training and whether you have had any successful experiences that we could build on.

**Dr Pattison**—Nothing leaps to mind particularly. I recognise that there is a problem—I am sure that Joss would like to add to this—but in every field of activity that I have ever been involved in that has been an issue. I am sure that it is the same issue in a different sort of way in your own business, as it were. Skills development in this sort of issue has to be seen to be lifelong and cumulative. In that sense, you cannot always do it yourself; you have colleagues, friends and peers who can be drawn on to help. One of the programs that I think Joss is probably more familiar with is the business peer advisory group.

**Mr De Iuliis**—We in the Hunter, because of the HEDC, the ACC and such organisations, have enjoyed a reasonable amount of nurturing and a little support in creating organisations like HunterNet. That organisation grew in 1991, and it came about because of the question you have just asked: how do we make people interested in changing their lives and in increasing business? In 1990 we asked ourselves those questions, and as a result we now have an organisation

called HunterNet. Every day at our board meetings with our peers we ask, ‘What can we do to increase activity to increase business?’ There is no point in being a member of a group such as HunterNet unless you have ambitions to grow your business. We are always asking questions about what we are lacking: for example, do we lack management skill?

I am a fitter by trade. I started without formal qualification in running a business. I must admit that it was pretty tough because you did things by the seat of your pants, like most other guys do. You need one of your peers to help you. I have been lucky because I have had people who showed me how to do things and I was able to learn. That is the bit that I am trying to give back to the community. You have someone who shows you how to read a profit and loss account—accountants do that and fitters are not supposed to do that sort of thing, so I have learned how to do it—and they show you a simplistic approach. In the Hunter we are very blessed with organisations such as that which help business to grow, but we recognise that it is a challenge for the business itself. We are now seeing people who want to grow their business for the purpose of floating it. Small businesses can come together. We have an international situation—big overseas companies come and buy us out. How can we resist that? How can we put better management systems in place?

I am here today as a result of a government initiative—the best practice program—which taught me a lot. I had an autocratic organisation where I ran everything, did everything and told everybody what to do. If I had kept doing that, I would not be here today—I could not be here today—because I would be doing the same things as I was doing 10 years ago. Those little things have helped me, and those are the things that I wish to pass on to whoever cares to listen.

**Dr Pattison**—If I could embellish that a little, one of the big successes of the Hunter in this sort of issue is the introduction of and working through clusters. HunterNet is a cluster in manufacturing engineering.

**CHAIR**—It is very successful.

**Dr Pattison**—That applies to a variety of other areas as well. One of the trends in that sort of operation is the pursuit of contracts and tenders that exceed the capacity of any individual members—they go in as a group or team—and that they can put together only through this cluster approach. That applies equally to service and manufacturing industries.

**CHAIR**—I am aware of your cluster. I thought that one of its unique features was the fact that you network your capital stock as well as labour, together with the sharing of other resources. To what extent one of the reasons for that cluster and network being so successful is the fact that you had some people at the university over a period who had a very strong focus in this area? Did assistance and research from those individuals help to get the process up and running?

**Mr De Iuliis**—Yes, it did. That provided us with some impetus about are we going in the right direction; are we doing the right things? Dr Green did a lot of work for us and was able to put it together. In a very subtle way, he showed operational people like me the weak areas and how we could improve them. He was able to show us both. That was of great value. I think one of the things about HunterNet that I think has to be kept in mind is—we talk about clusters—that you might hear the terminology ‘soft’ and ‘hard’. HunterNet is definitely a soft network

rather than a hard network. Hard network means strictly business. We are trying to develop people in accepting the hard bit. You cannot go as a hard network. These are basically commercial things which can fail if you do not have the right cultures in place. One of HunterNet's strengths today is that it is not your typical cluster; it is more of a cultural change in people coming together, sharing experiences and having some winners there—having people who have done well, people who have exported, telling about their experiences or giving you a contact. Those are the things that make each individual company do quite well. If you see the growth within the companies that are there, that is what inspires others to maybe rejoin. We have had some losses and we get some people who come through and want to be part of it.

**Ms Summers**—I think that gets back to Senator Barnett's initial question: would you create one superbureaucracy called regional development within a region? And what role should government have? I think the model that has been set up with HunterNet is an interesting one. It was very grassroots. It came from the industry and the industry's realisation that it needed to restructure. At the same time that there was a HunterNet cluster, soft networks, to begin with, were set up in a number of other industries, with some very mixed success over several years. I think it needs to be the industry itself saying, 'This is what we want to do'—that is where the drive needs to come from. HunterNet has had some assistance from state government and federal government, but it is basically funded through its membership. It is vibrant and driven from the private sector.

**Dr Pattison**—I think, too, its success as an organisation is that it is people driven. By that, I mean it provides an opportunity for people in those industries to come together and react to each other's issues, problems and successes rather than the forever circular motion of chasing solutions all the time. It is a mind-broadening exercise. I suspect that, if you want a single solution to this problem, it is this mind-broadening process.

**CHAIR**—Also, as I recall, in the Hunter it was about seeing the person in the engineering shop down the road as your partner rather than your competitor.

**Dr Pattison**—That is right—exactly that. And if that is not a mind-broadening exercise, I do not know what is.

**CHAIR**—It has changed the culture substantially. It is fair to say that, in the responses we have had to that question so far, there has been a very mixed set of views about whether or not we ought to try and channel it all into one funnel or whether a series of funnels delivering bits and pieces is a better model. I think there is merit in both the arguments. Mr De Iuliis, you talked about the best practice program. Are you talking about the federal best practice program?

**Mr De Iuliis**—Yes.

**CHAIR**—So you were a recipient of some of those grants?

**Mr De Iuliis**—Through HunterNet, not as a single company. We were the first to be approached as a group, because we were too small. This is one of the issues about that program.

**CHAIR**—I was on that board.

**Mr De Iuliis**—It was tailored for bigger companies. We were part of the third round of best practice and we were able to get it as a group. We are five companies and we were able to share our common problems. The issues that came of that included competitive tendering and impropriety—people coming together, creating whatever that is called. But it was not about that. It was all about changing our management processes. What is the responsible way to act and behave, both within ourselves and to our employees? How do we make sure that each company has a board of directors, even if it is not a board of directors but an advisory group. We now share that amongst some of our companies. Because they are privately owned, they do not have to, but they can share the main issues that drive a business: having a business plan, doing market research and doing combined market research—because maybe we can share the resources with the metal industry. These are the things that we learned from that.

**Dr Pattison**—I am quite convinced, Chairman, that at least in the immediate future much of our success in the Hunter will depend on people like Joss who will share all these wonderful experiences that they have had with people who, as you say, just a short time ago might have been seen to be their opposition. Now they are seen as their colleagues.

**CHAIR**—I took it from the comments that you would be strong supporters of the buddy-type program or business-mentoring program.

**Dr Pattison**—Yes.

**CHAIR**—Thank you.

[9.52 a.m.]

**WILKES-BOWES, Ms Meredith (Dee) Katherine, Acting Manager, Government and Policy, Australian Trade Commission**

**HARCOURT, Mr Tim, Chief Economist, Australian Trade Commission**

**CHAIR**—The committee has before it submission No. 58. Are there any changes you wish to make to the submission?

**Ms Wilkes-Bowes**—No.

**CHAIR**—The committee prefers all evidence be given in public, although the committee will also consider any request for all or part of evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. Do you wish to make a brief opening statement?

**Ms Wilkes-Bowes**—Austrade is obviously the federal government's principal international trade and investment business facilitation agency. We help reduce the time, cost and so on involved in Australian businesses going offshore. Currently, we have a key focus on doubling the number of exporters by 2006, which is the federal government's policy. Underpinning this target is some research that Tim Harcourt will be able to speak about in more detail. It is based on ABS data. It is this research that made us feel that we might have some insights that would be valuable to the committee in your deliberations on this issue. We will be happy to take questions on that, and also more broadly on what Austrade is doing to further that target of doubling the number of exporters.

**Mr Harcourt**—Thank you for the opportunity to address the committee. The submission outlines Austrade's role in contributing to the capacity of small businesses to export and prosper and provide economic wealth for Australia. The submission is basically in three parts. The first part is about Austrade's role in contributing to the capacity of small businesses to export. Secondly, in the submission we demonstrate how having more small businesses exporting helps improve wages, employment and labour market benefits for the work force in Australia.

Finally, we hope to demonstrate in our submission that by doubling the number of exporters over five years there will be more SMEs exporting and that will bring significant economic and social benefits to Australia. At the outset, I understand that copies of these two reports were provided. The first report is *Knowing & growing the exporter community*—

**Senator BARNETT**—We just got it this morning. We have not had a look at it.

**Mr Harcourt**—In that case, I will take you through some of the key points. We can take further questions on notice if there is any follow-up, because there is a lot to absorb. We will go through the highlights.

**CHAIR**—I thought that document was sent to every parliamentarian. It turned up in my office months ago.

**Mr Harcourt**—That is right.

**Ms Wilkes-Bowes**—It was distributed some time ago. I think one copy was sent with our submission, but it is possible there were not enough for the whole committee.

**Mr Harcourt**—This report was produced in April 2002. It is a new report. This next report, *Why Australia needs exports: the economic case for exporting*, was produced by Austrade and the University of New South Wales in 2000, so it has been around the traps for a while. In relation to the first part of the submission headed ‘Austrade helps small businesses to export and prosper’, small businesses are becoming a very important part of the Australian exporter community. If senators could turn to page 13 of *Knowing & growing*—that is the report with the tree on the front. Bob Brown might adopt it, I think!

**CHAIR**—I thought it was a tree of knowledge!

**Mr Harcourt**—It is about growing; the eye shown on the front of the report represents ‘knowing’, in case you are wondering. First of all, those two graphs on page 13 in the *Knowing & growing* report show that small businesses are quite small in terms of export revenue. If you have a large gas deal like the natural gas deal in China you get a lot of revenue. But, in terms of growth levels in exhibit 5, you can see that there is very strong growth amongst micro and small businesses. Micro businesses have between one and four employees and small businesses have between five and 19, as you would know from your work. The growth levels are coming through quite strongly. We anticipated some of that, but it is coming through very strongly in the data. This period was in 1994-95 to 1997-98, so it takes into account the Asian crisis. It may be that the growth could be stronger in the forthcoming period.

Secondly, despite these promising signs we have seen in the data, a relatively low proportion of small businesses are exporting. If you turn to page 8 in the introductory chapter of *Knowing & growing*, you will see that around four per cent of Australian SMEs are exporting; for small businesses, the figure is three per cent; for large businesses, 32 per cent. The ratio is quite low. You can see on page 9, in exhibit 2, that it is quite low compared to other countries.

**Senator BARNETT**—How many is that—three per cent?

**Mr Harcourt**—That is right; three per cent of the total. On the latest estimates, in total, around 25,000 companies in Australia are exporting and around 97 per cent of them would be small and medium sized businesses. Thirdly, Austrade plays an important role in facilitating more small businesses into exporting. The reasons for this are that small businesses often lack knowledge and resources in international networks that large businesses may have globally. It is important we provide knowledge, resources and assistance through the Austrade network around the world. Government programs—including those provided by Austrade and AusIndustry—can be very effective in assisting exporters to gain entry into exporting on a sustainable basis.

For instance, if we go to page 47 of the *Knowing & growing the exporter community* report, we can see that 74 per cent of non-exporters who intended to export and who used Austrade programs exported within the next three years. By contrast, only 16 per cent of non-exporters who did not use any programs were successful in becoming exporters. Austrade programs and services are therefore targeted at small businesses, where they are most effective in reducing barriers to export.

The second part of our submission is that having more small businesses exporting will help to improve wages and employment and it will bring labour market benefits for Australian workers. The second document, *Why Australia needs exports: the economic case for exporting*, by Austrade and the University of New South Wales, shows that exporting brings macro-economic benefits by allowing us to pay for our imports as our economy grows. Exporting also brings micro-economic benefits in terms of efficiency and productivity.

We have outlined in this report some of the social benefits for cultural exports, immigration and regional and rural Australia. We have also outlined the contribution that exports make to the labour market. If you turn to pages 6 and 7 of the document, we would point out that, according to the data that we used from the ABS, exporters paid each full-time equivalent employee an average of \$46,000 per annum, compared to \$28,600 being paid by non-exporters. Put another way, 34 per cent of exporters paid their workers above average weekly earnings compared to 12 per cent of non-exporters. Similarly, in other labour market data across industry and across science, on average exporters provided more training, higher standards of occupational health and safety, more computers per employee and a higher proportion of full-time and permanent positions in each workplace than non-exporters. In turn, they also achieved a higher level of productivity for their firms than non-exporters.

The findings in *Why Australia needs exports: the economic case for exporting* are not confined to large businesses. There is some evidence that large businesses tend to export and they pay higher wages and so on. But we actually looked at small and medium sized businesses as well as large businesses and we found a wage premium for small businesses and microbusinesses as well as for large firms. We also looked across industry. You would expect that mining, which is very export oriented, would on average pay higher wages, but we also looked at other sectors that were less export oriented and we still found a premium in the wages being paid and we still found productivity benefits coming through.

I will turn to part 3 of the submission. By doubling the number of exporters there will be more SMEs exporting, which will bring economic and social benefits to Australia. The federal government has announced the policy of doubling the number of exporters from 25,000 exporters in 2000-01 to 50,000 exporters by 2006-07. We think that there will be significant economic and social benefits emanating from this policy. Firstly, there will be benefits in terms of export revenue—we estimate that it will be around \$40 billion over five years. However, it is not about revenue alone. It is also about knowledge benefits and spreading benefits throughout the work force and throughout the rest of the business sector, and we think that is important. We also believe that there are important microefficiency gains that will improve productivity across the economy. Doubling the number of exporters by design will mean that more small businesses will be exporting. According to our research for the *Knowing & growing the exporter community* report, small businesses will grow by around 16 per cent and SMEs by around 15 per cent under the doubling scenario. This is basically because the share of SMEs in the

exporter community is increasing. If you double the number of exporters then you will get a higher proportion of small businesses in the exporter community. We think this is important because it will assist knowledge transfer and lead to gains in knowledge and technology throughout the economy. Having more SMEs exporting will provide a platform for more of these micro-economic gains from exporting to accrue and to be applied across the economy rather than being concentrated in a small group of corporates.

I will sum up and that will complete my statement. In our submission, Austrade plays an important role in facilitating the entry of small businesses into exporting to allow businesses to grow and prosper. Small businesses are becoming an important part of the community and this will bring economic benefits to the economy, to firms and to labour markets, leading to benefits for Australian workers. This is important not only for firms and workers but also for greater productivity, benefits to the Australian economy and improvements in wealth and living standards for Australia. That completes my formal statement. We are happy to take questions. Ms Wilkes-Bowes is an expert on a variety of policy elements in Austrade and on government programs, so she should be able to take some of the questions. I will answer some of the questions to the best of my ability on some of the research that we have been doing.

**CHAIR**—Thank you, Mr Harcourt.

**Senator CHERRY**—When you look at the small business sector in terms of the government's objective of doubling the number of exporters by 2006, what would be the principal policies you would put in place to achieve that goal?

**Mr Harcourt**—I believe that the time period is now 2006-07. If I can take you to *Knowing & growing*—

**Senator BARNETT**—Your submission says 2006.

**Ms Wilkes-Bowes**—It is five years, so 2006 is the easiest way of—

**Senator BARNETT**—It might be 31 December 2006.

**Mr Harcourt**—It would be a nice Christmas present! If I can take you to page 43 of *Knowing & growing*, in that report we have looked at certain export behaviours. The first part of the report refers to the economic benefits. The second part refers to various demographics: are they small, are they micro, are they knowledge based, are they in regional Australia, and so on. The third part looks at the behavioural characteristics of exporters. In the flow diagram there, you can see how we have cut the exporter community by behavioural characteristics. For instance, there are four per cent of companies exporting, and there are 96 per cent of companies not exporting. Of the ones who do not export, only two per cent have an intention to export in the coming year, which is quite low.

If you turn to page 45 you can see that diagram again with the policies directed at it. The first lever there in the box is to increase the intention to export, because it is quite low. We looked at new exporters in a given year and we found that they split three ways. Half of them were accidental. Some were unsolicited orders that came about via the Internet or by someone sitting next to someone on a plane or by someone attending a Euro seminar—like I did this morning.

Half of them became exporters who, even when we surveyed them, said they would not export in the coming year. Twenty-five per cent are what we call successful intenders—that is, they register an intention to export. Twenty-two per cent were successful within three years. Twenty-five per cent were successful intenders. The residual figure relates to born globals. They do not exist when we survey one year, and then the next year they come out of nowhere. They export from year one. They are predominantly in the manufacturing sector. The first lever is to increase intention. The second lever is to increase opportunities or stimuli for accidental exporters. The third lever is to increase the success rate of the intenders. The fourth lever is to boost the number of born globals.

In the last cut we did, we wanted to look at regularity in exporting. We had a look at the longitudinal data. We found some groups of exporters jumping in and jumping out. It used to occur particularly in manufacturing where people predominantly, say, 10 to 15 years ago, concentrated on the local market. If they had excess stocks, they would go overseas. We found there was a group of people coming in and coming out. We wanted to see where there was scope for converting, if you like, irregular exporters to become regular exporters. We wanted to boost the number of regular exporters. That was the final cut we did just to see if we could boost the core group of people exporting as part of their core business. Those are the action areas to get potential exporters into exporting over time.

**Senator CHERRY**—If you look at that goal of doubling the numbers, does that mean that there would need to be a larger commitment to projects like Export Access, EMDG, the Trade Enhancement Scheme and so forth?

**Mr Harcourt**—There is a question of resources predominantly because we have seen, as I mentioned in my submission, that the programs are quite effective—four to five times, if you use the programs, you are going to get in. So there is a question of using the programs, because they are effective. There is also a question of where you tailor or target the programs using trade promotion organisations et cetera. Page 49 outlines how to use services and programs by trade promotion organisations. We did not just look at Australia; we looked around the world at Sweden, Canada and some of the European trade promotion agencies. We had a look at these barriers in terms of intention to export and increasing opportunities for accidentals, increasing success rates, boosting the number of born globals and boosting the number of regulars in terms of the levers. In terms of the barriers, with respect to intention to export, you have a lack of awareness and a high-risk perception.

The services and programs provided by the TPOs have to cover general marketing and skills programs. Alternatively, if you are looking at increasing the success rate of intenders, the barriers are lack of resources, lack of preparation, lack of skills, lack of access to international networks. That is where one on one financial coaching and assistance—

**CHAIR**—That is a typographical error—‘coacking’.

**Mr Harcourt**—That is a new schedule! We will correct that. There is also an ‘s’ missing from ‘success’. You read these things a hundred times, and there is always a sharp senator who picks up a typo. Finally, there is assistance from overseas networking, including market intelligence missions and fairs. We wanted to look at the resources we have as a TPO and tried to match it so that things are properly tailored. The evidence shows that TPOs—trade promotion

organisations—play a very important pivotal role. But there is an important role for the whole of government. Education resources are important, as well as state government and industry policy matters—AusIndustry and so on. Also, we found that networking has quite significant economic effects. I think we used the example of Ballarat to show that, by using industry associations, local government and Rotary organisations, these types of groups make a big difference in terms of increasing intention. In the example given on page 54, which we used in connection with Ballarat—the great Eureka city—we found that the City of Ballarat forged a sister city relationship with Inagawa, Japan. They used the trade mission to improve trade relationships and picked up Klen-Dent and Dulcinea Vineyards, who are two up and coming exporters in the Ballarat region. So regional networks are an important matter as well.

**Ms Wilkes-Bowes**—It is worth noting in response to Senator Cherry's question that Austrade is leading a whole of government approach to the doubling target, with state governments and industry allies included, but it is also at a Commonwealth level so that the range of programs that have anything to do with developing businesses, which will then feed into developing exporters, is being picked up as well. There have been some extra resources in the TradeStart network, for example. Austrade is also looking at existing resources and how we target those, including the resources of the people we have offshore and using them to bring opportunities back to Australia.

**CHAIR**—Have you recently had a cut in your budget which has impacted upon your trade commissioners overseas? I talked to a company recently in Lismore that was working with two of the Austrade representatives in Detroit. The company had developed a particular type of gearbox that fits onto prime movers. One of the concerns they expressed to me—and it was a real concern—is that they had been working with Austrade commissioners who had got them access to the market, and suddenly the Austrade office was shut down and the two people that they had been dealing with disappeared.

**Ms Wilkes-Bowes**—No. There has been a slight change in that particular office. I guess it is fair to say that Austrade is constantly reviewing its resources offshore to make sure that the resources we have match the demand and the opportunities in the market. There was a slight change in Detroit as a result of the automotive program, which had been funded separately, being ceased at the last budget. Our office there is continuing and there will still be a strong focus on the automotive sector for the obvious reason that it is a key market there. There has been a slight change in the number of staff, but the office is still there and will continue to be there for the foreseeable future.

**CHAIR**—Have there been any other cuts in the number of Austrade trade commissioners around the world as a result of the last budget?

**Ms Wilkes-Bowes**—No.

**Mr Harcourt**—It was exponential.

**Senator BARNETT**—I thought there was an expansion.

**Ms Wilkes-Bowes**—There have certainly been no cuts as a result of that budget. As I said, our offices and the resources do change reasonably frequently in order to keep pace with demand.

**Mr Harcourt**—We opened one in Zagreb last year.

**Senator BARNETT**—Going back to the basics again and to your report, which is excellent: how many exporters do we have in Australia today?

**Mr Harcourt**—Today, we have 25,000.

**Senator BARNETT**—You mentioned 25,000. The figure on page 13 of your report is 21,762 for that time.

**Mr Harcourt**—That is right. That was in 1997-98.

**Senator BARNETT**—There are 25,000 today.

**Mr Harcourt**—That is right. That is the best estimate as at November 2001, but the ABS is coming up with a new estimate that will be released very shortly. That will take into account, using the Customs data and the tax system to look at goods, an estimate of service exports for the last six months of 2001.

**Senator BARNETT**—Excellent. How many small and micro businesses are there?

**Mr Harcourt**—From memory, 97 per cent of the 25,000 are SMEs. I should have brought the BLS.

**Senator BARNETT**—I have worked it out. You say that 76 per cent are small and micro businesses—

**Mr Harcourt**—That is right.

**Senator BARNETT**—and then you say 97 per cent is the total.

**Mr Harcourt**—That is right—76 plus 21 is 97.

**Senator BARNETT**—Are they small and medium businesses?

**Mr Harcourt**—That is right.

**Senator BARNETT**—So it is just a matter of applying that across the board.

**Mr Harcourt**—That is right. I have *A portrait of Australian exporters*, which was produced by the ABS and Austrade in 2000. It tells you all the data: size, industry and so on.

**Senator BARNETT**—Can we get a copy of that?

**Mr Harcourt**—Yes. This report was based on the data. It has just the data; there are tables with the data. This sort of explains it.

**Senator BARNETT**—If you think it would be helpful—

**Mr Harcourt**—That would certainly help if you have other questions. It is a sort of Woody Allen type of document—everything you wanted to know about the export community but were afraid to ask.

**Senator BARNETT**—There has been such a huge increase in the number of small businesses. In 1996, when the Howard government came in, there were 600,000; we now have 1.2 million. We are dealing with percentages. This is going back to 1997-98; it is now 2002. I am just trying to get my head around the actual figures in raw terms. It is all very well to go with the percentages, but we are talking about probably over 23,000 small and medium sized business exporters.

**Mr Harcourt**—That is right. With ABNs, it is now easier to track the growth. It will make our lives a lot easier in terms of the data. We used the Business Longitudinal Survey from the ABS, which was the best available. The survey was cut, so we had to use 1997-98 as the last year. But the new services, like the ABN used in Customs, will give us a better handle on the numbers.

**Senator BARNETT**—Help me with the numbers. In your report *Knowing and growing the exporter community*, at the bottom of the page it says that 74 per cent of non-exporters intending to export, who used Austrade programs, exported within the next three years. That is a very good percentage. What are the numbers on that?

**Mr Harcourt**—I will have to take that on notice and provide you with the numbers. It uses the BLS numbers, the 21,787 and 1997-98. The BLS estimates cover around 90 per cent of exporting businesses. There are certain exemptions from the BLS—farms, community services and so on. It is still a reasonable business survey.

**Senator BARNETT**—I think *Why Australia needs exports* is a good report and it really highlights the importance of exports to Australia. I come from a family of exporters, so you do not have to convince me about that.

**Mr Harcourt**—Thank you. That is good; I wish there were more people like you.

**Senator BARNETT**—We were noting the increase in the number of small and micro businesses that are exporting. There is quite a sizeable increase. Can you nail the reason for that?

**Mr Harcourt**—There are a few reasons. One is the reduction in communications and transport costs due to microreform. The growth of the Internet has helped marketing. In the report we refer to a number of case studies of small businesses using the Net. On page 15 there is a box called 'Net exporters'. Threadgold and Co., a dairy producer in Torquay, listed their company details. There is Vetafarm, which makes the little drops you use for a budgie's eyes. The fellow there was a vet. He just stuck his shingle on the Internet and now he is selling to the

US, Russia and the UK. I did not even know they had birds in Russia. The bush tucker man, Bradley Field, basically put his details on the Internet. There is evidence of the Internet helping.

Finally, you will notice the splits between micro, small, medium and large. I would expect that you would have a lot of, say, small automotive component contractors now involved in global supply chains being picked up in the exporter data. In the report we refer to this. I think the Austrade people in Victoria noted that.

**Senator BARNETT**—I am just trying to get a handle on the benefits of the Internet for exporters, and you are confirming that that is one of the reasons small and micro business have had that large increase.

**Mr Harcourt**—Referring to page 14 of *Why Australia needs exports*, the charts there show that exporters have much larger access to the Internet—web sites, emails, and so on.

**Senator BARNETT**—Excellent; that is great. So that chart 16 really sums it up, doesn't it? That is inverted, almost, isn't it?

**Mr Harcourt**—That is right. And remember, this is 1997-98, so it is a while ago. Looking at chart 22 on page 17, you have to remember that a lot of our trading partners are not on the Internet, or were not then. It takes two to tango—and I am not referring to the Argentinean economy, but just generally in terms of our customers.

**Senator BARNETT**—How have they benefited? That is obviously very impactive. Have studies been done on whether exporters have used the Internet to gain successful exports? Is that in there anywhere?

**Mr Harcourt**—Charts 19 and 20 talk a little about the types of things you use. There is also evidence that people tend to use it for marketing purposes, principally, and for information. This is true particularly amongst the smaller sector. Traditionally, a lot of people did not go overseas and a lot of small businesses did not have much access to information in China. Now with the Internet it is all out there. Austrade's job is really one of tailoring that to get the best information rather than just providing it, in a sense. It has changed over.

**Senator BARNETT**—When the Olympics were on here, you might remember there was a special Austrade catamaran—

**Mr Harcourt**—A big boat came in.

**Senator BARNETT**—You had all the exporters from around the world going to the Olympics saying, 'Let's go and see what Australia has to offer.' It was sort of a portal to Australian exporters.

**Mr Harcourt**—Business Club Australia.

**Senator BARNETT**—I thought that was an excellent idea. I am not sure how it all worked at the end of the day. Is there any way we can replicate that philosophy on the Net for our market around the world?

**Mr Harcourt**—We did do so. We had Australia on Display—a virtual directory.

**Ms Wilkes-Bowes**—It is a database that can showcase Australian capacity and suppliers. That has recently been updated and it has been an integral part of our web site.

**Senator BARNETT**—Do you have to register for that database? If I am an exporter do I have to sign up and pay \$20 a year? How does it work?

**Ms Wilkes-Bowes**—You need to register but, as far as I am aware, there is no cost involved in being on that database. The requirement for registration is so that we can have some sort of quality assurance over the suppliers that are on that database.

**Senator BARNETT**—Does it work?

**Ms Wilkes-Bowes**—I am not aware that we have any studies that we could point to as to how that has worked but, as Tim said, increasingly our potential business partners offshore are becoming more linked in to those forms of communication and there is potential for it. Certainly, through APEC and talking with other trade formation organisations in that forum, there is a great deal of interest in the APEC economies for them to have similar sorts of things and to have links with other economies that have these types of databases.

**CHAIR**—Is there any correlation between the number of companies that are successful in using the Internet and the geographical location of those companies relative to the communications services that are available in those geographical locations?

**Mr Harcourt**—I am not sure. I know Pacific Access has done extensive work on the use of e-commerce amongst small businesses and from memory they did have some correlation between business success internationally and Internet usage. It seemed to be quite an important tool in that respect. Senator Barnett's point about the Olympics was important, because, in a sense, when you look at the Olympics it is basically services, because you build the stadia and so on ahead of time. The Olympics was really about logistics, customer service, design, technology, knowledge and so on and we did that so well. It is a bit like the Australian economy. We do not produce computers but we use IT well. We may not be big producers en masse but we have provided very good architectural design for the stadia here that we have now exported overseas. Small companies were involved, such as Starena in Gosford, who did the seating arrangements. They have now picked up the Athens contract. So in a way it is about knowledge and services, and that is the Olympics story. It is interesting that when we look at services, efficiency, productivity and use of IT—not production of IT—Australia is usually top of the pops on the OECD average, and the Olympics is probably a good demonstration of that.

**Senator BARNETT**—Did the Business Club work? Was it helpful, to your knowledge?

**Ms Wilkes-Bowes**—Yes.

**Senator BARNETT**—Have you done any analysis of whether those initiatives produced the goods?

**Ms Wilkes-Bowes**—I think Tim was here at the time and I was not but, as I understand it, there was follow-up work done to make sure that business did actually follow from those contacts that were made and that there certainly was business that took place as a result. I will not give a figure on that, because I am just not 100 per cent sure of it, but if there is one that verifies that—and I think there is—we can get that to you.

**Mr Harcourt**—It is going to be adopted by the other host cities, as I understand.

**Ms Wilkes-Bowes**—A similar type of arrangement has been looked at for other events and, for example, it was a format that was going to be used at CHOGM—though that was slightly different in the end—because it had been seen by other agencies to have worked well.

**Mr Harcourt**—What was interesting was that the trade minister worked in the Business Club during the Olympic period. There was an office there for him. He actually worked when everyone was there.

**Senator BARNETT**—Excellent. I will go through the report and do a little more research. Thank you.

**CHAIR**—Do those exporters that come to you for assistance, whether it be EMDG or something else, have to meet any threshold in the skills base within the company before they get access to the grant? One of the issues we have been talking about over this inquiry is the lack of business skills amongst small and medium enterprises. A lot of them are very good at producing the goods and services they produce but running a business is a different story entirely. Is there any assessment of that means, any threshold they have to meet before they qualify?

**Mr Harcourt**—I am not an expert on EMDG. I know there are important financial criteria they have to meet. They have to put in the number of jobs created and so on. I am not sure of the detail with respect to a skills audit. In terms of the barriers, in the report we mention training and so on as being an important way to improve success rates, so it is probably a pertinent point.

**Ms Wilkes-Bowes**—As Tim said, there are requirements to prove that the work the company is going to undertake is actually successful and so on, but there is no skills audit as far as I am aware. Developing companies and coaching them and so on is an integral part of Austrade's other services, particularly in the New Exporter Development Program, which we are rolling out at the moment.

**CHAIR**—Presumably, if they had to go through that process they would have those skills anyway.

**Ms Wilkes-Bowes**—That is right. The outcome of their work is measured to a degree in the application of the EMDG.

**CHAIR**—Would there be any value in restoring the business longitudinal study? Or is the gap now too wide to effectively pick up on it and continue the work that has been done on it?

**Mr Harcourt**—We have had talks with the ABS, because now that we have a target of doubling we need to measure the number of exporters. I am not close to the detail but, as I understand it, we are going to have some longitudinal data using their new data sources. I do not think it will be exactly like the BLS but it might include some components. We have been working closely with the statistician to ensure that there are exporting dimensions to it so we can produce these types of results that are helpful to us in that regard.

**CHAIR**—One of the witnesses yesterday, Professor Hodgkinson from the University of Wollongong, said that she was doing a study in the Illawarra and she noted that new start-ups were very supportive of Austrade and the programs that Austrade was providing, but as they matured those companies felt that they needed more specialised assistance in the export market. They did not think this was readily provided by Austrade—there is a gap in terms of the capacity of Austrade to provide the specialised assistance. Is that the same feedback you have been getting?

**Mr Harcourt**—The strategy emanating from *Knowing and growing the exporter community* has come up with four strands. One is growing existing exporters—looking after our clients. One is picking up these new exporters, because the retention rate is so low. Another is improving community awareness. The fourth one is concentrating on biotech services and ICT to pick up some of those start-ups. We have attempted to pick up people with specialist skills in biotech, business services and education and have them in as industry advisers to help share that knowledge in starting up firms. In many ways the surveys show that exporters are very specialised in what they want. Services are funny because they are so tied up with a person's aptitudes and professional qualifications and so on that they need more intensive assistance in that regard.

**CHAIR**—Thank you.

**Committee adjourned at 10.35 a.m.**