

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

# Trade transformation

*Supporting Australia's export and investment opportunities*

Joint Standing Committee on Trade and Investment Growth

May 2020  
CANBERRA

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# Chair's Foreword

Trade and investment are essential parts of Australia's economy. Tens of thousands of Australian businesses, from sole traders to large enterprises, export goods and services around the world. Export strengths for Australia include resources and energy, education, tourism, and agriculture. Increasingly, innovative and digitally-focused businesses are rising in prominence both in Australia and internationally.

Investment has underpinned the growth of many Australian industries and enables businesses to expand, diversify, hire more staff, and enter new markets.

This inquiry considered opportunities for Australian businesses to increase their exports and attract further investment. In particular, the Committee examined what role the Australian Government has in boosting exports, such as through supporting research and development, trade agreements and tax incentives. The Committee also considered what challenges businesses face when exporting, such as non-tariff barriers and unnecessary or burdensome regulation.

This report makes 20 recommendations aimed at supporting businesses, including in new and emerging industries, to increase their trade and attract investment.

The Committee recommended an assessment of the regulatory arrangements for the agricultural industry (including seafood), reflecting the fact that agriculture is subject to a high level of regulation across local, state and federal jurisdictions. This included recommending an examination of whether regulatory costs, red and green tape, and differing arrangements across jurisdictions are impacting on Australia's international competitiveness for agriculture.

Another focus of the Committee's recommendations was supporting innovation and new and emerging industries, such as the space sector, defence exports and video game development. In addition, consideration of co-investment opportunities for specific industries and expanding the Research and Development

Tax Incentive could support Australia to be a world leader in innovation and advanced technologies.

The Export Market Development Grant scheme is a vital support for businesses looking to export. Ensuring that there is adequate funding available for this scheme will support businesses at a time where global trade challenges have never been greater.

The Committee also looked to the future of Australian trade and investment, including the Government's goal of having 90 per cent of Australia's two-way trade covered by trade agreements by 2022. Achieving this goal will be a significant milestone, but also raises the question of what further opportunities there will be to drive growth in Australia's exports.

As this inquiry process was coming to a close, the world was confronted with the COVID-19/coronavirus pandemic. This has already had devastating consequences for individuals, businesses and economies around the world. The long-term economic impact of COVID-19 is not yet known, but the Australian Government is putting measures in place to support businesses to 'bounce back' after this health crisis has been overcome.

As the majority of evidence to this inquiry was received before the COVID-19 outbreak, the report does not reflect the emerging challenges businesses across the globe will face as a consequence. However, the report recommendations, which all focus on creating more opportunities to export and invest, remain relevant and necessary as the economy looks towards recovery in the coming months. On behalf of the Committee, I would like to acknowledge the difficult times many Australian businesses are experiencing as a result of the COVID-19 pandemic. It is our hope that the work of the Australian Parliament, including through this Committee, will help businesses recover from the effects of this pandemic.

I would like to thank the individuals, businesses, organisations and government agencies who participated in this inquiry and provided the committee with an insight into the trade and investment challenges and opportunities for Australian businesses. I would also like to thank my Committee colleagues for their significant contribution to this inquiry and the ongoing work of the Committee more broadly.

**Mr George Christensen MP**

**Chair**

# Members

## *Chair*

Mr George Christensen MP	Dawson, Qld
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## *Deputy Chair*

Ms Ged Kearney MP	Cooper, Vic
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## *Members*

Dr Katie Allen MP	Higgins, Vic
Senator Tim Ayres	NSW
Dr Daniel Mulino MP	Fraser, Vic
Mr Rowan Ramsey MP	Grey, SA
Senator Gerard Rennick	Qld
Senator Marielle Smith	SA
Senator David Van	Vic

## **Committee Secretariat**

Joel Bateman, Secretary

Caitlin Cahill, Inquiry Secretary

Tamara Palmer, Officer Manager



# Terms of Reference

The Committee will inquire into and report on:

- Understanding Australian businesses' ambitions to grow via export and attracting investment;
- Identifying local regulatory barriers to businesses being able to realise their ambitions; and
- Identifying best practice regulation that evidence shows supports export and investment growth, whilst protecting the national interest.



# Abbreviations

ABF	Australian Border Force
ACCI	Australian Chamber of Commerce and Industry
AGW	Australian Grape and Wine
AIC	Australian Investment Council
ALC	Australian Logistics Council
AMGC	Advanced Manufacturing Growth Centre
AO	Authorised Officer
APV	Australian Performance Vehicles
ASA	Australian Space Agency
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
ASMC	Australian Sugar Milling Council
ATT	Australian Trusted Trader
AUSFTA	Australia – United States Free Trade Agreement
BCA	Business Council of Australia
BTF	Biomedical Translation Fund
BMS	Bristol-Myers Squibb
CBEC	Cross Border E-commerce Channels
CBH	Cooperative Bulk Handling
CEO	Chief Executive Officer
DEC	Defence Export Controls

DIIS	Department of Industry, Innovation and Science
DFAT	Department of Foreign Affairs and Trade
ECA	Export Consultants Association
EMDG	Export Market Development Grants
EOS	Electro Optic Systems
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GPS	Global Positioning System
GTES	Global Talent Employer Sponsored
GWA	Greater Whitsunday Alliance
HiMO	Human Milk Identical Oligosaccharide
IGEA	Interactive Games and Entertainment Association
ICA	Insurance Council of Australia
INC	Infant Nutrition Council
IP	Intellectual Property
NFF	National Farmers' Federation
NSW	New South Wales
NTB	Non-tariff barrier
OECD	Organisation for Economic Cooperation and Development
PBS	Pharmaceutical Benefits Scheme
PC	Productivity Commission
PGH	Premium Grain Handlers
QSI	Queensland Seafood Industry Association
R&D	Research and Development
RDA-MIW	Regional Development Australia – Mackay Isaac Whitsunday
RDP	Regulatory Data Protection
RMAC	Red Meat Advisory Council
SMEs	Small to medium sized enterprises

SPA	Screen Producers Australia
SSVF	Simplified Student Visa Framework
STEM	Science, Technology, Engineering and Mathematics
TAFE	Technical and Further Education
TDA	TAFE Directors Australia
TGA	Therapeutic Goods Administration
UK	United Kingdom
US	United States of America
VET	Vocational Education and Training
WA	Western Australia
WTO	World Trade Organization



# List of Recommendations

## **Recommendation 1**

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- 2.101 The Committee recommends that the Australian Government identify new and emerging trade opportunities and seek to apply the lessons learned from the Biomedical Translation Fund to help attract industry investment to those opportunities, as part of an updated trade and investment strategy.

## **Recommendation 2**

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- 2.102 The Committee recommends that the Australian Government continue to progress its tax reform agenda, particularly by reducing the company tax rate, as a priority.

## **Recommendation 3**

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- 2.105 The Committee recommends that the Australian Government, in collaboration with State and Territory Governments, the medical profession and pharmaceutical industry:
- develop a unified national regulatory scheme for the establishment, conduct and reporting of clinical trials in Australia; and
  - review Australia's intellectual property settings, particularly regulatory data protection and the patent notification scheme, to assess if they are an impediment to greater investment.

## **Recommendation 4**

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- 2.108 The Committee recommends that the Australian Government investigate improvements that could be made to the Research and Development Tax Incentive, particularly to meet the needs of small and innovative businesses.

## **Recommendation 5**

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- 2.111 The Committee recommends that the Australian Government, in consultation with industry, review the Global Talent Employer Sponsored program after one year to assess its effectiveness, and make amendments to the program if necessary.

## **Recommendation 6**

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- 2.112 The Committee recommends that the Department of Foreign Affairs and Trade and the Department of Home Affairs work with the music industry to increase access for Australian performing artists to the United States of America market, including consideration of a reciprocal visa arrangement for artist tours and showcases in each other's countries.

## **Recommendation 7**

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- 2.113 The Committee recommends that the Australian Government implement measures to enhance trade between Australia and Latin America, including consideration of visa requirements for Latin American visitors to Australia.

## **Recommendation 8**

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- 2.117 The Committee recommends that the Australian Government consider further options to support small and medium enterprises to enter (and remain) in export markets, including:
- Greater support targeting start-ups and entrepreneurs;
  - Consideration of current government support for small businesses in the defence export industry, and whether this support could be replicated in more broadly to other industries; and
  - Greater education and communication (including via digital means), particularly for new exporters, on how to enter and succeed in specific export markets.



## **Recommendation 9**

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- 2.118 The Committee recommends that the Australian Government establish a Superannuation Task Force to explore, develop and recommend structural changes and possible incentive based programs and regulations to increase the level of Australian superannuation fund investment in Australian industries, particularly those with an export focus.

## **Recommendation 10**

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- 3.149 The Committee recommends that the Australian Government permanently increase funding for the Export Market Development Grants scheme by \$60 million per year, or alternatively by an amount which will meet the expected demand and reflects the needs of business following the post-COVID-19 resumption of economic activity.

## **Recommendation 11**

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- 3.155 The Committee recommends that the Australian Government continue to push for new export market opportunities, including by:
- the signing of new trade agreements, with a preference for multilateral and regional agreements where possible;
  - considering options to harmonise or streamline regulations where Australia has overlapping trade agreements with the same country; and
  - prioritising the needs of small and medium sized businesses in the context of trade negotiations.

## **Recommendation 12**

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- 3.156 The Committee recommends that the Department of Foreign Affairs and Trade develop and release a plan for boosting Australia's exports and investment once the vast majority of Australia's trade is covered by FTAs (in line with the government's goal of achieving this by 2022).

## **Recommendation 13**

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- 3.157 The Committee recommends that the Australian Government conduct an assessment of Australian export industries that are over-exposed to a single market and work with industry towards diversification.

## **Recommendation 14**

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3.164 The Committee recommends the Department of Agriculture, Water and the Environment, in collaboration with state and territory governments, conduct an audit of the regulatory arrangements for agricultural exports (including seafood) and identify and implement actions in order to:

- Harmonise export regulation across local, state and federal jurisdictions, with an aim of achieving a best-practice outcome;
- Increase competitiveness for the agricultural industry, including assessing whether cost-recovery arrangements and export registration costs are deterring exports, and a comparison between Australia and its international competitors; and
- Assess the impact of red and green tape (at the state and federal levels) on the ability of the sector to reach its goal of growing Australian agriculture to \$100 billion by 2030.

## **Recommendation 15**

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3.165 The Committee recommends that the Department of Defence implement reforms to expedite Defence Exports Controls approval processes.

## **Recommendation 16**

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3.166 The Committee recommends that the Australian Government progress its election commitment to implement a single digital window for trade as a priority.

## **Recommendation 17**

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3.169 The Committee recommends that the Australian Government introduce a refundable tax offset for video game development in Australia, similar to offsets provided to the film and television production industries.

## **Recommendation 18**

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3.170 The Committee recommends that the Department of Industry, Science, Energy and Resources examine opportunities to further involve Australian businesses, particularly small and medium sized enterprises, in the development and growth of Australia's space sector.

## **Recommendation 19**

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- 3.171 The Committee recommends that the Department of Foreign Affairs and Trade and the Department of Education, Skills and Employment develop and implement a strategy to expand offshore delivery of university education and vocational education and training.

## **Recommendation 20**

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- 3.172 The Committee recommends that the Australian Government investigate ways of encouraging the growth of Australian-based telehealth services, particularly those with an export focus, in light of the COVID-19 pandemic.



# 1. Introduction

## Overview of Australia's trade and investment

- 1.1 Australia is an 'export nation', with exports reaching almost \$470 billion in 2018-19, or 24.1 per cent of Gross Domestic Product (GDP). The growth of Australia's exports has been strong, with export volumes increasing by 4.8 per cent on average in the ten years to 2018. This surpassed the growth rate of world trade over the same period (3.4 per cent).<sup>1</sup>
- 1.2 Foreign investment in Australia is also 'essential to Australia's economy'<sup>2</sup>, and totalled \$3.3 trillion at the end of 2017. Australia's largest international investor 'by a wide margin' was the United States of America (US), with other major two-way investment partners including the United Kingdom (UK), Belgium, Hong Kong and Japan.<sup>3</sup>
- 1.3 Over 54 000 Australian businesses engage in the export of goods and services.<sup>4</sup> Of these, the majority of goods exporters are small businesses (50 per cent) which together contribute one per cent of the overall value of goods exports. In contrast, 296 businesses accounted for 85 per cent of the

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<sup>1</sup> Department of Foreign Affairs and Trade (DFAT) and the Australian Trade and Investment Commission (Austrade), *Submission 29*, p. 4.

<sup>2</sup> DFAT and Austrade, *Submission 29*, p. 4.

<sup>3</sup> DFAT, *Trade and Investment at a Glance 2019*, p. 36.

<sup>4</sup> DFAT and Austrade, *Submission 29*, p. 4.

total value of goods exports.<sup>5</sup> In 2018-19, the value of goods exports totalled approximately \$373 billion, and services exports grew to almost \$97 billion.<sup>6</sup>

- 1.4 More than 75 per cent of Australia's exports go to its top ten export markets. China is Australia's largest export market, receiving 32.6 per cent of Australia's total exports in 2018-19. Other significant markets include Japan, the Republic of Korea, the US, India, New Zealand, Singapore, Taiwan, the UK and Malaysia.<sup>7</sup>
- 1.5 Australia's major export industries include resources, services, agriculture, and manufacturing. In 2018-19, Australia's top five exports were:
  - Iron ore and concentrates (16.4 per cent);
  - Coal (14.8 per cent);
  - Natural gas (10.6 per cent);
  - Education related travel services (8 per cent); and
  - Personal travel (excluding education) services (4.8 per cent).<sup>8</sup>
- 1.6 Resource and energy exports are particularly strong, with the resources sector making up 58 per cent of Australia's goods and services exports and 14 per cent of private capital investment in the Australian economy.<sup>9</sup> Australia is the 'world's largest exporter of iron ore and metallurgical coal, the second largest exporter of thermal coal and liquefied natural gas, and the third largest producer of uranium.'<sup>10</sup>
- 1.7 Service exports are also predominant and accounted for a fifth of Australia's exports in 2018-19. Education related travel services and personal travel

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<sup>5</sup> Australian Bureau of Statistics catalogue 5368.0.55.006, 'Characteristics of Australian Exporters, 2017-18', 21 August 2019.

<sup>6</sup> DFAT and Austrade, *Submission 29*, p. 4.

<sup>7</sup> DFAT, 'Australia's Trade in Goods and Services by Top 15 Partners', <https://www.dfat.gov.au/sites/default/files/australias-goods-services-by-top-15-partners-2018-19.pdf>, Accessed 4 March 2020.

<sup>8</sup> DFAT, 'Australia's Top 25 Exports, Goods and Services', <https://www.dfat.gov.au/sites/default/files/australias-goods-services-by-top-25-exports-2018-19.pdf>, Accessed 4 March 2020.

<sup>9</sup> Department of Industry, Innovation and Science (DIIS), *Submission 13*, p. 9.

<sup>10</sup> DFAT and Austrade, *Submission 29*, p. 5.

(excluding education) are Australia's largest service exports, with other areas including professional and financial services.<sup>11</sup>

- 1.8 Australia is one of the world's largest agricultural exporters. Beef is Australia's biggest agricultural export<sup>12</sup>, with other major agricultural exports including wheat, sugar and dairy products.<sup>13</sup> Australia's agricultural industry is highly trade-dependent, with approximately 70 per cent of production being exported.<sup>14</sup>
- 1.9 Australia's exports of manufactures made up 11.5 per cent of total exports in 2018-19, with the major exports being machinery and equipment manufacturing and fabricated metal product manufacturing.<sup>15</sup>

### Box 1.1 Australia's Free Trade Agreements

Free Trade Agreements (FTAs) are 'treaties between two or more countries designed to reduce or eliminate certain barriers to trade and investment, and to facilitate stronger trade and commercial ties between participating countries.'<sup>16</sup> The Australian Government has a goal of 'ensuring that around 90 per cent of Australia's two-way trade is covered by FTAs by 2022.'<sup>17</sup>

Australia currently has 13 FTAs in force (listed with entry-into-force date):

- 1 Australia–New Zealand, 1 January 1983
- 2 Singapore–Australia, 28 July 2003
- 3 Australia–US, 1 January 2005
- 4 Thailand–Australia, 1 January 2005

<sup>11</sup> DFAT and Austrade, *Submission 29*, p. 6.

<sup>12</sup> DFAT, *Trade and Investment at a Glance 2019*, p. 29.

<sup>13</sup> DFAT and Austrade, *Submission 29*, pp 5-6.

<sup>14</sup> Department of Agriculture, *Submission 22*, p. 1.

<sup>15</sup> DFAT and Austrade, *Submission 29*, p. 6.

<sup>16</sup> DFAT, 'About free trade agreements', <https://dfat.gov.au/trade/about-ftas/Pages/about-free-trade-agreements.aspx>, Accessed 17 February 2020.

<sup>17</sup> DIIS, *Submission 13*, p. 21.

- 5 Australia–Chile, 6 March 2009
- 6 Association of Southeast Asian Nations–Australia–New Zealand, 1 January 2010–2012<sup>18</sup>
- 7 Malaysia–Australia, 1 January 2013
- 8 Korea–Australia, 12 December 2014
- 9 Japan–Australia, 15 January 2015
- 10 China–Australia, 20 December 2015
- 11 Comprehensive and Progressive Agreement for Trans-Pacific Partnership, 30 December 2018
- 12 Australia–Hong Kong, 17 January 2020
- 13 Peru–Australia, 11 February 2020<sup>19</sup>

Australia also has two FTAs which have been concluded but have not yet entered into force:

- Indonesia–Australia Comprehensive Economic Partnership Agreement; and
- Pacific Agreement on Closer Economic Relations Plus.<sup>20</sup>

There are an additional seven FTAs under negotiation, and prospective FTA negotiations are underway with the UK.<sup>21</sup>

## International challenges

- 1.10 The global trade context is characterised by rising protectionism and trade tensions.<sup>22</sup> The Productivity Commission elaborated:

<sup>18</sup> 1 January 2010 for eight countries: Australia, New Zealand, Brunei, Burma, Malaysia, the Philippines, Singapore and Vietnam. For Thailand: 12 March 2010. For Laos: 1 January 2011. For Cambodia: 4 January 2011. For Indonesia: 10 January 2012.

<sup>19</sup> DFAT, 'Free Trade Agreements in force', <https://dfat.gov.au/trade/agreements/in-force/Pages/free-trade-agreements-in-force.aspx>, Accessed 6 February 2020.

<sup>20</sup> DFAT, 'Australia's FTAs', <https://dfat.gov.au/trade/agreements/Pages/trade-agreements.aspx>, Accessed 31 January 2020.

<sup>21</sup> DFAT, 'Australia's FTAs', <https://dfat.gov.au/trade/agreements/Pages/trade-agreements.aspx>, Accessed 31 January 2020.

<sup>22</sup> Mr James Wiblin, Assistant Secretary, Investment Branch, Investment and Economic Division, DFAT, *Official Committee Hansard*, Canberra, 13 September 2019, p. 2.



The world trading system is under greater strain than at any time since the 1930s. The trade tensions between the US and China and in turn between the [European Union (EU)], US and China have led to the imposition of tariffs and counter-tariffs. This has global effects on GDP, which affects demand for Australian exports, and we may too be caught up in the imposition of measures that protect other countries' import-competing industries. So far we have largely escaped this contagion risk. Another, dynamic concern is that for businesses making long-lasting investments, there is considerable uncertainty about where the trading system will go given policy volatility.<sup>23</sup>

- 1.11 Despite these tensions, the Department of Foreign Affairs and Trade (DFAT) advised that in January 2020, the US and China announced the first phase of a trade deal. DFAT stated that 'any level of greater certainty about a trade deal between these two major economic powerhouses can only lift economic confidence across the globe.'<sup>24</sup>
- 1.12 Another recent international development was the withdrawal of the UK from the EU in January 2020. This may impact on Australian businesses trading with the UK, but may also open up new trade opportunities for Australia, including through FTAs.<sup>25</sup>
- 1.13 Late 2019 also saw the emergence of a number of crises that had flow-on effects to Australia's trade and investment. In Australia, the 'bushfire crisis' which occurred in the summer of 2019-20 particularly impacted the tourism sector. DFAT advised that it was working with the Australian Trade and Investment Commission (Austrade) to 'reassure our international partners that Australia remains a safe place to visit to trade, to study and to invest with.'<sup>26</sup>

## COVID-19

- 1.14 Internationally, countries are responding to a coronavirus disease<sup>27</sup> outbreak, which was first reported from Wuhan, China, on 31 December

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<sup>23</sup> Productivity Commission, *Submission 18*, p. 8.

<sup>24</sup> Ms Julianne Merriman, Acting First Assistant Secretary, Trade Investment and Business Engagement Division, DFAT, *Official Committee Hansard*, Canberra, 12 February 2020, p. 1.

<sup>25</sup> Ms Julianne Merriman, DFAT, *Official Committee Hansard*, Canberra, 12 February 2020, p. 1.

<sup>26</sup> Ms Julianne Merriman, DFAT, *Official Committee Hansard*, Canberra, 12 February 2020, p. 2.

<sup>27</sup> Also known as COVID-19.

2019.<sup>28</sup> In February 2020, DFAT advised that the long term impacts on Australian industry were 'hard to determine', as they will depend on the longevity and severity of the outbreak. DFAT outlined the steps it was taking in response and stated that:

... there is a major effort underway across DFAT and Austrade to support the government's response to the coronavirus. In addition to the very significant consular and crisis response, we're closely monitoring the economic impact of the outbreak and travel restrictions on tourism operators, on ... education providers and on our exporters, particularly in the agriculture, aquaculture, and resources and energy sectors.<sup>29</sup>

- 1.15 Austrade added that it had already seen the implications of the coronavirus outbreak for Australia's sectors that export to China, particularly agriculture (especially fresh seafood), education and tourism.<sup>30</sup>
- 1.16 In the months since the evidence to this inquiry was received, the international economic outlook has continued to worsen as the coronavirus has spread. Measures implemented in Australia and other countries to control the spread of the virus (such as border controls, travel restrictions and social distancing measures), have had negative effects on economies.<sup>31</sup>
- 1.17 The Federal, State and Territory governments have introduced measures to help businesses and individuals through these economic difficulties. This includes the Australian Government's economic support package of \$320 billion over the forward estimates.<sup>32</sup> Support for export industries that has been announced includes additional funding for the Export Market

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<sup>28</sup> World Health Organization, 'Coronavirus disease (COVID-19) outbreak,' <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>, Accessed 20 February 2020.

<sup>29</sup> Ms Julianne Merriman, DFAT, *Official Committee Hansard*, Canberra, 12 February 2020, p. 2.

<sup>30</sup> Mr Tim Beresford, Deputy Chief Executive Officer, Austrade, *Official Committee Hansard*, Canberra, 12 February 2020, p. 2 and DFAT and Austrade, *Submission 29.4*, p. 2.

<sup>31</sup> Australian Government, 'Economic Response to the Coronavirus', <https://treasury.gov.au/sites/default/files/2020-03/Overview-Economic-Response-to-the-Coronavirus-2.pdf>, Accessed 30 April 2020.

<sup>32</sup> Hon Josh Frydenberg MP, 'Update on the economic impacts of the coronavirus', *Media Release*, 28 April 2020.

Development Grants scheme<sup>33</sup> and the establishment of a *COVID-19 Export Capital Facility* to provide loans to export businesses.<sup>34</sup>

## Government support for trade and investment

- 1.18 International efforts to support trade and attract investment are led by DFAT and Austrade. Together, these agencies aim to:

... bolster Australia's reputation as an attractive investment destination and trusted supplier, address barriers faced by exporters in overseas markets, promote opportunities including those created by FTAs, and advocate for the global rules-based trade system.<sup>35</sup>

- 1.19 The Australian Border Force is responsible for regulating the export of goods from Australia.<sup>36</sup> Some products are subject to additional regulation by other agencies — agricultural exports, for example, are controlled by the Department of Agriculture, Water and the Environment<sup>37</sup>, and the export of defence and strategic goods and technologies is regulated by Defence Export Controls.<sup>38</sup>
- 1.20 Foreign investment in Australia operates in accordance with the Foreign Investment Framework. This framework comprises the *Foreign Acquisitions and Takeovers Act 1975*, related regulations, and Australia's Foreign Investment Policy.<sup>39</sup>
- 1.21 Policy departments contribute to exports and investment through supporting industry development, providing policy expertise and leadership, and contributing to broader international efforts. States and

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<sup>33</sup> Senator the Hon Simon Birmingham, 'Funding boost to support Australian exporters and tourism businesses', *Media Release*, 1 April 2020.

<sup>34</sup> Senator the Hon Simon Birmingham, 'Financial support to help Australian exporters bounce back', *Media Release*, 15 April 2020.

<sup>35</sup> DFAT and Austrade, *Submission 29*, p. 5.

<sup>36</sup> Department of Home Affairs and the Australian Border Force, *Submission 2*, p. 4.

<sup>37</sup> Department of Agriculture, Water and the Environment, 'Exporting from Australia', <https://www.agriculture.gov.au/export/from-australia>, Accessed 18 February 2020.

<sup>38</sup> Department of Defence, 'About Defence Export Controls', <https://www.defence.gov.au/ExportControls/AboutUs.asp>, Accessed 18 February 2020.

<sup>39</sup> Austrade, 'Investing in Australia', <https://www.austrade.gov.au/International/Invest/Guide-to-investing/Investing-in-Australia>, Accessed 18 February 2020.

territories also develop and implement strategies, targets and programs to maximise trade and investment opportunities within their jurisdiction.<sup>40</sup>

- 1.22 The Australian Government collaborates with state and territory governments in order to 'set investment priorities, facilitate investment opportunities, and identify and address investment impediments'. This collaboration is overseen by the biannual Trade and Investment Ministers' Meeting.<sup>41</sup>
- 1.23 Austrade also 'administers an overseas co-location program with states and territories whereby staff are engaged on behalf of state or territory governments' for trade and investment promotion.<sup>42</sup> In addition, some states choose to have their own 'dedicated investment commissioners'<sup>43</sup> and overseas offices, all of which 'work closely with DFAT and Austrade.'<sup>44</sup>

## About the inquiry

### Objectives and scope

- 1.24 On 31 July 2019, the Minister for Trade, Tourism and Investment, Senator the Hon Simon Birmingham, referred the *Inquiry into Supporting Australia's Exports and Attracting Investment* (the inquiry) to the Joint Standing Committee on Trade and Investment Growth (the Committee).
- 1.25 As part of its inquiry, the Committee considered:
  - opportunities for, and ambition of, Australia businesses looking to grow via export and attract investment (particularly in new and rapidly growing areas of export);
  - barriers these businesses face in Australia when looking to export or expand their offerings internationally; and
  - best practice regulation and key government actions that could boost export and investment growth in a sustainable manner.

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<sup>40</sup> For example, Western Australian Government, *Submission 43*, p. 1; New South Wales (NSW) Government, *Submission 41*, p. 2; and Queensland Government, *Submission 44*, p. 1.

<sup>41</sup> DFAT and Austrade, *Submission 29*, p. 12.

<sup>42</sup> DFAT and Austrade, *Submission 29*, p. 13.

<sup>43</sup> Mr Tim Beresford, Austrade, *Official Committee Hansard*, Canberra, 13 September 2019, p. 8.

<sup>44</sup> NSW Government, *Submission 41*, p. 2.

## **Inquiry conduct**

- 1.26 The Committee launched the inquiry via media release on 12 August 2019 and called for submissions addressing the terms of reference by 23 September 2019. The Committee also invited submissions from relevant government agencies, export businesses, peak bodies and business groups.
- 1.27 The Committee received 46 submissions and 13 exhibits. These are listed at Appendix A and B respectively.
- 1.28 The Committee also held four public hearings in Canberra and one public hearing in Sydney, the details of which are listed at Appendix C.

## **Report structure**

- 1.29 Chapter 2 examines how businesses attract investment, the policy settings that underpin investment and innovation, and the support available for start-ups and small business to enter export markets.
- 1.30 Chapter 3 looks at Australia's regulatory environment for exports, including government assistance, free trade agreements, and potential regulatory challenges. Chapter 3 also presents possible future export opportunities for Australia across a range of industry sectors.



## 2. Investment, innovation and supporting small business

### Overview

- 2.1 Businesses require investment to scale up, enter new markets, diversify their products, and operate innovatively and competitively. Investment in Australian industries may come from domestic sources or internationally. Co-investment arrangements, taxation policy and tax incentives may offer further opportunities to generate investment and grow industry sectors.
- 2.2 A strong and stable intellectual property system also underpins investment decisions. The medicine and pharmaceutical industry and entertainment industry are two examples where intellectual property issues support investment growth and export opportunities.
- 2.3 Innovation can stimulate investment, and vice versa. Innovation can be supported through international collaborative research projects, tax incentives for research and development (R&D), and targeted research funding. A visa system which enables businesses to attract global talent can also foster innovation and support investment.
- 2.4 Supporting small businesses, start-ups and entrepreneurs to grow their businesses into export markets can generate new and innovative ideas and products. Small businesses may require additional support to enter export markets and attract investment, however, as they generally have less resources, capital and international market information than that of larger businesses.

## Incentives to export and invest

### Foreign investment

- 2.5 Australia is a 'net capital importing country'.<sup>1</sup> The Business Council of Australia (BCA) stated that this was due to Australia's relatively small population, which has meant it 'has never been able to finance all worthwhile investments that can be made in [its] economy.'<sup>2</sup> As such, foreign investment was described as 'essential' to the economy, particularly as it brings 'capital, skills and technologies to Australia.'<sup>3</sup> The Department of Foreign Affairs and Trade (DFAT) and the Australian Trade and Investment Commission (Austrade) highlighted that they were 'focused on ensuring Australia remains a competitive destination for foreign investment.'<sup>4</sup>
- 2.6 The impact of investment on an Australian industry was demonstrated by the Australian Sugar Milling Council (ASMC). The ASMC explained that investment in its industry had been used to enhance existing operations, finance new ventures, improve infrastructure, open up new export opportunities, stimulate innovation, and build confidence in the sugar industry. The ASMC further highlighted that this investment 'has played an important role in underpinning regional economies with a flow on effect to the Australian economy as a whole.'<sup>5</sup>
- 2.7 DFAT and Austrade outlined that foreign investor feedback regarding Australia's foreign investment settings often focussed on:
- The desire for regulatory efficiencies and harmonisation; and
  - Concern about policy that may increase the perception of sovereign risk.<sup>6</sup>
- 2.8 Regulatory harmonisation is particularly important for investors operating across state and territory borders. DFAT and Austrade noted that cost burdens can be created through having to comply with different regulatory

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<sup>1</sup> Department of Foreign Affairs and Trade (DFAT) and the Australian Trade and Investment Commission (Austrade), *Submission 29*, p. 4.

<sup>2</sup> Business Council of Australia (BCA), *Submission 37*, p. 4.

<sup>3</sup> DFAT and Austrade, *Submission 29*, p. 4.

<sup>4</sup> DFAT and Austrade, *Submission 29*, p. 19.

<sup>5</sup> Australian Sugar Milling Council, *Submission 26*, p. 4.

<sup>6</sup> DFAT and Austrade, *Submission 29*, p. 15.



requirements across jurisdictions, such as in the areas of ‘technical standards, safety, training, workforce qualifications and quality assurance.’<sup>7</sup>

- 2.9 Maintaining the overall stability of Australia’s foreign investment policy framework was described as critical in ensuring Australia remains an attractive investment destination.<sup>8</sup> The BCA further explained that having a ‘consistent, coherent, stable and predictable policy framework’ for investment includes:

... lowering barriers to investment through trade agreements, having clear and consistent investment screening policies and a competitive tax system. It would also minimise concerns around regulatory or country risk that can arise in the eyes of global investors and firms seeking to do business in Australia.<sup>9</sup>

- 2.10 In a similar vein, the Australian Investment Council (AIC) recommended against the Australian Government making any ‘unnecessary changes that would restrict future foreign investment into Australian private capital funds or businesses.’<sup>10</sup> The Infant Nutrition Council (INC) also cautioned against tightening of foreign investment settings, to ensure foreign investment continues to support the infant formula industry in Australia.<sup>11</sup>
- 2.11 DFAT and Austrade acknowledged that that ‘certainty, transparency and predictability’ were important factors in foreign investment policy. DFAT and Austrade outlined that the Australian Government had ‘streamlined its foreign investment review process by simplifying aspects of the regulations and the fee framework.’<sup>12</sup>
- 2.12 The BCA further stated that if ‘Australia has concerns around investment from certain types of organisations or in certain sectors, these should be made clear’ to investors. To address this issue, the BCA recommended that the government ‘ensure there are clear and consistent investment screening policies with timely decision making’ in place.<sup>13</sup>

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<sup>7</sup> DFAT and Austrade, *Submission 29.1*, p. 4.

<sup>8</sup> Australian Investment Council (AIC), *Submission 3*, p. 4 and BCA, *Submission 37*, p. 4.

<sup>9</sup> BCA, *Submission 37*, pp 4-5.

<sup>10</sup> AIC, *Submission 3*, p. 4.

<sup>11</sup> Ms Jan Carey, Chief Executive Officer (CEO), Infant Nutrition Council, *Official Committee Hansard*, 7 February 2020, p. 37.

<sup>12</sup> DFAT and Austrade, *Submission 29*, p. 19.

<sup>13</sup> BCA, *Submission 37*, p. 5.

- 2.13 DFAT and Austrade outlined how national security considerations are taken into account when reviewing foreign investment proposals and stated:

The Government considers the national interest when reviewing foreign investment proposals on a case-by-case basis. If it is ultimately determined that a proposal is contrary to the national interest, it will not be approved, or conditions will be applied to safeguard the national interest.<sup>14</sup>

- 2.14 DFAT also stated that many of Australia's Free Trade Agreements (FTAs) have 'liberalised [Australia's] foreign investment screening thresholds for private investors in non-sensitive sectors.'<sup>15</sup>

## Superannuation

- 2.15 In addition to supporting foreign investment, the AIC stated that Australia has 'to do better to incentivise ... domestic capital.' The AIC cautioned, however, that there 'are some structural design features of [Australia's] system that increasingly make that difficult.'<sup>16</sup>
- 2.16 The AIC outlined a range of reasons why superannuation funds may not be investing in Australia's private capital investment industry. These included 'tax inefficiencies', including that Australia does not have a 'limited partnership collective investment vehicle', which is 'a flow-through fund structure that is simpler to understand and less compliance intensive than some of our existing vehicles here in Australia, and, importantly, it is the same type of vehicle that is used offshore.'<sup>17</sup>
- 2.17 The AIC also explained that, as superannuation funds are becoming larger, so too are their investments, and this may not suit many businesses in the Australian market. The AIC stated that Australia has:

... a very large [superannuation] system with huge amounts of capital that is growing day by day, and we also have a push on the part of government, certainly, and regulators, in particular, for consolidation in the superannuation industry—for less funds ultimately managing larger amounts of capital. What that does mean is that those funds, out of commercial necessity more than anything, have to invest ever increasing amounts of capital in one transaction.

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<sup>14</sup> DFAT and Austrade, *Submission 29*, p. 19.

<sup>15</sup> Mr James Wiblin, Assistant Secretary, Investment Branch, Investment and Economic Division, DFAT, *Official Committee Hansard*, Canberra, 13 September 2019, p. 2.

<sup>16</sup> Mr Yasser El-Ansary, Chief Executive, AIC, *Official Committee Hansard*, Sydney, 29 November 2019, p. 4.

<sup>17</sup> Mr Yasser El-Ansary, AIC, *Official Committee Hansard*, Sydney, 29 November 2019, p. 2.

We refer to it as bigger and bigger cheques ... and for a large part of the Australian business sector, which might be looking to attract capital through an industry like ours, they are too big.<sup>18</sup>

- 2.18 The Red Meat Advisory Council (RMAC) similarly commented that Australian superannuation funds had been 'reluctant' to invest in agriculture, due to 'issues of investable scale, liquidity, risk-return tolerance and experience.'<sup>19</sup>

## Co-investment

- 2.19 The AIC recommended the Australian Government consider government equity co-investment programs, which 'attract private capital into a sector of the economy which otherwise would not attract adequate investment.'<sup>20</sup> The AIC outlined that this had been achieved with the \$500 million Biomedical Translation Fund (BTF), which 'provides companies with venture capital through licensed private sector fund managers' to help companies develop 'biomedical discoveries into tangible products, services and outcomes.'<sup>21</sup> The AIC stated:

Already, the money that was raised [through the BTF] is beginning to be deployed into ground-breaking life science companies ... Importantly, the government is not trying to pick winners at the individual company level but rather, back proven funds that can raise matching capital from the private sector.<sup>22</sup>

- 2.20 The Greater Whitsunday Alliance (GWA) and the Regional Development Australia - Mackay Isaac Whitsunday (RDA-MIW) similarly considered that co-investment could support businesses and projects in its region. The GWA and RDA-MIW recommended:

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<sup>18</sup> Mr Yasser El-Ansary, AIC, *Official Committee Hansard*, Sydney, 29 November 2019, p. 2.

<sup>19</sup> Red Meat Advisory Council (RMAC), *Submission 5*, p. 14.

<sup>20</sup> AIC, *Submission 3*, p. 5.

<sup>21</sup> Australian Government, 'Biomedical Translation Fund', <https://www.business.gov.au/Grants-and-Programs/Biomedical-Translation-Fund>, Accessed 12 February 2020.

<sup>22</sup> AIC, *Submission 3*, p. 5.

... co-investment from government and industry sectors to identify and support catalytic projects that support investment attraction to the MIW region and specific service and product suppliers.<sup>23</sup>

- 2.21 The Advanced Manufacturing Growth Centre (AMGC) cited a lack of access to capital as a key barrier to Australia's advanced manufacturing sector building capability in exports. To help address this issue, the AMGC explained that it has co-invested in the development of advanced manufacturing concepts into commercially viable products.<sup>24</sup>

## Investment in agriculture

- 2.22 RMAC considered that both foreign and domestic investment should be generated for the agricultural sector.<sup>25</sup> In relation to foreign investment, RMAC recommended that the Australian Government conduct a review of the Foreign Investment Review Board framework, including thresholds.<sup>26</sup> At the same time, RMAC acknowledged that the 'knock-back rate' by the Foreign Investment Review Board was 'not high' under current arrangements.<sup>27</sup>
- 2.23 To support domestic investment, RMAC recommended the Australian Government consider 'the creation of a sovereign wealth fund for Australian agriculture.'<sup>28</sup> RMAC stated that this would help address the lack of 'domestic institutional capital and sovereign support compared to other leading agricultural nations.'<sup>29</sup>

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<sup>23</sup> Greater Whitsunday Alliance (GWA) and the Regional Development Australia-Mackay Isaac Whitsunday (RDA-MIW), *Submission 6*, p. 5.

<sup>24</sup> Mr Michael Haddy, National Director, Defence and Space, and State Director, South Australia, Advanced Manufacturing Growth Centre (AMGC), *Official Committee Hansard*, Canberra, 7 February 2020, pp 42-43.

<sup>25</sup> RMAC, *Submission 5*, p. 13.

<sup>26</sup> RMAC, *Submission 5*, p. 6.

<sup>27</sup> Ms Anna Campbell, CEO, RMAC, *Official Committee Hansard*, Canberra, 18 October 2019, p. 37.

<sup>28</sup> RMAC, *Submission 5*, p. 6.

<sup>29</sup> RMAC, *Submission 5*, p. 14.

## Box 2.1 International approaches to investment

The AIC highlighted Scotland and Singapore as two jurisdictions which have implemented measures aimed at securing greater business investment.

In Scotland, the AIC pointed to the *Scottish Investment Bank*, which was 'set up in order to help companies identify appropriate sources of finance, engage with funders and secure ... investment.' The AIC also highlighted Scotland's *SME Holding Fund*, which 'seeks to address the problems of access to finance specifically for [small to medium sized enterprises (SMEs)] with growth and export potential.'<sup>30</sup>

The AIC also drew attention to Singapore's government agency *Enterprise Singapore*, which 'works towards growing Singapore as a hub for global trading and start-ups ... as well as helping Singaporean companies internationalise.'<sup>31</sup> The AIC described the approach of *Enterprise Singapore* and stated that it:

... takes a business-centric approach to its services based on a company's stage of growth, the industry in which it operates, and the overseas markets of interest. The tailor-made approach to helping businesses is applied across some features of *Enterprise Singapore's* offering to companies that are looking to break out into new markets, such as its matching of companies with the right business partners in other markets and specialised tax advisory services.<sup>32</sup>

The *Singapore Economic Development Board* was also highlighted by the AIC. The AIC stated that this entity:

- Attracts inbound investment;
- Works to position Singapore as a 'global centre for business, innovation and talent'; and
- Manages 'grants and tax incentives for global businesses that are seeking to establish themselves in Singapore.'<sup>33</sup>

<sup>30</sup> AIC, *Submission 3*, p. 8.

<sup>31</sup> AIC, *Submission 3*, p. 8.

<sup>32</sup> AIC, *Submission 3*, p. 9.

<sup>33</sup> AIC, *Submission 3*, p. 9.

## Taxation and tax incentives

2.24 The BCA described Australia's tax arrangements as 'outdated'. In particular, the BCA stated that the company tax rate was 'uncompetitive' and may deter global investment.<sup>34</sup> The BCA put forward the following reform actions to 'make Australia a more competitive investment destination':

- 'broad-based, comprehensive tax reform', or if this is not possible, 'the company tax rate should be reduced to 25 per cent for all companies';
- if a company tax cut is not implemented, 'the federal government should introduce a broad-based, investment allowance applicable to all investment depreciable under current tax law'; and
- the continued progression of tax integrity reforms internationally.<sup>35</sup>

2.25 The AIC also raised concerns that Australia's 'current legal and tax framework deters foreign investment', and that it 'necessitates duplicate and complex structures.'<sup>36</sup> To make Australia more competitive, the AIC put forward recommendations related to:

- tax incentives to stimulate corporate investment in early stage companies;
- incentives for investors and government entities to engage with start-ups and SMEs;
- 'promoting open data initiatives';
- 'opening up the Accelerating Commercialisation program to venture capital-backed companies'; and
- 'reforming equity incentive rules for founders and entrepreneurs who hold a significant equity stake in their company.'<sup>37</sup>

2.26 Representatives from a range of industry sectors drew attention to tax incentives and other taxation measures to stimulate investment. RMAC, for example, outlined the impact of taxation arrangements on investment in red meat and stated:

Taxation is a key factor influencing domestic and foreign investment in Australia. The red meat supply chain touches every aspect of the tax system. Investment in the red meat sector, and agriculture more broadly, is necessary to ensure the long-term sustainability of rural industries and communities. It

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<sup>34</sup> BCA, *Submission 37*, p. 2.

<sup>35</sup> BCA, *Submission 37*, pp 2-3.

<sup>36</sup> AIC, *Submission 3*, p. 6.

<sup>37</sup> AIC, *Submission 3*, p. 6.

follows that our taxation policies should support the attraction of this investment.<sup>38</sup>

- 2.27 RMAC recommended the government consider an ‘agribusiness specific taxation reform agenda.’<sup>39</sup> Measures put forward as part of this agenda related to investment; state and territory taxes; risk mitigation; temporary residents; Goods and Services Tax; business structures; succession planning; superannuation; environment; transport; and water.<sup>40</sup>
- 2.28 Australian Performance Vehicles (APV) emphasised that federal, state and territory governments should focus on minimising costs to industry, so that Australian businesses can be globally competitive.<sup>41</sup> In particular, APV recommended that state governments minimise payroll tax, to enable innovating and growing companies to employ a range of skilled professionals and still remain profitable.<sup>42</sup>
- 2.29 In addition to broad scale reform, measures aimed at attracting investment to specific industries were also highlighted by inquiry participants. These included:
- **Technology manufacturing:** Atlassian stated that tax incentives could assist with enhancing innovation in advanced technology manufacturing.<sup>43</sup>
  - **Video game development:** the Interactive Games and Entertainment Association (IGEA) called for a 30 per cent refundable tax offset for video game development (similar to the 30 per cent rebate available to the Post, Digital and Visual Effects sector), to stimulate growth of the local industry and also attract international investment.<sup>44</sup>
  - **Film and television production:** Ausfilm recommended the government permanently ‘increase the Location Offset from 16.5 per cent to a rebate of 30 per cent on expenditure in Australia on location filming’, to encourage large international productions to Australia.<sup>45</sup> Ausfilm stated

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<sup>38</sup> RMAC, *Submission 5*, p. 17.

<sup>39</sup> RMAC, *Submission 5*, p. 17.

<sup>40</sup> RMAC, *Exhibit 7*, pp xix-xxi.

<sup>41</sup> Australian Performance Vehicles, *Submission 17*, pp 4-5.

<sup>42</sup> Australian Performance Vehicles, *Submission 17*, p. 5.

<sup>43</sup> Atlassian, *Submission 30*, p. 5.

<sup>44</sup> Interactive Games and Entertainment Association (IGEA), *Submission 7*, Attachment A, p. 17.

<sup>45</sup> Ausfilm, *Submission 27*, pp 1-2.

that since the Location Offset temporarily increased in 2018 through the Location Incentive program to an equivalent 30 per cent rebate, it had ‘generated about \$900 million in actual or forthcoming expenditure in Australia’, with a cost to government of approximately \$270 million.<sup>46</sup>

- In contrast, Screen Producers Australia (SPA) considered that a greater focus should be on improving the Australian television production offset in order to attract greater international investment in local content.<sup>47</sup> As such, SPA recommended the incentive for local television creation be increased from 20 per cent, to be in line international competitors such as New Zealand (which is closer to 40 per cent).<sup>48</sup> SPA also recommended streaming services be required to invest ten percent of revenue earned in Australia into Australian content and promotion.<sup>49</sup>

## Intellectual property

- 2.30 The Productivity Commission (PC) stated that intellectual property (IP) arrangements (such as patents, copyright, trademarks, and others) ‘offer opportunities to creators of new and valuable knowledge to secure sufficient returns to motivate their initial endeavour or investment.’<sup>50</sup>
- 2.31 The Australian Chamber of Commerce and Industry highlighted ‘costs and uncertainty around the protection of IP’ as a potential barrier to businesses accessing export opportunities.<sup>51</sup>
- 2.32 Stakeholders from the medicine and pharmaceutical industry and the entertainment industry highlighted IP regulatory barriers that may be a disincentive to investment. These are outlined below.

## *Medicine and pharmaceutical industry*

- 2.33 Medicines Australia emphasised the importance of a ‘strong, stable and predictable’ IP system for stimulating investment and innovation in the medicines industry. Reflecting this, Medicines Australia recommended the Australian Government ‘ensure Australia’s [IP] regime is globally

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<sup>46</sup> Ausfilm, *Submission 27.1*, p. 1.

<sup>47</sup> Screen Producers Australia (SPA), *Submission 14.1*, pp. 4-5.

<sup>48</sup> Mr Matthew Deaner, CEO, SPA, *Official Committee Hansard*, Canberra, 18 October 2019, p. 33.

<sup>49</sup> SPA, *Submission 14.1*, p. 6.

<sup>50</sup> Productivity Commission, *Intellectual Property Arrangements – Overview and Recommendations*, No. 78, 23 September 2016, p. 3.

<sup>51</sup> Australian Chamber of Commerce and Industry (ACCI), *Submission 36*, p. 12.



competitive.’<sup>52</sup> In addition, Medicines Australia recommended ensuring that Australia’s IP system ‘recognises and rewards our niche strengths in research and advanced manufacturing and is consistent with international IP norms’.<sup>53</sup>

- 2.34 Bristol-Myers Squibb (BMS) similarly drew attention to the importance of a ‘predictable and effective IP environment.’ BMS was concerned, however, that:

Punitive policies and uncertainties associated with Australia’s current IP system are hampering the ability of both local and multinational companies to maximise their potential contributions to the Australian community.<sup>54</sup>

- 2.35 In particular, both BMS and Medicines Australia highlighted Regulatory Data Protection (RDP) and patent notification as two areas for IP reform.

#### *Regulatory Data Protection*

- 2.36 Medicines Australia stated that RDP is a ‘key IP policy mechanism for the pharmaceutical industry.’<sup>55</sup> BMS further explained the importance of RDP to investment and stated:

Under [the Agreement on Trade-Related Aspects of IP] Article 39.3 each World Trade Organization member is required to protect undisclosed test and other data submitted for marketing approval in their country against disclosure and unfair commercial use. This RDP is to support the investment of time and resources needed to develop the required test data from unfair commercial use for a period of time. ... Without the certainty of some substantial period of market exclusivity, innovators may not have the incentives needed to conduct the work to discover and bring new biologics to market.<sup>56</sup>

- 2.37 BMS stated that Australia’s current RDP period of five years is not in line with its key global competitors and trade partners. BMS explained that the United States of America (US) ‘offers up to 12 years for biologics; the

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<sup>52</sup> Medicines Australia, *Submission 34*, p. 4.

<sup>53</sup> Medicines Australia, *Submission 34*, p. 1.

<sup>54</sup> Bristol-Myers Squibb, *Submission 35*, p. 2.

<sup>55</sup> Medicines Australia, *Submission 34*, p. 4.

<sup>56</sup> Bristol-Myers Squibb, *Submission 35*, p. 4.

European Union (EU) up to 11 years; and Canada and Japan both offer eight years.’<sup>57</sup>

- 2.38 Medicines Australia recommended that Australia’s RDP period be aligned to at least that of the EU.<sup>58</sup> BMS similarly recommended Australia’s RDP be strengthened and aligned with global best practice, which would ‘enhance Australia’s ability to compete for foreign investments in the knowledge- and innovation-intensive biomedical sector’.<sup>59</sup>

#### *Patent notification*

- 2.39 BMS and Medicines Australia outlined concerns about Australia’s policy and processes relating to potential patent infringements. Both groups also cautioned that Australia’s approach to patent notification may not be in line with its obligations under the Australia–US FTA (AUSFTA).<sup>60</sup> BMS stated that:

... Australia has not implemented a system by which patent holders, as a matter of practice, receive advance notice of third-party applications for marketing approval of potentially patent-infringing pharmaceutical products. ... As a result, originator pharmaceutical companies in Australia are routinely unaware of a potential infringing product until after the product has received marketing approval (and has been registered on the [Australian Register of Therapeutic Goods]). For originator companies with Pharmaceutical Benefits Scheme (PBS) listed products, the entry of a generic version of a medicine, irrespective of patent status, triggers mandatory and largely irreversible price cuts for the innovator product, in addition to the loss of market share.<sup>61</sup>

- 2.40 BMS stated that the Australian Government’s approach to patent notification ‘undermines legal certainty, predictability and the incentive provided by patents to invest in new treatments and cures.’<sup>62</sup> Medicines Australia added that ‘in the absence of prior notice, patent holders are forced to pursue litigation in order to protect their IP rights’.<sup>63</sup>

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<sup>57</sup> Bristol-Myers Squibb, *Submission 35*, p. 4.

<sup>58</sup> Medicines Australia, *Submission 34*, p. 4.

<sup>59</sup> Bristol-Myers Squibb, *Submission 35*, p. 4.

<sup>60</sup> Bristol-Myers Squibb, *Submission 35*, p. 2 and Medicines Australia, *Submission 34*, pp 4-5.

<sup>61</sup> Bristol-Myers Squibb, *Submission 35*, p. 2.

<sup>62</sup> Bristol-Myers Squibb, *Submission 35*, p. 3.

<sup>63</sup> Medicines Australia, *Submission 34.1*, p. 2.

2.41 To address this, Medicines Australia recommended that the government ‘notify pharmaceutical patent holders in a timely manner when potentially patent-infringing generic or buyer similar products are seeking market entry thereby mitigating the need for innovators to go to court.’<sup>64</sup>

2.42 The BMS similarly supported efforts to:

- ensure a transparent equitable process with respect to publishing information on applications under evaluation by the [Therapeutic Goods Administration (TGA)] and alignment by the TGA with international best practice by other major health authorities; and
- have a strong IP environment in Australia where Australia meets all of its obligations under AUSFTA and which attracts R&D investment into Australia.<sup>65</sup>

2.43 Medicines Australia further stated that Australia's IP system is ‘being undermined by government policy seeking to recover damages from innovators when they protect their patents.’<sup>66</sup> Medicines Australia explained:

The Australian Government has persisted with a policy of seeking to recover damages from innovators in cases where challenges to patents on PBS-listed medicines have ultimately been upheld following an initial granting of a preliminary injunction. This policy creates significant uncertainty for pharmaceutical patent owners in Australia and undermines the rights of patent holders by introducing a strong disincentive to defend their IP.<sup>67</sup>

2.44 Medicines Australia recommended the Australian Government cease pursuing damages in these instances.<sup>68</sup>

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<sup>64</sup> Ms Elizabeth de Somer, CEO, Medicines Australia, *Official Committee Hansard*, Canberra, 7 February 2020, p. 1.

<sup>65</sup> Bristol-Myers Squibb, *Submission 35*, p. 3.

<sup>66</sup> Ms Elizabeth de Somer, Medicines Australia, *Official Committee Hansard*, Canberra, 7 February 2020, p. 1.

<sup>67</sup> Medicines Australia, *Submission 34*, p. 4.

<sup>68</sup> Medicines Australia, *Submission 34*, p. 5.

### *Intellectual property and copyright in the entertainment industry*

- 2.45 APRA AMCOS advised that Australia has an efficient copyright administration, which provides it with a ‘significant competitive advantage’ in the Asia Pacific region. APRA AMCOS outlined the benefits of Australia’s regulatory environment in relation to copyright and stated:

Australia enjoys a regulatory environment that facilitates legitimate use of copyright materials, where content is made available and rights owners are fairly compensated. Such a regulatory environment fosters investment in local creation and provides export opportunities for our creative industries, and for APRA AMCOS to develop multi territory digital licensing models.<sup>69</sup>

- 2.46 APRA AMCOS stated that trade agreements have an important role in ‘promoting development and harmonisation in copyright laws and their enforcement, particularly in our Asia Pacific region.’ APRA AMCOS was supportive of recent FTAs that Australia had signed, and further stated that ‘the agreement with the EU may provide a higher level benchmark for copyright protection.’<sup>70</sup>

- 2.47 APRA AMCOS also cautioned that the digital transformation of the music industry has led to new regulatory considerations and ‘cross border licensing and enforcement’ issues, which may pose ‘significant potential barriers to entry and trade impediments.’<sup>71</sup>

## **Research and development**

- 2.48 Research is a critical part of Australia’s innovation capability which, in turn, drives Australia’s export growth. In particular, Universities Australia considered that that collaborative and adequately resourced university research allows Australia to ‘keep pace with the rest of the world’.<sup>72</sup>
- 2.49 To support quality research, Universities Australia saw a greater role for the Australian Government in ‘specific funding for large-scale, long-term international collaboration’. According to Universities Australia, ‘modest government funding can often attract co-investment from other partners and

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<sup>69</sup> APRA AMCOS, *Submission 20*, p. 4.

<sup>70</sup> APRA AMCOS, *Submission 20*, p. 5.

<sup>71</sup> APRA AMCOS, *Submission 20*, p. 5.

<sup>72</sup> Universities Australia, *Submission 9*, p. 2.

lead to significant research breakthroughs.’<sup>73</sup> Universities Australia further explained why government funding for international research collaboration was needed, and stated that:

... there is an important role for government in supporting international research collaboration more generally, and perhaps a bit more generously. In an increasingly global research environment, that kind of collaboration is not an add-on or an extra; it is an essential part of successful university research, research that is effective and has impact. And it is a necessary part of keeping up with a global research enterprise and making sure Australia is still at the forefront of global university research.<sup>74</sup>

2.50 The Australian Government’s R&D Tax Incentive was highlighted as a mechanism to attract innovation and investment in Australian industries. The R&D Tax incentive is designed to help ‘offset some of the costs [a company] puts into eligible R&D.’<sup>75</sup>

2.51 The AIC described the R&D Tax Incentive as a ‘critical element of the innovation and tax system’, and recommended it be maintained. The AIC further stated that:

The government should address recent uncertainty around the future settings of the scheme and a heavy-handed approach taken by the [Australian Tax Office] and Ausindustry in the auditing of previous years’ claims.<sup>76</sup>

2.52 Medicines Australia also considered that the R&D Tax Incentive ‘should be stabilised and strengthened rather than being constantly tinkered with and weakened.’ Medicines Australia objected to proposed changes that would introduce an intensity threshold for industry, as this would diminish ‘Australia’s attractiveness as a destination for clinical research.’<sup>77</sup>

2.53 The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) similarly called for ‘certainty’ in relation to the R&D Tax Incentive in order to support small business. ASBFEO stated:

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<sup>73</sup> Universities Australia, *Submission 9*, p. 2.

<sup>74</sup> Mr Mike Teece, Policy Director, Academic, Universities Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 12.

<sup>75</sup> Australian Government, ‘Research and Development Tax Incentive’, [www.business.gov.au/Grants-and-Programs/Research-and-Development-Tax-Incentive](http://www.business.gov.au/Grants-and-Programs/Research-and-Development-Tax-Incentive), Accessed 12 February 2020.

<sup>76</sup> AIC, *Submission 3*, pp 6-7.

<sup>77</sup> Ms Elizabeth de Somer, Medicines Australia, *Official Committee Hansard*, Canberra, 7 February 2020, p. 1.

When we looked at the research and development tax incentive ... part of the problem here is a lack of certainty. In that instance, you get an incentive and you spend it on what you think are appropriate things, your R&D, and then it could be four years later that the tax office comes in and says, 'No, that wasn't right; now pay us back the money'—it's all spent. And, because small business is always on a knife's edge of a slender line of profit, that can wipe you out, and it does wipe you out.<sup>78</sup>

2.54 The AMGC considered that the 'parameters under which a company can obtain money under the R&D Tax Incentive program makes it challenging for some smaller entities to invest via that method.'<sup>79</sup>

2.55 Increasing Australia's R&D budget was put forward by Atlassian as a way to enhance 'Australia's capability as an innovation creator and technology manufacturer.' In addition to increasing R&D funding, Atlassian stated that policy factors needed to be reviewed, including:

- 'the definition/scope of what activities qualify as eligible for R&D access' and
- 'the definition of how innovation occurs and what the process of discovery is to this point.'<sup>80</sup>

2.56 R&D was described by Medicines Australia as a major aspect of ensuring ongoing investment in the medicines industry:

The innovative medicines industry has developed some ground-breaking discoveries ... However, medicines investment is high-risk with approximately only 12 per cent of medicines that enter clinical trials reaching approval for use by patients. Therefore, our industry is highly reliant on a stable policy environment that strongly supports innovation, research and development, and commercial translation to the same levels as competitor nations. Without these policies, there will be limited incentive for ongoing investment into Australia.<sup>81</sup>

2.57 Medicines Australia called for 'policy incentives and streamlined processes to attract direct and indirect investment in R&D and the avoidance of policies that detract from innovation.'<sup>82</sup> More specifically, Medicines

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<sup>78</sup> Dr Craig Latham, Deputy Ombudsman, Australian Small Business and Family Enterprise Ombudsman, *Official Committee Hansard*, Canberra, 7 February 2020, p. 32.

<sup>79</sup> Mr Michael Haddy, AMGC, *Official Committee Hansard*, Canberra, 7 February 2020, p. 44.

<sup>80</sup> Atlassian, *Submission 30*, p. 5.

<sup>81</sup> Medicines Australia, *Submission 34*, p. 1.

<sup>82</sup> Medicines Australia, *Submission 34*, p. 2.

Australia recommended the government support a policy environment that attracts investment to 'priority areas', which included medical research, such as 'R&D tax incentives for clinical trials.'<sup>83</sup>

### *Clinical trials*

- 2.58 Medicines Australia stated that clinical trials conducted in Australia bring benefits to the economy and for patient access.<sup>84</sup> BMS agreed and added that the technical and economic benefits associated with clinical trials leads to intense 'global competition for clinical trial investment.'<sup>85</sup> Australia's advantages in attracting clinical trials include high quality health researchers and professionals, research infrastructure, a stable political and social environment, and high clinical and research standards.<sup>86</sup>
- 2.59 Despite these advantages, Medicines Australia outlined barriers to the attraction of global clinical trials. These included complex arrangements for establishing trials and approval processes; lower recruitment rates and slow timelines; high costs; inconsistent processes between states and territories; and no coordinated long-term strategy.<sup>87</sup>
- 2.60 To address these barriers, Medicines Australia recommended that: federal, state and territory governments agree to regulatory harmonisation; patient access to clinical trials be enhanced; and the Clinical Trial Notification scheme be retained.<sup>88</sup>
- 2.61 BMS also considered that a 'lack of harmonisation across commonwealth, state and territory governments' was a barrier to clinical trials and R&D investment. To address this, BMS recommended a 'national coordinating body responsible for clinical trials reform' be established, under the auspices of the Council of Australian Governments.<sup>89</sup>
- 2.62 The Committee recognises that the above evidence was received before the global COVID-19 pandemic, and that protocols on this issue will necessarily have to be reconsidered in the post-pandemic environment.

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<sup>83</sup> Medicines Australia, *Submission 34*, p. 3.

<sup>84</sup> Medicines Australia, *Submission 34*, p. 7.

<sup>85</sup> Bristol-Myers Squibb, *Submission 35*, p. 5.

<sup>86</sup> Medicines Australia, *Submission 34*, p. 7.

<sup>87</sup> Medicines Australia, *Submission 34*, p. 7.

<sup>88</sup> Medicines Australia, *Submission 34*, pp 7-8.

<sup>89</sup> Bristol-Myers Squibb, *Submission 35*, p. 5.

## Visas

- 2.63 Fast and efficient visa processing times, particularly for recruiting skilled labour, can support investment and innovation. Conversely, visa delays can lead to missed business and investment opportunities and impact on business continuity. DFAT and Austrade added that certainty in visa settings is ‘vital for maintaining investor confidence.’<sup>90</sup>
- 2.64 Visa processing times were highlighted by the Victorian Government as being a common concern for industry. In addition, the Victorian Government cautioned that it was aware of international businesses that had decided against investing in Australia due to ‘the difficult and lengthy visa processing barriers.’<sup>91</sup>
- 2.65 The importance of supporting domestic employment and skill development was also raised. The Victorian Government emphasised that ‘migration policy and program settings must also balance the need to support domestic employment, education and training policies and ensure public confidence in the migration system.’<sup>92</sup>

### *Attracting talent and innovation to Australia*

- 2.66 Atlassian described a ‘lack of access to experienced, global talent’ as ‘the single biggest factor constraining the growth of the technology industry in Australia.’<sup>93</sup> Recognising the need for global talent, in 2018 the Australian Government established the *Visas for Innovation* initiative which includes:
- The *Global Talent Independent program*, which ‘offers a streamlined, priority visa pathway for highly skilled and talented individuals to work and live permanently in Australia’;<sup>94</sup>
  - The *Global Talent Employer Sponsored (GTES) program*, which ‘allows employers to sponsor overseas workers for highly-skilled niche positions that cannot be filled’ by Australians or other visa programs;<sup>95</sup>

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<sup>90</sup> DFAT and Austrade, *Submission 29*, pp 15-16.

<sup>91</sup> Victorian Government, *Submission 45*, p. 15.

<sup>92</sup> Victorian Government, *Submission 45*, p. 13.

<sup>93</sup> Atlassian, *Submission 30*, p. 5.

<sup>94</sup> Department of Home Affairs, ‘Global Talent Independent program’, <https://immi.homeaffairs.gov.au/visas/working-in-australia/visas-for-innovation/global-talent-independent-program>, Accessed 24 February 2020.



- The *Supporting Innovation in South Australia pilot*, which is a ‘visa arrangement designed to attract foreign entrepreneurs to take forward innovative ideas and launch seed stage start-ups.’ If successful, it will be rolled out nationally.<sup>96</sup>

2.67 The Victorian Government welcomed *Visas for Innovation*, while the AIC described the GTES program as an important step in boosting the pool of talent available to start-ups and scale-ups in Australia.<sup>97</sup> Atlassian recommended the government ‘continue to enhance and bolster’ schemes that attract global talent to ensure Australia’s competitiveness.<sup>98</sup>

2.68 The Victorian Government also encouraged ‘further state government involvement in reviewing and refining the *Visas for Innovation* initiatives,’<sup>99</sup> and added that it would support further reforms to ‘facilitate new talent, business and investment.’<sup>100</sup> In particular, the Victorian Government stated that it would:

... welcome early engagement with the Commonwealth regarding the potential rollout of the *Supporting Innovation in South Australia* pilot to Victoria, and the ability to modify the settings or implementation of this program as required.<sup>101</sup>

2.69 The Victorian Government also highlighted the importance of having a ‘competitive and accessible entrepreneur visa’ to stimulate start-up activity and attract high growth businesses. The current visa available for entrepreneurial activities, however, was described as having ‘restrictive’ funding requirements, which was limiting interest in the visa. The Victorian Government recommended that ‘lowering the funding threshold,

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<sup>95</sup> Department of Home Affairs, ‘Global Talent Employer Sponsored’, <https://immi.homeaffairs.gov.au/visas/working-in-australia/visas-for-innovation/global-talent-scheme>, Accessed 24 February 2020.

<sup>96</sup> Department of Home Affairs, ‘Supporting Innovation in South Australia’, <https://immi.homeaffairs.gov.au/visas/working-in-australia/visas-for-innovation/supporting-innovation-in-south-australia>, Accessed 24 February 2020.

<sup>97</sup> AIC, *Submission 3*, p. 7.

<sup>98</sup> Atlassian, *Submission 30*, p. 5.

<sup>99</sup> Victorian Government, *Submission 45*, p. 3.

<sup>100</sup> Victorian Government, *Submission 45*, p. 13.

<sup>101</sup> Victorian Government, *Submission 45*, p. 3.

broadening funding sources and accepting endorsements as an alternative criterion would allow Australia to compete globally.’<sup>102</sup>

2.70 The Victorian Government also stated that it:

- ‘... supports the establishment of a formal mechanism for states and territories to request priority processing of Employer Sponsored Visas for senior highly skilled individuals of a company tasked with establishing a significant business enterprise in Australia;’ and
- ‘... recommends that the Commonwealth undertake a comprehensive review of the Australian and New Zealand Standard Classification of Occupations to highlight new and emerging occupations and skills which need to be recognised and considered for skilled migration to Australia.’<sup>103</sup>

2.71 Reflecting the need for expert and highly skilled staff in the development of medicines, Medicines Australia recommended the development of policies to support ‘talent exchange (including the ability to fast track visa approvals for mid-term inter-company transfers) within the pharmaceutical sector. Medicines Australia stated that this would bring expertise to Australia, and also enable Australians to work overseas and then ‘bring expertise home.’<sup>104</sup>

2.72 DFAT and Austrade advised that investor feedback had highlighted a need for short term visas for new foreign investors, in order for them to set up their operations in Australia. DFAT and Austrade stated that ‘although a visitor visa permits “business activities” some investors have been refused a visa as these activities are deemed “work”.’<sup>105</sup>

### ***Visas and tourism***

2.73 Tourism Australia stated that ‘visa competitiveness is ... an extremely important factor’ for Australia’s tourism reputation and for increasing Australia’s share of the international tourism market.<sup>106</sup> Tourism Australia further highlighted the importance of a streamlined visa processing system for attracting international visitors to Australia and stated:

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<sup>102</sup> Victorian Government, *Submission 45*, p. 15.

<sup>103</sup> Victorian Government, *Submission 45*, pp 3-4.

<sup>104</sup> Medicines Australia, *Submission 34*, p. 5.

<sup>105</sup> DFAT and Austrade, *Submission 29*, pp 15-16.

<sup>106</sup> Mr Leo Seaton, General Manager, Communications and Government, Tourism Australia, *Official Committee Hansard*, Sydney, 29 November 2019, p. 33.

An accessible, competitive and easy-to-use visa process is essential for maintaining and growing Australia's market share in a cluttered global tourism market. Increasingly, consumers expect greater efficiency and have a lower tolerance for entry barriers and delays such as visa wait time. Furthermore, the cost of travel and ease of obtaining a visa are considered by prospective travellers as important factors when selecting a holiday destination.<sup>107</sup>

- 2.74 Reflecting this importance, Tourism Australia supported the Australian Government's efforts to 'streamline visa applications, expedite processing times, [and] develop better visa products'.<sup>108</sup> In terms of improvements to the visa system to encourage international visitation, Tourism Australia highlighted that visas that support repeat visitation were important. Tourism Australia stated that:

... one of the particular areas is the importance of repeat visitation to our tourism industry. This is anything to do with multi-entry visas, for example. What we found a few years ago, when we were able to introduce multi-entry visas within Indonesia and moved to a 10-year visa, is that they had very positive effects. ... of course our marketing is around getting the first-time visitor, but, critically, it's about showing those visitors such a great time that they'll come back again.<sup>109</sup>

- 2.75 The Victorian Government raised the visa requirements for visitors from many Latin American countries (including Brazil) as a barrier to tourism and trade.<sup>110</sup> To address this, the Victorian Government recommended that:

- '...the Commonwealth review the barriers impeding greater trade, investment and tourism flows between Australia and Latin America;' and
- '... Brazil be included in the list of countries eligible for access to transit without a visa.'<sup>111</sup>

### ***Visas and international education***

- 2.76 Universities Australia emphasised the importance of ensuring 'consistent and appropriate visa policy settings' for students and academic staff.

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<sup>107</sup> Tourism Australia, *Submission 42*, p. 2.

<sup>108</sup> Tourism Australia, *Submission 42*, p. 2.

<sup>109</sup> Mr Leo Seaton, Tourism Australia, *Official Committee Hansard*, Sydney, 29 November 2019, p. 36.

<sup>110</sup> Victorian Government, *Submission 45*, p. 9.

<sup>111</sup> Victorian Government, *Submission 45*, p. 2.

Universities Australia stated that this would help Australia to maintain a comparative advantage in the international education market.<sup>112</sup>

- 2.77 The Department of Home Affairs stated that in 2018, it reviewed the *Simplified Student Visa Framework* (SSVF), which had commenced in July 2016. The Department of Home Affairs stated that ‘stakeholders confirmed that the SSVF is generally operating as intended and called for a period of stability in policy settings.’<sup>113</sup>
- 2.78 The Victorian Government considered that federal regulatory and standards agencies should examine the impact of recent incentives for international students to study in regional Australia. The Victorian Government explained that this would ensure the incentives were beneficial and stated that:
- ... this [scrutiny] would help to ensure there are no unintended negative impacts in terms of unethical recruitment, low provider quality or lack of regional capacity to absorb an uplift in international students with regard to employment, accommodation, transport and student support services.<sup>114</sup>

### *Visas and entertainment*

- 2.79 APRA AMCOS stated that a major barrier to exporting Australian music to the US is ‘the difficulties and costs associated with petitioning an entertainment visa for artists to showcase and tour in the US.’ APRA AMCOS further noted that US artists faced similar difficulties when looking to tour Australia.<sup>115</sup>
- 2.80 To address both these issues, APRA AMCOS recommended that:
- ... the Australian Government enter in to trade discussions with the US to introduce a reciprocal Music Exporters Provisional Visa that allows artists the opportunity to showcase and tour in each other’s countries on up to three occasions before they need to apply for a working permit.<sup>116</sup>

### *Visas and services*

- 2.81 BDO stated that Australia’s visa system was a significant barrier for businesses that trade in services. BDO explained that it was undertaking an

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<sup>112</sup> Universities Australia, *Submission 9*, p. 1.

<sup>113</sup> Department of Home Affairs and ABF, *Submission 2.1*, p. 4.

<sup>114</sup> Victorian Government, *Submission 45*, p. 12.

<sup>115</sup> APRA AMCOS, *Submission 20*, p. 5.

<sup>116</sup> APRA AMCOS, *Submission 20*, p. 5.

amalgamation of its practices, which will have the effect of voiding current skilled work visas for its sponsored employees and lead to ‘approximately \$300 000 in [Skilling Australians Fund] levy fees associated with reapplying for the skilled work visa for those employees on these visas.’<sup>117</sup>

- 2.82 BDO recommended the Australian Government ‘develop actions to assist businesses in the service industry and help boost Australia’s exports’, including visa arrangements.<sup>118</sup>

## Supporting small, regional and start-up businesses

- 2.83 The Department of Industry, Innovation and Science (DIIS) outlined that while SMEs make up 99 per cent of Australian employing businesses, their contribution to exports is ‘disproportionately low.’ As such, DIIS considered that ‘assisting SMEs to export represents an important avenue to boost job creation and economic growth.’<sup>119</sup>

- 2.84 The New South Wales Government quoted research which stated that SMEs face similar barriers to export as large businesses, but may not possess the resources to overcome them.<sup>120</sup> Barriers included:

- ‘A lack of information about the international opportunities available to them;
- A lack of capability and capacity to engage in international trade;
- A lack of information on trade requirements, regulations and markets;
- Relatively higher costs of complying with regulations - not just those imposed by overseas governments but also regulations in Australia;
- Relatively higher transaction costs for doing business internationally; and
- Inadequate access to trade finance for international opportunities.’<sup>121</sup>

- 2.85 DIIS further outlined that the ‘inherently complex’ nature of FTAs means that SMEs can face more challenges in utilising them than larger businesses.<sup>122</sup>

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<sup>117</sup> BDO, *Submission 33*, p. 2.

<sup>118</sup> BDO, *Submission 33*, p. 3.

<sup>119</sup> Department of Industry, Innovation and Science (DIIS), *Submission 13*, p. 22.

<sup>120</sup> New South Wales (NSW) Government, *Submission 41*, p. 2.

<sup>121</sup> NSW Government, *Submission 41*, p. 2.

<sup>122</sup> DIIS, *Submission 13*, p. 22.

- 2.86 SPA discussed these challenges in the screen industry, as over 80 per cent of Australia's screen industry is made up of SMEs. SPA stated that 'these screen businesses require significant and often prohibitive sunk costs of time, resources and capital to build the skills, capabilities and overseas networks needed for export sales and co-productions.'<sup>123</sup>
- 2.87 Initiatives that the Australian Government could implement to support exporters, including SMEs, were put forward by inquiry participants. These included:
- Mentoring<sup>124</sup>, including for new exporters and those in high growth and emerging industries;<sup>125</sup>
  - An Austrade-run program to assist new or emerging exporters, with a focus on pitching and international partnerships;<sup>126</sup>
  - A 'start-up incubator' to foster innovation (as has been used internationally);<sup>127</sup>
  - Providing support through 'partnerships, grants and procurement' to SMEs and start-ups<sup>128</sup>, or an 'export accelerator grant program';<sup>129</sup>
  - Improving communication with SMEs, including through greater utilisation of digital tools<sup>130</sup>, highlighting successful examples of SME exporters<sup>131</sup>, and/or industry-specific education about export opportunities and how to enter specific markets.<sup>132</sup>
- 2.88 Operating as an SME, APV had first-hand experience of barriers to export. In particular, APV stated that 'it is difficult to obtain the resources or subject matter expertise to navigate through the export regulatory and investment

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<sup>123</sup> SPA, *Submission 14*, Attachment A, p. 1.

<sup>124</sup> RDA-MIW, *Submission 6*, p. 5.

<sup>125</sup> NSW Government, *Submission 41*, p. 3.

<sup>126</sup> NSW Government, *Submission 41*, p. 2.

<sup>127</sup> Mr Andrew Willcocks, Acting Director, International Chamber of Commerce Australia, ACCI, *Official Committee Hansard*, Canberra, 18 October 2019, p. 7.

<sup>128</sup> AIC, *Submission 3*, p. 3.

<sup>129</sup> NSW Government, *Submission 41*, p. 3.

<sup>130</sup> NSW Government, *Submission 41*, p. 3.

<sup>131</sup> Mr Peter Strong, CEO, Council of Small Business Organisations Australia, *Official Committee Hansard*, Canberra, 7 February 2020, p. 20.

<sup>132</sup> Mr Eric Perez, CEO, Queensland Seafood Industry Association, *Official Committee Hansard*, Sydney, 29 November 2019, p. 39.

landscape.’ To help mitigate this, APV stated that the government should establish policy settings to enable SMEs to be successful exporters and to grow from small into medium sized enterprises.<sup>133</sup>

2.89 These policy settings could be based on collaboration between government and industry. APV gave the example of the defence sector, where the government has successfully assisted defence exporters through market intelligence, trade missions, export grants and business improvement programs. As such, APV stated that ‘there is significant merit in expanding the defence industry development programs and the collaborative networks ... and applying this model more broadly across the Australian manufacturing export sector.’<sup>134</sup>

2.90 Another SME, Geospatial Intelligence, considered that there needed to be greater utilisation of SMEs in Australia’s space sector, instead of primarily relying on government expertise. Geospatial Intelligence highlighted an approach to industry development in the US and noted:

In America, if private industry has a capability, then government doesn't do it; they go out to industry. And that's all we need to do in Australia. If there's a capability required by government or anybody in Australia, go out to Australian private industry first to see if they can meet that capability.<sup>135</sup>

2.91 Geospatial Intelligence recommended the Australian Government consider outsourcing aspects of the development of the defence and space sectors to industry, instead of government departments.<sup>136</sup>

2.92 Austrade highlighted support it had available specifically for scale-ups and start-ups looking to develop international markets.<sup>137</sup> The *Landing Pads* program is located in Berlin, San Francisco, Shanghai, Singapore and Tel Aviv, and provides 90 day residences to businesses to ‘help them reach into new innovation ecosystems and seek finance or partnerships.’<sup>138</sup>

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<sup>133</sup> Australian Performance Vehicles, *Submission 17*, p. 3.

<sup>134</sup> Australian Performance Vehicles, *Submission 17.1*, p. 3.

<sup>135</sup> Mr Robert Coorey, CEO, Geospatial Intelligence, *Official Committee Hansard*, Canberra, 18 October 2019, p. 19.

<sup>136</sup> Mr Robert Coorey, Geospatial Intelligence, *Official Committee Hansard*, Canberra, 18 October 2019, p. 20.

<sup>137</sup> Mr Tim Beresford, Deputy CEO, Austrade, *Official Committee Hansard*, Canberra, 12 February 2020, p. 4.

<sup>138</sup> DFAT and Austrade, *Submission 29*, p. 11.

## *Regional businesses*

2.93 Regional businesses may face additional barriers to export and investment. DFAT and Austrade outlined government actions aimed at supporting regional businesses as including:

- Austrade's *TradeStart* network, which has locations across regional Australia and is delivered in partnership with state, territory and local governments, industry associations and chambers of commerce.<sup>139</sup> *TradeStart* provides Australian businesses 'direct access to a specialist advisor who can help them succeed in international markets.'<sup>140</sup>
- Collaboration between Austrade, the Department of Infrastructure, Regional Development and Cities and RDA committees on 'viable investment opportunities.'<sup>141</sup>
- Growing the northern Australian economy through investment and support as part of the Government's northern Australia agenda.<sup>142</sup>

2.94 The GWA and RDA-MIW described the MIW region as 'a powerhouse in terms of exports and trade'.<sup>143</sup> To grow its regional economy and exports, the GWA and RDA-MIW put forward a range of recommendations. These included building market intelligence of trade and investment opportunities in the region; co-investment from government and business into projects that could stimulate investment and exports; support for SMEs; and an examination of infrastructure needs to support increased productivity.<sup>144</sup>

2.95 The GWA and RDA-MIW also saw benefit in exploring broader market trends across northern Australia, to identify common barriers and solutions to boost exports:

These cross regional collaborative actions would ideally focus toward shared export infrastructure, research and development, policy and regulations. The Australian Government in support of the Northern Australia Agenda could establish an [Office of Northern Australia] facilitated working group comprised of regional stakeholders and Northern Australia agencies to find

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<sup>139</sup> Austrade, 'TradeStart', [www.austrade.gov.au/Australian/How-Austrade-can-help/Trade-services/TradeStart](http://www.austrade.gov.au/Australian/How-Austrade-can-help/Trade-services/TradeStart), Accessed 2 December 2019.

<sup>140</sup> DFAT and Austrade, *Submission 29*, p. 11.

<sup>141</sup> DFAT and Austrade, *Submission 29*, p. 11.

<sup>142</sup> DFAT and Austrade, *Submission 29*, p. 11.

<sup>143</sup> GWA and RDA-MIW, *Submission 6*, p. 1.

<sup>144</sup> GWA and RDA-MIW, *Submission 6*, p. 5.



policy and operational solutions in support of cross regional development solutions.<sup>145</sup>

- 2.96 The AIC recommended the government launch a 'Regional Innovation Fund', which 'would stimulate and support the establishment and growth of start-ups, new businesses and industry sectors – such as Agritech – to catalyse economic growth in regional and rural areas of Australia.'<sup>146</sup> IGEA put forward a similar recommendation and stated that the government could establish an innovation hub for video game development and other technology start-ups, which could be located in a regional centre.<sup>147</sup>

## Committee comment and recommendations

### *Investment*

- 2.97 Foreign investment underpins a range of Australian industry sectors and is a major part of Australia's economy. The Committee heard from certain sectors that certainty was paramount in foreign investment policy settings. Some inquiry participants also cautioned against any further tightening of foreign investment settings, although this must be balanced against the wider national interest, national security (including food security) concerns and public concern about foreign investment.
- 2.98 Domestic investment also supports Australia's export sector. The Committee considers that there may be opportunities for greater domestic investment, particularly through superannuation, in Australian businesses and industries.
- 2.99 Co-investment initiatives, where the private sector partners with the government, provide opportunities for industry growth and innovation. Industries such as biomedicine and advanced manufacturing have benefited from co-investment initiatives, and there may be further opportunities for this type of investment into the future.
- 2.100 The Committee heard from a range of sectors about how tax incentives could be used to stimulate further growth in their industry. In particular, tax incentives for advanced manufacturing, video game development, and film and television production were put forward as mechanisms to attract

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<sup>145</sup> GWA and RDA-MIW, *Submission 6*, p. 5.

<sup>146</sup> AIC, *Submission 3*, p. 3.

<sup>147</sup> IGEA, *Submission 7*, Attachment A, p. 16.

investment. The Committee is of the view that targeted tax incentives can be an efficient way to generate investment and should be considered by the government, as well as being subject to a cost/benefit analysis.

## **Recommendation 1**

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- 2.101 The Committee recommends that the Australian Government identify new and emerging trade opportunities and seek to apply the lessons learned from the Biomedical Translation Fund to help attract industry investment to those opportunities, as part of an updated trade and investment strategy.**

## **Recommendation 2**

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- 2.102 The Committee recommends that the Australian Government continue to progress its tax reform agenda, particularly by reducing the company tax rate, as a priority.**

### ***Intellectual property***

- 2.103 The medicines and entertainment sectors highlighted to the Committee that a strong intellectual property (IP) system underpins investment, research and growth in these industries. Uncertainty relating to IP may be a barrier to investment and exports.**
- 2.104 The medicine and pharmaceutical industry pointed to specific aspects of IP that may be hindering investment. These included Regulatory Data Protection and Patent Notification. The Committee was concerned to hear that these policy settings may be impacting on investment, and considers that the Australian Government should investigate them further.**

## **Recommendation 3**

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- 2.105 The Committee recommends that the Australian Government, in collaboration with State and Territory Governments, the medical profession and pharmaceutical industry:**
- **develop a unified national regulatory scheme for the establishment, conduct and reporting of clinical trials in Australia; and**
  - **review Australia's intellectual property settings, particularly regulatory data protection and the patent notification scheme, to assess if they are an impediment to greater investment.**

## *Research and Development*

- 2.106 Research and Development (R&D) can generate innovation, growth and diversification across Australia's economy. The Committee heard that there were industry concerns around the stability and utility of the Australian Government's R&D Tax Incentive. In particular, the Committee was concerned that some inquiry participants stated that the R&D Tax Incentive had been 'weakened', while others stated that it was difficult for small businesses to engage with. Supporting the development of R&D in Australia is an important way the government can enable the continued growth of innovative industries, products, and business practices across the economy.
- 2.107 The Committee notes that the Senate Economics Legislation Committee is scheduled to report in August 2020 on its inquiry into provisions of the *Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019*.

## **Recommendation 4**

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- 2.108 The Committee recommends that the Australian Government investigate improvements that could be made to the Research and Development Tax Incentive, particularly to meet the needs of small and innovative businesses.**

## *Visas*

- 2.109 An effective and stable visa system is a critical aspect of attracting global talent to Australian industries and supporting investment. The Australian Government's *Visas for Innovation* initiative is an important step in sourcing expertise and innovative thinking to Australia, particularly in industries such as advanced manufacturing.
- 2.110 Removing any unnecessary barriers in the visa system that relate to the education, tourism and entertainment industries can ensure that Australia can continue to succeed in these highly competitive global industries.

## **Recommendation 5**

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- 2.111 The Committee recommends that the Australian Government, in consultation with industry, review the Global Talent Employer Sponsored program after one year to assess its effectiveness, and make amendments to the program if necessary.**

## **Recommendation 6**

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- 2.112 The Committee recommends that the Department of Foreign Affairs and Trade and the Department of Home Affairs work with the music industry to increase access for Australian performing artists to the United States of America market, including consideration of a reciprocal visa arrangement for artist tours and showcases in each other's countries.**

## **Recommendation 7**

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- 2.113 The Committee recommends that the Australian Government implement measures to enhance trade between Australia and Latin America, including consideration of visa requirements for Latin American visitors to Australia.**

### *Small, regional and start-up businesses*

- 2.114 Small to medium sized enterprises (SMEs) make up the vast majority of Australian employing businesses, but only a fraction of export value. While it is not feasible to expect all SMEs to export, it is important to ensure that SMEs have the capacity and support to enter export markets when opportunities arise. Supporting SMEs can also stimulate innovation, as it is often at the 'start-up' level where new ideas are discovered.
- 2.115 Specific barriers that SMEs may disproportionately experience include limited information and visibility of international opportunities; limited contacts and capabilities needed to engage in exports; relatively higher costs to engage in trade and comply with regulations and less access to finance opportunities available to larger companies.
- 2.116 The Committee was pleased to hear that the defence sector has had some success with government-industry collaboration to support exports, which has had positive outcomes for Australian defence businesses. There may be potential for other sectors and government agencies to learn from this example and apply it to other export industries.

## **Recommendation 8**

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- 2.117 The Committee recommends that the Australian Government consider further options to support small and medium enterprises to enter (and remain) in export markets, including:**
- **Greater support targeting start-ups and entrepreneurs;**

- **Consideration of current government support for small businesses in the defence export industry, and whether this support could be replicated in more broadly to other industries; and**
- **Greater education and communication (including via digital means), particularly for new exporters, on how to enter and succeed in specific export markets.**

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## **Recommendation 9**

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**2.118 The Committee recommends that the Australian Government establish a Superannuation Task Force to explore, develop and recommend structural changes and possible incentive based programs and regulations to increase the level of Australian superannuation fund investment in Australian industries, particularly those with an export focus.**



# 3. Opportunities and challenges for Australia's exports

## Overview

- 3.1 Exports generate hundreds of billions of dollars for the Australian economy, and a range of agencies and initiatives help facilitate this trade. These include *Export Market Development Grants* (EMDG), which provide financial assistance to exporters; the *Australian Trusted Trader* (ATT) initiative, to streamline border processes for exports; and support from federal, state and territory agencies both in Australia and internationally.
- 3.2 Free Trade Agreements (FTAs) create further opportunities for exporters. At the same time, the number of (and interaction between) bilateral and multilateral FTAs can lead to additional regulatory complexity. Non-tariff barriers (NTBs) are also potential impediments to export, particularly as tariff related barriers have been progressively reduced.
- 3.3 Australia's export regulatory framework aims to maintain the quality and consistency of Australia's exports while avoiding unnecessary costs and burden on business. Regulations differ based on sector requirements and risks, with agricultural products often being subject to a range of regulatory and biosecurity related processes.
- 3.4 The opportunities for future growth in Australia's exports are immense and reflect changing global trends, expanded market access, new technology and innovative products. Taking advantage of these opportunities will require collaboration across industry and government; investment; and a continued commitment to open trade.

## Government grants and support for exports

- 3.5 As was outlined in Chapter 1, a number of Australian Government agencies, as well as the state and territory governments, support Australia's trade and investment growth. Inquiry participants drew particular attention to the EMDG and ATT initiatives, and the support provided to business through the Australian Trade and Investment Commission (Austrade) and the Department of Foreign Affairs and Trade (DFAT). These issues are outlined below.

### Export Market Development Grants

- 3.6 The Australian Government's EMDG scheme provides financial assistance for current and aspiring exporters, in order for them to 'increase international marketing and promotion expenditure to achieve more sustainable international sales.'<sup>1</sup> Austrade stated that the scheme:
- 'encourages small- and medium-sized Australian businesses to develop export markets;
  - reimburses up to 50 per cent of eligible export promotion expenses above \$5000 provided that the total expenses are at least \$15 000; [and]
  - provides up to eight grants to each eligible applicant.'<sup>2</sup>
- 3.7 The Export Consultants Association (ECA) advised that the EMDG scheme had assisted over 100 000 small to medium sized enterprises (SMEs) since it began in 1974, and that some of these SMEs subsequently became the 'biggest names in their industry sectors.' The ECA consequently described the EMDG scheme as 'the most successful economic stimulus initiative ever introduced into the federal parliament.'<sup>3</sup>
- 3.8 The ECA further explained that the EMDG scheme presented value for money, as the 'export income derived by EMDG applicants per \$1 of EMDG paid is over \$40.'<sup>4</sup> The Export Council of Australia (Export Council) was also

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<sup>1</sup> Austrade, 'Export Market Development Grants (EMDG) at a glance, <https://www.austrade.gov.au/ArticleDocuments/1433/EMDG-At-a-Glance.pdf.aspx>, Accessed 27 February 2020.

<sup>2</sup> Australian Trade and Investment Commission (Austrade), 'What is EMDG?' <https://www.austrade.gov.au/Australian/Export/Export-Grants/About/what-is-emdg>, Accessed 4 December 2019.

<sup>3</sup> Export Consultants Association (ECA), *Submission 23*, pp. 2-3.

<sup>4</sup> ECA, *Submission 23*, p. 3.



supportive of the EMDG scheme and stated that it was 'a vitally important program to give Australian businesses confidence to export.'<sup>5</sup>

- 3.9 In the 2019-20 Budget, the Australian Government announced a funding increase of \$60 million over three years for the EMDG scheme. This brings the total annual spend on the EMDG scheme to \$157.9 million.<sup>6</sup> DFAT and Austrade explained that demand for EMDGs has been increasing in recent years, and as 'the budget for the scheme is fixed every year ... the rise in demand affects the final payment to businesses.'<sup>7</sup>
- 3.10 The ECA and the Export Council both welcomed the funding increase, but stated that it is insufficient to meet current and future business demand.<sup>8</sup> The Export Council further noted that the low Australian dollar will increase demand for the EMDG, further widening the gap.<sup>9</sup> The ECA estimated that by June 2020, the 'deficiency will be in the region of \$70 million to \$80 million.'<sup>10</sup>
- 3.11 A funding shortfall may create uncertainty for businesses participating in the scheme, as they may not receive the amount of EMDG funding that they had expected. The ECA outlined this scenario further and stated that in the EMDG scheme:

... people put their hard-earned money on the line on an understanding that the government has offered a rebate of 50 per cent. They put in an annual application ... to find out that when Austrade has assessed it virtually 12 months later there's not enough money to pay them. The upfront component is guaranteed — presently \$40 000. The maximum benefit is \$150 000. The grants above \$40 000 last year were paid out at 24.6 per cent. A small business person at Airlie Beach with a tourism operation may have spent a lot of money on marketing and advertising to try to get people to come to Australia. They have an expectation in their cash flow of some level of recovery. If they find

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<sup>5</sup> Export Council of Australia, *Submission 31*, p. 5.

<sup>6</sup> Minister for Foreign Affairs, Senator the Hon Marise Payne, '2019-20 Foreign Affairs and Trade Budget', <https://www.foreignminister.gov.au/minister/marise-payne/media-release/2019-20-foreign-affairs-and-trade-budget>, Accessed 2 March 2020.

<sup>7</sup> DFAT and Austrade, *Submission 29.4*, p. [3].

<sup>8</sup> ECA, *Submission 23*, p. 5 and Attachment A, p. 2 and Export Council of Australia, *Submission 31*, p. 5.

<sup>9</sup> Export Council of Australia, *Submission 31*, p. 5.

<sup>10</sup> Mr Rod Campbell, Chairman, ECA, *Official Committee Hansard*, Sydney, 29 November 2019, p. 6.

that they're going to get 24.6 per cent, it would be a pretty bitter pill to swallow.<sup>11</sup>

- 3.12 To address this, the ECA recommended funding for the EMDG be increased by an additional \$60 million a year.<sup>12</sup> The ECA further stated that the EMDG scheme had been shown to have a 'multiplier of \$7 to \$1', so it is estimated that the extra \$60 million would generate a \$420 million in economic activity. The ECA also highlighted that the business generated by the EMDG scheme, and the associated tax paid, lowers the overall cost to government. The ECA advised that:

... additional business generated by export grants almost covers the cost of the program through additional tax revenue. So the net cost to the government purse at the end of the day is negligible, and that's not taking into account the tax benefits that flow in subsequent years.<sup>13</sup>

- 3.13 Australian Performance Vehicles (APV) raised concerns that it was ineligible for EMDG funding due to its previous owners having already claimed under the EMDG scheme in the 1980s. The APV stated that this should be irrelevant as the company is under new ownership and would benefit from the EMDG scheme. APV explained:

As a result of purchasing the company from an international company—they were excluded after 11 EMDG claims ... in 1987-88. That has got no relevance to my business today—none at all. Something which happened nearly two decades ago prevents me now, as an Australian company, from getting government support to put local resources on the ground overseas.<sup>14</sup>

- 3.14 To address this, APV recommended that the eligibility guidelines be amended to allow participation of companies such as APV. APV further outlined the benefits that the EMDG scheme could have to a small business, particularly through providing financial support for developing overseas relationships and contacts in new markets.<sup>15</sup>

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<sup>11</sup> Mr Rod Campbell, ECA, *Official Committee Hansard*, Sydney, 29 November 2019, p. 6.

<sup>12</sup> ECA, *Submission 23*, pp 1-2.

<sup>13</sup> Mr Peter Campbell, Director, ECA, *Official Committee Hansard*, Sydney, 29 November 2019, p. 9.

<sup>14</sup> Mr Harry Hickling, Managing Director, Australian Performance Vehicles, *Official Committee Hansard*, Sydney, 29 November 2019, p. 48.

<sup>15</sup> Australian Performance Vehicles, *Submission 17*, p. 4.

- 3.15 In October 2019, the Government announced an independent review of the effectiveness of the EMDG scheme and government financial assistance to SME exporters, with a report due in March 2020.<sup>16</sup>
- 3.16 On 1 April 2020, the Australian Government announced a funding increase for the EMDG scheme of \$49.8 million for the 2019-20 financial year. This will bring total EMDG funding for that period to \$207.7 million, which the government stated was the highest EMDG funding level in over 20 years.<sup>17</sup>

### Australian Trusted Trader

- 3.17 The ATT initiative is administered by the Department of Home Affairs and the Australian Border Force (ABF).<sup>18</sup> The Department of Home Affairs stated that the ATT:

... accredits Australian businesses that demonstrate both secure supply chains and compliant trade practices, and rewards them with trade facilitation benefits. ATT is part of an internationally recognised network of Authorised Economic Operator programs and provides a mark of trust with customs administrations globally.<sup>19</sup>

- 3.18 Benefits of the ATT initiative include:

- 'simplified access to market, such as priority treatment of goods at the border, or access to Mutual Recognition Arrangements with other economies;
- streamlining red tape, including duty deferral, streamlined cargo reporting, and simpler access to the Temporary Skills Shortage visa or [Asia-Pacific Economic Cooperation] travel card; and
- opportunities to work in partnership with Government.'<sup>20</sup>

<sup>16</sup> Austrade, 'Review of financial assistance to SME exporters', <https://www.austrade.gov.au/Australian/Export/Export-Grants/review>, Accessed 28 February 2020.

<sup>17</sup> Senator the Hon Simon Birmingham, 'Funding boost to support Australian exporters and tourism businesses', *Media Release*, 1 April 2020, <https://www.trademinister.gov.au/minister/simon-birmingham/media-release/funding-boost-support-australian-exporters-and-tourism-businesses>, Accessed 30 April 2020.

<sup>18</sup> Australian Border Force, 'Australian Trusted Trader', <https://www.abf.gov.au/about-us/what-we-do/trustedtrader>, Accessed 27 February 2020.

<sup>19</sup> Department of Home Affairs and ABF, *Submission 2*, p. 5.

<sup>20</sup> Department of Home Affairs and ABF, *Submission 2*, p. 5.

- 3.19 As at 5 September 2019, there were 482 accredited trusted traders, with ‘many more coming forward through the application process.’<sup>21</sup>
- 3.20 BDO (East Coast Partnership) considered that the ATT initiative is ‘an excellent example of the kinds of initiatives that can improve the Australian trading system’ and described it as a ‘roadmap’ for broader regulatory reform to support and boost Australia’s international trade.<sup>22</sup>

## Austrade and DFAT support

- 3.21 Austrade is Australia’s ‘official trade and investment promotion agency’, which provides services to Australian businesses looking to enter or expand into global markets, and assists in attracting foreign direct investment to Australia.<sup>23</sup>
- 3.22 The Australian Investment Council (AIC) considered that the role of Austrade could be expanded to provide a ‘tailor-made approach’ for large, mature and high-growth companies to expand into overseas markets. The AIC stated:
- As companies grow, their capabilities and specific needs become more varied and complex. Enabling Austrade to provide a focused service approach to these companies, in terms of export know-how and investment readiness, would be one way of meeting those needs.<sup>24</sup>
- 3.23 DFAT and Austrade advised that Austrade was currently ‘developing a dedicated, longer-term support program for those exporters, customers and investors with the greatest potential to contribute to Australia’s economic prosperity.’ The first trials of this specialised approach, which was aimed at exporters expanding into new markets, began in May 2019.<sup>25</sup>
- 3.24 The Export Council stated that Austrade had experienced ‘declining resourcing for many years’, despite an increase in its responsibilities. The Export Council considered Austrade as ‘critical’ to Australian export

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<sup>21</sup> Ms Louise Greig, Director, Australian Trusted Trader Strategic Policy, Trade Modernisation and Industry Engagement Branch, ABF, *Official Committee Hansard*, Canberra, 13 September 2019, p. 14.

<sup>22</sup> Mr William Cole, Partner, International Trade and Excise, BDO (East Coast Partnership), *Official Committee Hansard*, Sydney, 29 November 2019, p. 12.

<sup>23</sup> Department of Foreign Affairs and Trade (DFAT) and Austrade, *Submission 29*, p. 10.

<sup>24</sup> Australian Investment Council, *Submission 3*, p. 5.

<sup>25</sup> DFAT and Austrade, *Submission 29*, p. 10.

businesses and stated that ‘any serious attempt to grow or diversify Australian exports must include better resourcing [of] Austrade.’<sup>26</sup>

- 3.25 APRA AMCOS commented that, while it had a positive relationship with DFAT and Austrade in key international posts, it found it ‘difficult ... to get strategic priority overall from DFAT’ in relation to the music industry. APRA AMCOS stated this was in contrast to equivalent departments in other countries, such as the United Kingdom (UK), Canada, Korea and France, where there is greater investment in supporting music exports.<sup>27</sup>
- 3.26 To address this issue, APRA AMCOS recommended that DFAT (in consultation with government agencies and industry) develop a ‘Cultural Export Strategy’ to ‘ensure that the policy settings are right for Australia to fully realise our cultural export potential, particularly in music.’<sup>28</sup>

## Free Trade Agreements

### Benefits of FTAs

- 3.27 DFAT and Austrade advised that Australia’s FTAs have ‘high rates of business utilisation’<sup>29</sup> and outlined that FTAs can benefit exporters by:
- creating a competitive edge for their goods and services exports, including through e-commerce;
  - providing access to a wider range of more competitively priced imports;
  - deepening their engagement in global value chains;
  - safeguarding against protectionist tendencies in other countries;
  - improving access to overseas investment capital and new technologies; and
  - providing new growth and employment opportunities.<sup>30</sup>
- 3.28 Sectors such as medicines and agriculture outlined the importance of free trade to supporting their exports. Medicines Australia particularly supported FTAs with ‘high growth economies in the Asia region, which are

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<sup>26</sup> Export Council of Australia, *Submission 31*, p. 5.

<sup>27</sup> Mr Scot Morris, Director International Relations, APRA AMCOS, *Official Committee Hansard*, Canberra, 18 October 2019, p. 26.

<sup>28</sup> APRA AMCOS, *Submission 20.1*, p. 1.

<sup>29</sup> DFAT and Austrade, *Submission 29.3*, p. 3.

<sup>30</sup> DFAT and Austrade, *Submission 29*, p. 8.

major export destinations for medicines and vaccines.’<sup>31</sup> The National Farmers’ Federation (NFF) described FTAs as critical to Australian agriculture, as many other countries have subsidies and protections for their domestic industries which FTAs can help address.<sup>32</sup>

- 3.29 Whilst highlighting the broad benefits of free trade, DFAT and Austrade acknowledged that it can be ‘difficult’ to assess the benefits of a single FTA due to the range of other factors in the international trading environment. DFAT stated:

It’s very difficult to disaggregate the impact of an FTA from all of the other variables moving around – exchange rates, capacity to supply, whether there are non-tariff barriers, changes in income in the target country. ... you can look at the impact of trade and investment as a whole on the economy, but to isolate the impact in a backward-looking sense from a particular agreement, or to compare the impact of two agreements, is very difficult.<sup>33</sup>

- 3.30 In contrast, the Australian Chamber of Commerce and Industry (ACCI) recommended that the Australian Government conduct economic assessments of existing and proposed trade agreements, to ‘ensure they are delivering (or likely to deliver) economic benefits to Australia.’<sup>34</sup> The Productivity Commission (PC) similarly called for assessments of proposed trade deals during early stages of the negotiations.<sup>35</sup>
- 3.31 To further ensure that the business benefits of trade agreements are realised, ACCI encouraged the government to ‘provide greater access [for business] at an earlier stage to the negotiating process’.<sup>36</sup>

## Challenges for businesses utilising FTAs

- 3.32 Australia currently has 13 FTAs in force with 20 partners, of both a bilateral and regional nature.<sup>37</sup> ACCI stated that the ‘compounding development of

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<sup>31</sup> Medicines Australia, *Submission 34*, p. 3.

<sup>32</sup> Dr Prudence Gordon, General Manager, Trade and Economics, National Farmers’ Federation (NFF), *Official Committee Hansard*, Canberra, 7 February 2020, p. 23.

<sup>33</sup> Mr Lachlan Crews, Assistant Secretary, Trade and Investment Advocacy Branch, DFAT, *Official Committee Hansard*, Canberra, 13 September 2019, p. 11.

<sup>34</sup> Australian Chamber of Commerce and Industry (ACCI), *Submission 36*, p. 3.

<sup>35</sup> Mr Michael Brennan, Chair, Productivity Commission, *Official Committee Hansard*, Canberra, 13 September 2019, p. 39.

<sup>36</sup> ACCI, *Submission 36*, p. 10.

<sup>37</sup> DFAT and Austrade, *Submission 29.3*, p. 1.

bilateral and regional preferential trade agreements' has led to a 'build-up of "red tape"' for business.<sup>38</sup> Medicines Australia similarly stated that in some instances, Australia has 'multiple agreements with the same country', which can create a regulatory barrier for exporters.<sup>39</sup>

- 3.33 To reduce regulatory complexity, ACCI recommended that the government undertake a 'stocktake' in order 'to consider the value of maintaining bilateral preferential trade agreements where the same nations are party to wider regional agreements.'<sup>40</sup> ACCI also commented that 'harmonising common elements in existing FTAs' would help reduce NTBs.<sup>41</sup>
- 3.34 SMEs may find it particularly difficult to navigate any regulatory complexity associated with exports and trade agreements. The Department of Industry, Innovation and Science (DIIS) stated that this is reflected in disproportionately low number of SMEs that engage in export. As such, DIIS stated that it was working across government to ensure these challenges were considered as part of FTA processes.<sup>42</sup>
- 3.35 The Export Council similarly highlighted that businesses require assistance to understand and utilise FTAs.<sup>43</sup> ACCI agreed and recommended that:
- The Australian Government continue to collaborate with industry representatives, including ACCI and its members, to develop and deliver resources for SMEs to capitalise on FTAs and boost exports.<sup>44</sup>
- 3.36 DFAT acknowledged that 'FTAs are complicated instruments' that can be difficult for SMEs to get across the detail. To assist, DFAT highlighted the FTA information seminars that it and Austrade deliver around the country.<sup>45</sup> DFAT also drew attention to the FTA Portal, which is 'designed to be a very

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<sup>38</sup> ACCI, *Submission 36*, p. 10.

<sup>39</sup> Mr Piotr Komocki, Manager, Industry and Regulation Policy, Medicines Australia, *Official Committee Hansard*, 7 February 2020, pp 9-10.

<sup>40</sup> ACCI, *Submission 36*, p. 12.

<sup>41</sup> ACCI, *Submission 36*, p. 12.

<sup>42</sup> Department of Industry, Innovation and Science (DIIS), *Submission 13*, p. 22.

<sup>43</sup> Export Council of Australia, *Submission 31*, p. 4.

<sup>44</sup> ACCI, *Submission 36*, p. 3.

<sup>45</sup> Mr Lachlan Crews, DFAT, *Official Committee Hansard*, Canberra, 13 September 2019, p. 6.

easy-to-use online interface if you're a small exporter wondering about what the different FTAs are.'<sup>46</sup>

## Priority FTA negotiations

- 3.37 Broad multilateral trade agreements were described as the 'best approach' by the PC. Current global trade tensions, however, may make it difficult to achieve the broad consensus needed for multilateral agreement. In this context, the PC stated that 'many countries are negotiating on a bilateral basis to make progress where they are able.'<sup>47</sup>
- 3.38 DFAT acknowledged that Australia has expanded its number of bilateral FTAs and highlighted that the benefits of these sometimes exceed that of multi-party negotiations, particularly on market access. At the same time, DFAT stated that it is also progressing multiregional agreements. Overall, DFAT concluded that there were 'pros and cons' to both approaches.<sup>48</sup>
- 3.39 Trade agreements that were put forward as priorities for Australia included:
- Indonesia-Australia Comprehensive Economic Partnership Agreement<sup>49</sup>;
  - Regional Comprehensive Economic Partnership<sup>50</sup>;
  - Australia-European Union (EU) FTA<sup>51</sup>; and
  - Australia-UK FTA.<sup>52</sup>
- 3.40 The Australian Government aims to have 90 per cent of Australia's two-way trade covered by FTAs by 2022.<sup>53</sup> Medicines Australia questioned what the next steps for boosting Australia's exports will be once this goal has been

<sup>46</sup> Mr Lachlan Crews, DFAT, *Official Committee Hansard*, Canberra, 13 September 2019, p. 6.

<sup>47</sup> Productivity Commission, *Submission 18*, p. 8.

<sup>48</sup> Ms Elisabeth Bowes, Chief Negotiator, Regional Trade Agreements Division, DFAT, *Official Committee Hansard*, Canberra, 12 February 2020, p. 6.

<sup>49</sup> Red Meat Advisory Council (RMAC), *Submission 5*, p. 12 and Mr Mike Teece, Policy Director, Academic, Universities Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 11.

<sup>50</sup> RMAC, *Submission 5*, p. 12 and Infant Nutrition Council (INC), *Submission 12*, p. 4.

<sup>51</sup> RMAC, *Submission 5*, p. 12; and Ms Julianne Merriman, Acting First Assistant Secretary, Trade Investment and Business Engagement Division, DFAT, *Official Committee Hansard*, Canberra, 12 February 2020, p. 1.

<sup>52</sup> Ms Julianne Merriman, DFAT, *Official Committee Hansard*, Canberra, 12 February 2020, p. 1 and RMAC, *Submission 5*, p. 12.

<sup>53</sup> DFAT and Austrade, *Submission 29*, p. 9.



achieved. In particular, Medicines Australia stated that Australia's FTAs may need to be updated and harmonised.<sup>54</sup>

- 3.41 DFAT advised that where possible, Australia 'reviews FTAs in force with partner countries to upgrade the benefits Australian businesses obtain from these agreements.'<sup>55</sup>
- 3.42 Export-oriented industries put forward recommendations regarding FTAs that related to their industry. This included:
- **Sugar:** The Australian Sugar Milling Council (ASMC) stated that the sugar industry had 'missed out on some of the benefits obtained for Australian agriculture in agreements with the United States (US) and China.' As such, the ASMC recommended that Australian raw sugar be a 'beneficiary of future negotiations' with these countries, the UK and the EU.<sup>56</sup>
  - **Pharmaceuticals:** Medicines Australia stated that any pharmaceutical chapter included in FTAs should 'seek alignment with the recently implemented Medicines and Medical Devices Review reforms.'<sup>57</sup>
  - **International education:** Universities Australia recommended that bilateral negotiations be used to advocate for the 'easing of impediments to transnational education.'<sup>58</sup>
  - **Music:** APRA AMCOS recommended that all trade agreements should 'facilitate export of services and seek to remove potential barriers to cross border administration of copyright in digital services.'<sup>59</sup>
- 3.43 The New South Wales (NSW) Government provided in-principle support for increasing the number of Australian FTAs<sup>60</sup>, particularly those that:
- remove or reduce tariffs and unnecessary regulatory and technical barriers;

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<sup>54</sup> Mr Piotr Komocki, Medicines Australia, *Official Committee Hansard*, Canberra, 7 February 2020, p. 10.

<sup>55</sup> DFAT and Austrade, *Submission 29.3*, p. 2.

<sup>56</sup> Australian Sugar Milling Council (ASMC), *Submission 26*, p. 1.

<sup>57</sup> Medicines Australia, *Submission 34*, p. 6.

<sup>58</sup> Universities Australia, *Submission 9*, p. 1.

<sup>59</sup> APRA AMCOS, *Submission 20.1*, p. 1.

<sup>60</sup> New South Wales (NSW) Government, *Submission 41*, p. 4.

- 'require trading partners to be more transparent with regulatory and technical requirements to reduce risk of non-compliance and make trade easier';
- 'necessitate compliance with relevant product safety and sanitary and phytosanitary requirements'; and
- 'balance certainty for investors and protections for governments with respect to dispute settlement mechanisms.'<sup>61</sup>

3.44 The Business Council of Australia (BCA) also supported the progression of FTAs that eliminate tariffs (as far as possible). The BCA further listed provisions that should not be included in FTAs and recommended that:

- 'FTAs should not include provisions on geographic indicators that are contrary to free and open trade'; and
- 'FTAs should not require Australia to observe foreign labour and environmental provisions.'<sup>62</sup>

### *World Trade Organization*

3.45 The PC stated that the World Trade Organization (WTO) was facing 'long-standing and escalating challenges' that needed to be resolved.<sup>63</sup> The PC recommended that Australia continue to work with other countries on these challenges, and also suggested that:

There is a need to reinvigorate the negotiation function of the WTO, including plurilateral, sectoral and regional agreements that allow, or work towards 'most favoured nation' treatment and resolving the deadlock on 'special and differential treatment'. There is also a need to strengthen compliance with notification procedures and review and refresh the rules to handle issues relating, inter alia, to state owned enterprises, regulatory cooperation, digital trade and intellectual property.<sup>64</sup>

3.46 The NFF was similarly 'concerned about what's happening in the WTO, particularly with the dispute settlement system.'<sup>65</sup> The NSW Government recommended that the Australia 'continue to work with [its] international

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<sup>61</sup> NSW Government, *Submission 41*, pp 4-5.

<sup>62</sup> Business Council of Australia, *Submission 37*, p. 5.

<sup>63</sup> Productivity Commission, *Submission 18*, pp 9-10.

<sup>64</sup> Productivity Commission, *Submission 18*, p. 10.

<sup>65</sup> Dr Prudence Gordon, NFF, *Official Committee Hansard*, Canberra, 7 February 2020, p. 23.

partners to reinvigorate the negotiation function of the WTO.’<sup>66</sup> The NFF also encouraged the government to ensure agricultural subsidies are on the agenda at the WTO.<sup>67</sup>

### *Co-production treaties*

3.47 Screen Producers Australia (SPA) highlighted Australia’s co-production treaties as having a ‘vital role’ in the export of Australian screen content. SPA further outlined the importance of co-production treaties and stated that:

... the screen industry is increasingly a global business and requires access to global finance and global partners. Screen businesses require significant and often prohibitive sunk costs of time, resources and capital to build the skills, capabilities and overseas networks needed for export sales and co-productions. Co-production treaties allow Australian producers to partner with producers from treaty-countries to access the benefits of each country’s regulatory and taxation environments.<sup>68</sup>

3.48 Australia currently has co-production arrangements with 12 countries. SPA compared this to other nations, noting that China has 16 treaties, France has over 30 treaties and Canada has over 60 treaties. SPA recommended that the government facilitate Australian co-productions, including pursuing a co-production agreement with the EU.<sup>69</sup>

## **Diversification**

3.49 The Export Council described Australia’s exports as ‘too small and too concentrated.’ The Export Council elaborated that Australia is:

... well under the [Organisation for Economic Cooperation and Development (OECD)] average for export intensity. What we do export comes from a small number of businesses selling a small number of commodities, and those sales are disproportionately to one market. Too few Australian SMEs export. This needs to change.<sup>70</sup>

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<sup>66</sup> NSW Government, *Submission 41*, p. 5.

<sup>67</sup> Dr Prudence Gordon, NFF, *Official Committee Hansard*, Canberra, 7 February 2020, p. 23.

<sup>68</sup> Screen Producers Australia, *Submission 14*, p. 4.

<sup>69</sup> Screen Producers Australia, *Submission 14*, p. 4.

<sup>70</sup> Export Council of Australia, *Submission 31*, p. 1.

- 3.50 The Export Council recommended that the Australian Government ‘set a policy of diversifying Australia’s trade (the destinations, industries and the businesses) and develop an overarching strategy to achieve this diversification.’<sup>71</sup>
- 3.51 Australia’s infant formula industry provides an example of a concentrated export market, with 90 per cent of exports in this sector going to China.<sup>72</sup> The Infant Nutrition Council (INC) stated that it can be difficult to convince exporters to look to other markets when they are ‘doing so well’ in this country. The costs and resources needed to enter other markets and understand their differing regulatory systems is also a potential barrier. The INC suggested the government could assist by continuing to smooth pathways into other markets, including through export assistance programs.<sup>73</sup>
- 3.52 A similar industry experience was put forward by Australian Grape and Wine (AGW), which stated that the Australian wine sector was currently ‘overexposed to China.’<sup>74</sup> The AGW stated that this reliance was concerning as growth in the China market is ‘slowing’, as it is ‘reaching a developed market stage.’<sup>75</sup>
- 3.53 The AGW attributed this exposure to a range of factors, including:
- Traditional markets for Australian wine (such as the UK and the US) ‘dropping off’, at the same time demand in China was increasing;
  - The Australia-China FTA increased awareness amongst Australian winemakers of the opportunities in China;
  - A large number of entrepreneurs have wine made under contract to export specifically to China;
  - China being a ‘high-value’ market for Australian wine; and
  - A global trend of exporting wine to China.<sup>76</sup>

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<sup>71</sup> Export Council of Australia, *Submission 31*, p. 1.

<sup>72</sup> Ms Jan Carey, Chief Executive Officer (CEO), INC, *Official Committee Hansard*, Canberra, 7 February 2020, p. 36.

<sup>73</sup> Mr Simon Woolmer, Market Access Manager, INC, *Official Committee Hansard*, Canberra, 7 February 2020, p. 39.

<sup>74</sup> Mr Anthony Battaglene, Chief Executive, Australian Grape and Wine (AGW), *Official Committee Hansard*, Sydney, 29 November 2019, p. 27.

<sup>75</sup> Mr Anthony Battaglene, AGW, *Official Committee Hansard*, Sydney, 29 November 2019, p. 28.

<sup>76</sup> Mr Anthony Battaglene, AGW, *Official Committee Hansard*, Sydney, 29 November 2019, pp 27-28.

- 3.54 To diversify the export markets for Australian wine, the AGW pointed to South-East Asia as a potential export opportunity. The US was another market with ‘enormous growth potential.’<sup>77</sup> Factors inhibiting winemakers from diversifying included NTBs and ‘differing standards around the world.’ In addition, the AGW explained that the focus on China is in large part ‘self-inflicted’ by the industry, as ‘everyone’s making money there.’<sup>78</sup>
- 3.55 DFAT outlined that growing global trade tensions and protectionism have made it ‘even more important for Australia to expand and diversify market access.’<sup>79</sup> To assist Australian businesses to access new markets, DFAT and Austrade pointed to the Government’s goal for FTAs to cover 90 per cent of Australia’s two-way trade by 2022.<sup>80</sup> The NFF also emphasised the importance of FTAs to support diversification and stated that:
- ... exporters know we need to diversify our markets. When one shuts, we need to be able to pivot. That is why some people said, ‘Why [are] you so worried about the Peru FTA? Why is that a priority?’ While we don’t do a lot of trade with Peru now, when one market closes or consumers change taste, we have to have access to these markets and we need access to as many markets as possible.<sup>81</sup>
- 3.56 India was put forward as a substantial opportunity to diversify Australia’s export markets, particularly for the education, tourism, resources and energy and agriculture sectors.<sup>82</sup> Austrade also advised it was looking to increase its resources into Java, which it described as the ‘economic powerhouse of Indonesia.’<sup>83</sup>
- 3.57 To assist and motivate businesses to diversify their export markets, Austrade further stated that:
- ... one of the most powerful things [the government] can do is advocacy so people think about more than just one market—that market may be the US,

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<sup>77</sup> Mr Anthony Battaglene, AGW, *Official Committee Hansard*, Sydney, 29 November 2019, p. 29.

<sup>78</sup> Mr Anthony Battaglene, AGW, *Official Committee Hansard*, Sydney, 29 November 2019, p. 29.

<sup>79</sup> DFAT and Austrade, *Submission 29*, p. 8.

<sup>80</sup> DFAT and Austrade, *Submission 29*, p. 9.

<sup>81</sup> Dr Prudence Gordon, NFF, *Official Committee Hansard*, Canberra, 7 February 2020, p. 27.

<sup>82</sup> Mr Tim Beresford, Deputy CEO, Austrade, *Official Committee Hansard*, Canberra, 12 February 2020, p. 3.

<sup>83</sup> Mr Tim Beresford, Austrade, *Official Committee Hansard*, Canberra, 12 February 2020, p. 6.

China or Europe. We can actually play the role of supporting industry by advocating for them to genuinely diversify their business.<sup>84</sup>

## Non-tariff barriers

- 3.58 As trade agreements have progressively reduced tariff-related barriers, NTBs have become a 'higher concern' for many industries.<sup>85</sup> DFAT and Austrade defined NTBs as 'any kind of "red tape" or trade rules that unjustifiably restrict the flow of goods and services', and stated that they may cost industry up to 'three times more than tariffs.'<sup>86</sup>
- 3.59 The Red Meat Advisory Council (RMAC) described the impact of NTBs and stated that they can:
- ... unreasonably and unjustifiably restrict or prevent trade, increase the cost of preparing a product, increase the cost of supplying a product, diminish product returns, require conditions which exceed commonly accepted standards, or add to administrative burden.<sup>87</sup>
- 3.60 DFAT and Austrade stated that 'the Government is working to ensure that gains made through FTAs are not eroded by NTBs.'<sup>88</sup> As such, in 2018 the Australian Government launched its *NTB Action Plan*, which outlined a 'whole-of-government strategy to remove NTBs hampering our exports.' DFAT and Austrade stated that the *NTB Action Plan*:
- ... was developed in close consultation between industry and government and provides Australian businesses with improved access to report barriers through the online NTB Gateway (at [www.tradebarriers.gov.au](http://www.tradebarriers.gov.au)), better coordination between government agencies through a multi-agency NTB Coordination Team in DFAT, and greater transparency of government actions on NTBs.<sup>89</sup>
- 3.61 DFAT advised that since launching the *NTB Action Plan* and the *NTB Gateway*, over 300 potential NTBs affecting Australian exports had been identified. DFAT explained that it was working across government to use

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<sup>84</sup> Mr Tim Beresford, Austrade, *Official Committee Hansard*, Canberra, 12 February 2020, p. 3.

<sup>85</sup> ACCI, *Submission 36*, p. 12.

<sup>86</sup> DFAT and Austrade, *Submission 29*, p. 18.

<sup>87</sup> RMAC, *Submission 5*, p. 7.

<sup>88</sup> DFAT and Austrade, *Submission 29.3*, p. 3.

<sup>89</sup> DFAT and Austrade, *Submission 29*, p. 18.

this information to 'devise strategies, in partnership with industry, to reduce or remove NTBs.'<sup>90</sup>

- 3.62 RMAC stated that once NTBs have been identified, the government's focus (and additional funding) should 'be on how to find solutions to resolve' identified NTBs, particularly those with 'industry-wide implications.'<sup>91</sup> The Export Council was also of the view that 'government leadership is essential' to reducing NTBs, as is partnership between government and industry.<sup>92</sup>
- 3.63 The Department of Agriculture highlighted that importing country requirements make up a large part of the 'regulatory impost on agricultural exporters.'<sup>93</sup> The Cooperative Bulk Handling (CBH) Group agreed and stated that over 50 NTBs had been identified in more than 15 importing countries that impact the grain sector. CBH Group suggested that 'any inroads that the Australian government can make with those key importing countries can be very significant for the industry.'<sup>94</sup>
- 3.64 The NFF recommended industry work with the government to 'establish globally accepted product certification processes.' This would address NTBs that agricultural producers face when entering other markets, particularly when product certification processes are 'changed in order to protect domestic producers.'<sup>95</sup>
- 3.65 The Department of Agriculture advised that addressing NTBs, particularly those related to biosecurity, food safety and technical barriers to trade, was 'core business for the department'.<sup>96</sup>
- 3.66 ACCI was supportive of the government's efforts to reduce NTBs for exports, but recommended that these efforts also be applied to imports. ACCI stated that it would like to see:

... a horizontal consolidation of NTB assessments in Australia, both for imports and exports, so that if you're an exporter or an importer or you're doing both you know that you have a one-stop shop to go to when you're

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<sup>90</sup> DFAT, *Exhibit 11*, p. 12.

<sup>91</sup> RMAC, *Submission 5*, p. 7.

<sup>92</sup> Export Council of Australia, *Submission 31*, p. 4.

<sup>93</sup> Department of Agriculture, *Submission 22*, p. 3.

<sup>94</sup> Mr David Paton, Government and Industry Relations Manager, Cooperative Bulk Handling (CBH) Group, *Official Committee Hansard*, Canberra, 7 February 2020, p. 30.

<sup>95</sup> Dr Prudence Gordon, NFF, *Official Committee Hansard*, Canberra, 7 February 2020, p. 24.

<sup>96</sup> Department of Agriculture, *Submission 22*, p. 3.

reporting something that's going wrong at the border crossing that you didn't expect. There are always things that go wrong at the border crossing that we didn't expect. ... Australia has an opportunity to capture that in a horizontal sense across all its departments.<sup>97</sup>

- 3.67 ACCI further proposed that states and territories be involved in the process of improving regulatory arrangements for imports and exports, to ensure the approach is harmonised.<sup>98</sup>

## Regulation of exports

- 3.68 DFAT and Austrade highlighted that 'Australia's strong regulatory frameworks can be a competitive advantage for our exporters and they contribute to our attractiveness as an investment destination.'<sup>99</sup> On the other hand, DIIS cautioned that 'inefficient regulation can impose a significant cost burden on business.'<sup>100</sup>

- 3.69 DFAT stated that ultimately:

The challenge for any government is to deliver effective and efficient regulation and regulatory frameworks ... that impose the least necessary burden on business, exporters and investors.<sup>101</sup>

- 3.70 The PC categorised key regulatory barriers to export as including: 'nuisance elements to regulatory compliance', such as being paper-based instead of digital; and 'approaches that aren't always ... risk based' and take a 'one size fits all approach'. The PC added that regulator 'behaviour' or 'culture' can also be a factor.<sup>102</sup>
- 3.71 The Export Council described Australia's export regulations and administration as 'inconvenient, complicated and costly', which may impact on Australia's competitiveness and the ability of businesses to enter export

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<sup>97</sup> Mr Andrew Willcocks, Acting Director, International Chamber of Commerce Australia, ACCI, *Official Committee Hansard*, Canberra, 18 October 2019, p. 8.

<sup>98</sup> Mr Andrew Willcocks, ACCI *Official Committee Hansard*, Canberra, 18 October 2019, p. 9.

<sup>99</sup> DFAT and Austrade, *Submission 29*, p. 13.

<sup>100</sup> DIIS, *Submission 13*, p. 17.

<sup>101</sup> Mr James Wiblin, Assistant Secretary, Investment Branch, Investment and Economic Division, DFAT, *Official Committee Hansard*, Sydney, 13 September 2019, p. 2.

<sup>102</sup> Mr Michael Brennan, Productivity Commission, *Official Committee Hansard*, Canberra, 13 September 2019, pp 37-38.



markets.<sup>103</sup> The Export Council recommended export regulation be reviewed to 're-evaluate what is regulated, why it is regulated and how it is regulated.'<sup>104</sup> In addition, the Export Council recommended that the Minister for Trade and DFAT be given 'a mandate to coordinate and oversee all trade-related activities across government', as this could help streamline regulations across departments and jurisdictions.<sup>105</sup>

3.72 DIIS stated that the Australian Government is focusing on regulatory reform and has set up a taskforce to identify and address regulatory barriers to investment for select industries. DIIS further explained that the Government:

... seeks to tackle the costs of regulatory compliance and processing of cumulative regulation, and disincentives to invest and innovate. An important element of this is working with business to identify and remove unnecessary barriers. The [deregulation] agenda aims to reduce barriers to business to enable them to grow and increase their productivity.<sup>106</sup>

3.73 DFAT highlighted that it, along with Austrade, conducts 'regular outreach to business to better understand how Australia's domestic regulatory settings affect our export competitiveness.'<sup>107</sup> Business feedback provided to DFAT and Austrade included that there is 'too much information from too many sources', leading to 'information overload.' The online *Global Business Support Finder* was introduced for service exporters in response to this issue, as it 'helps new or existing services exporters find the right information to make an export decision.'<sup>108</sup>

3.74 The Greater Whitsunday Alliance (GWA) and Regional Development Australia – Mackay Isaac Whitsunday (RDA-MIW) emphasised that any new regulation considered by government should be effective, proportional, and accompanied by a regulatory impact statement. This consideration may include conducting a risk analysis, cost-benefit analysis, the measuring of business compliance costs and assessment of the effects on competition.<sup>109</sup>

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<sup>103</sup> Export Council of Australia, *Submission 31*, p. 6.

<sup>104</sup> Export Council of Australia, *Submission 31*, p. 1.

<sup>105</sup> Export Council of Australia, *Submission 31*, pp 3-4.

<sup>106</sup> DIIS, *Submission 13*, p. 17.

<sup>107</sup> Mr James Wiblin, DFAT, *Official Committee Hansard*, Canberra, 13 September 2019, p. 2.

<sup>108</sup> DFAT and Austrade, *Submission 29*, pp 10-11.

<sup>109</sup> Greater Whitsunday Alliance (GWA) and Regional Development Australia – Mackay Isaac Whitsunday (RDA-MIW), *Submission 6*, pp 8-9.

- 3.75 The importance of harmonising standards, both nationally and internationally, was highlighted by Standards Australia. Standards Australia stated that the ‘development and adoption of standards in Australia enables trade and growth’, and recommended the government consider ‘an integrated standards development roadmap.’<sup>110</sup>
- 3.76 DFAT and Austrade similarly advised that services exporters highlight a ‘lack of industry participation in setting international standards’ as a key impediment to export.<sup>111</sup> In addition, service exporters identified that ‘multiple professional registration and licencing requirements vary between Australian jurisdictions’, which can add to business costs.<sup>112</sup>

## Customs, borders and biosecurity

### *Border issues*

- 3.77 Australia’s customs arrangements were described by the BCA as complex and antiquated.<sup>113</sup> The Department of Home Affairs and the ABF highlighted similar feedback it had received from exporters regarding the export process, which related to:
- complexity of processes;
  - multiple regulatory agencies with fragmented systems;
  - a lack of consolidated digital information on trade requirements;
  - complex legislative requirements, with approximately 200 pieces of legislation across multiple government agencies; and
  - manual and inconsistent data requirements across government.<sup>114</sup>
- 3.78 A 2019 World Bank report compared regulations related to business activity in 190 countries, including regulation related to trading across borders.<sup>115</sup> DFAT and Austrade stated that this report:

... ranked Australia 18th overall, but Australia ranked 103rd in the ‘trading across borders’ measure. This was down from 27th position in 2010. The

<sup>110</sup> Standards Australia, *Submission 15*, p. 3.

<sup>111</sup> DFAT and Austrade, *Submission 29.4*, p. [6].

<sup>112</sup> DFAT and Austrade, *Submission 29*, pp 13-14.

<sup>113</sup> Business Council of Australia, *Submission 37*, p. 3.

<sup>114</sup> Department of Home Affairs and ABF, *Submission 2.1*, p. 2.

<sup>115</sup> World Bank, ‘Doing Business 2019’, <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2019>, Accessed 2 March 2020.

report found Australia's 'cost to export' is six times higher than the OECD average and 'cost to import' is around five times the OECD average.

Australia's 'time to export' is about three times the OECD average and 'time to import' is around 3.5 times the OECD average.<sup>116</sup>

3.79 In response to exporter feedback, the ABF advised that it had undertaken a whole-of-government review of border permits.<sup>117</sup> The Department of Home Affairs and the ABF stated that the resulting report will recommend opportunities for:

- enabling better information sharing between border agencies to assist with removing barriers for international trade;
- effective regulatory models that would simplify, reduce government intervention, and reduce regulatory burden associated with permits for prohibited goods;
- simplifying and streamlining processes related to prohibited and licenced goods;
- effective regulatory frameworks for introducing, updating or amending import and export prohibitions; and
- effective outcome-based approaches to improve the process for evaluating import or export prohibitions.<sup>118</sup>

3.80 To reduce regulatory complexity, the BCA recommended a 'single window' be introduced, which would be 'one online access point to provide all necessary information'. The BCA stated that a single window 'would make exporting and importing simpler, eliminate duplication and reduce business costs.'<sup>119</sup> ACCI recommended that the development of a single window should be done in consultation with peak bodies and industry.<sup>120</sup>

3.81 DFAT and Austrade highlighted that markets including Singapore, Hong Kong and New Zealand were implementing 'single window' initiatives. DFAT and Austrade noted that they would continue to work with the relevant agencies to 'develop practical initiatives, such as a single window for digital trade documentation, to lower compliance costs for exporters.'<sup>121</sup>

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<sup>116</sup> DFAT and Austrade, *Submission 29*, p. 14.

<sup>117</sup> Mr Aled Hall, ABF, *Official Committee Hansard*, Canberra, 13 September 2019, p. 12.

<sup>118</sup> Department of Home Affairs and ABF, *Submission 2*, p. 4.

<sup>119</sup> Business Council of Australia, *Submission 37*, pp 3-4.

<sup>120</sup> ACCI, *Submission 36*, p. 9.

<sup>121</sup> DFAT and Austrade, *Submission 29*, pp 14-15.

- 3.82 DFAT and Austrade also pointed to Austrade's development of a *Trade Information Service*, which is 'an online platform to provide consolidated information for food exporters on how to export, including various regulatory and border compliance procedures.' DFAT advised that this 'prototype will build towards a "single-window for trade" that aims to streamline export processes.'<sup>122</sup>

### ***Biosecurity***

- 3.83 RMAC highlighted the importance of Australia's biosecurity framework for maintaining food safety and Australia's security and stated:

Biosecurity is a core part of maintaining access and defending our borders; it is critically important for market access, productivity and food safety. Risks must be minimised and the integrity of our environments, livestock and crop health status must be protected through a robust and properly funded biosecurity protection regime.<sup>123</sup>

- 3.84 Australia's biosecurity arrangements also support its international reputation as a 'supplier of high quality agricultural exports.'<sup>124</sup> The Department of Agriculture stated that it was 'committed to protecting Australia's biosecurity status which also provides an advantage in a global trading environment, particularly to premium protocol markets in Asia.'<sup>125</sup>
- 3.85 To enhance Australia's biosecurity, RMAC recommended a biosecurity funding package be made available to 'assist in the delivery of well-funded, science-based biosecurity and quarantine systems, involving stronger border protection protocols and effective disease outbreak response mechanisms.' RMAC also recommended increased training for inspection officers at border ports and airports and an increase in the number of detector dogs.<sup>126</sup>
- 3.86 The GWA and RDA-MIW similarly recognised the importance of biosecurity, but stated that Australia 'should also be evaluating new innovative technology and solutions which may allow for importation of products with lower risk and cost.'<sup>127</sup>

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<sup>122</sup> DFAT and Austrade, *Submission 29.3*, p. 4.

<sup>123</sup> RMAC, *Submission 5*, p. 11.

<sup>124</sup> Department of Agriculture, *Submission 22*, p. 2.

<sup>125</sup> Department of Agriculture, *Submission 22*, p. 2.

<sup>126</sup> RMAC, *Submission 5*, p. 11.

<sup>127</sup> GWA and RDA-MIW, *Submission 6*, p. 7.

- 3.87 The Department of Agriculture explained that risk-based regulation balances risks with efficiency and highlighted that:

Investment in risk-based import regulation will continue to balance the need to protect Australia's biosecurity status while regulating trade in ever-increasing volumes and complexity. Contemporary and more responsive at-border screening processes are a key element of this risk management approach and validation of technological innovations will ensure timely and safe access to these critical business inputs for the sustainability and productivity of Australia's export sectors.<sup>128</sup>

## Regulation of agricultural and food exports

- 3.88 The Department of Agriculture highlighted that Australia's regulatory framework for agriculture provides trading partners and consumers with confidence that Australia's products are safe and of a high quality, and also facilitate market access for exporters.<sup>129</sup> At the same time, the Department of Agriculture stated that it was working to improve the regulatory environment by improving industry engagement, streamlining regulatory requirements where possible, and reviewing regulatory effectiveness.<sup>130</sup>
- 3.89 The costs associated with regulatory compliance were raised as a barrier to export in the agricultural sector. The Export Council put forward regulatory barriers as including:
- 'the cost burden of becoming accredited for agricultural exports', particularly for SMEs;
  - the regulation of composite goods, which have 'lower risks' than simple animal products but 'are regulated in exactly the same way'; and
  - the cost of certificates required for shipments.<sup>131</sup>
- 3.90 The Export Council also considered that the Department of Agriculture is focused on cost recovery, which is an impediment to lowering costs and streamlining processes.<sup>132</sup> RMAC similarly recommended that the government 'ensure that its cost-recovery policy does not result in a self-

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<sup>128</sup> Department of Agriculture, *Submission 22*, p. 5.

<sup>129</sup> Department of Agriculture, *Submission 22*, p. 2.

<sup>130</sup> Department of Agriculture, *Submission 22*, p. 3.

<sup>131</sup> Export Council of Australia, *Submission 31*, p. 7.

<sup>132</sup> Mr Heath Baker, Acting CEO, Export Council of Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 2.

imposed NTB on trade, by making Australian exports less competitive.’<sup>133</sup>  
The NFF expanded on this concern:

... cost recovery is an issue ... Many of our competitors don't pay those costs to government. Governments just provide the service. Those sorts of things undermine our competitiveness—the paperwork required to get all the biosecurity certifications and the rules of origin to comply with free trade agreements. All of that paperwork makes it difficult, particularly for small producers, to try and become exporters, which is something that we are trying to encourage.<sup>134</sup>

3.91 In contrast, the Department of Agriculture noted that ‘fees and charges for many of our export regulatory functions have not increased since 2011 and have not kept pace with the scale of exports, nor the increasing complexity of importing country requirements.’ The Department of Agriculture stated that it would be consulting industry on new cost recovery arrangements.<sup>135</sup>

3.92 The Department of Agriculture also stated that it was aware of ‘industry concerns around layers of current regulation at both the federal and state level increasing the burden on business.’ In response, the Department stated that it had:

... been tasked by the Minister for Agriculture to continue to engage with stakeholders and with our state and territory counterparts to provide advice to government as to the options available to address these situations where identified.<sup>136</sup>

3.93 The Insurance Council of Australia (ICA) recommended that the government consider supporting agriculture insurance schemes. The ICA stated that these have been used in the US, Canada and Europe, with positive results:

Crop insurance schemes in these markets have increased productivity across the agricultural sector, encouraging farmers to take additional actions to increase export yields, safe in the knowledge that if crop failure occurs they will at least be in a position to recoup input costs and begin again at the start of the next season.<sup>137</sup>

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<sup>133</sup> RMAC, *Submission 5*, p. 7.

<sup>134</sup> Dr Prudence Gordon, NFF, *Official Committee Hansard*, Canberra, 7 February 2020, p. 24.

<sup>135</sup> Department of Agriculture, *Submission 22*, p. 4.

<sup>136</sup> Department of Agriculture, *Submission 22*, p. 3.

<sup>137</sup> Insurance Council of Australia, *Submission 25*, p. 1.

3.94 Industry and business perspectives on regulation in the agricultural and food sector included:

- **Red meat and livestock:** RMAC stated that 'Australian meat processors currently operate in the most expensive regulatory system in the world', with 'duplicate layers of legislation and regulation'. To address this, RMAC recommended a reduction in red tape and regulatory creep; harmonisation of regulations across local, state and federal jurisdictions, and incentives for cost efficiency and innovation amongst regulators.<sup>138</sup>
- **Sugar:** ASMC outlined that the sugar industry faced a 'growing regulatory burden and associated costs'<sup>139</sup>, with marketing, electricity, water, environmental management, port access and transport being particularly costly for the industry.<sup>140</sup>
- **Seafood:** The Western Australia (WA) seafood industry was described as being 'mired in ... red tape' and that the management of regulations was 'outdated'. As such, a review of the regulatory framework for the seafood industry was recommended.<sup>141</sup>
- The Queensland Seafood Industry Association (QSIA) similarly stated that its state regulator's 'sole focus ... is the regulation of the industry, not the development of that industry.' In particular, the QSIA stated that that stable and ongoing access to fisheries was needed before seafood businesses (particularly SMEs) could consider expanding into exports.<sup>142</sup>
- **Grains:** CBH Group put forward that 'unnecessary regulation in agricultural export supply chains invariably leads to increased costs, inefficiencies and market distortion.' CBH Group recommended unnecessary regulation for the grains industry be removed, including a transition towards the repeal of the wheat port code and increased flexibility relating to environmental permits.<sup>143</sup>
- **Animal feed:** Speciality Feeds, a manufacturer of feed for laboratory animals, stated that the annual cost of \$3000 to become export registered was a 'barrier to entering the export market.'<sup>144</sup> The NSW Government

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<sup>138</sup> RMAC, *Submission 5*, p. 9.

<sup>139</sup> ASMC, *Submission 26*, p. 1.

<sup>140</sup> Mr David Pietsch, CEO, ASMC, *Official Committee Hansard*, Sydney, 29 November 2019, p. 42.

<sup>141</sup> Southern Seafood Producers (Western Australia) Association, *Submission 28*, p. 2.

<sup>142</sup> Mr Eric Perez, CEO, Queensland Seafood Industry Association, *Official Committee Hansard*, Sydney, 29 November 2019, pp 38-39.

<sup>143</sup> CBH Group, *Submission 24*, pp 4-5.

<sup>144</sup> Speciality Feeds, *Submission 4*, p. 2.

also considered that ‘the cost of export accreditation for specific agricultural products’ was a regulatory barrier.<sup>145</sup> Speciality Feeds recommended a lower cost registration be introduced, or that other accreditations be taken into account to reduce the registration cost.<sup>146</sup>

- **Infant formula:** The INC explained that the Australian regulator prohibits ‘plain English’ terms such as ‘human milk identical oligosaccharide or HiMO’ being displayed on infant formula labels, despite this being allowed in other jurisdictions. The INC stated that this has impacted on Australia’s competitiveness in the global market.<sup>147</sup>

### *Authorised Officers*

- 3.95 An Authorised Officer (AO) is a person authorised by the government to perform certain export inspection and certification functions. An AO may be a government or non-government individual.<sup>148</sup>
- 3.96 Premium Grain Handlers (PGH) stated that the AO training process was time consuming and costly, and also demands a ‘high level of computer literacy and an understanding of Australian legislation.’ PGH recommended a shorter, low-cost course be designed for front line operators who could support an on-site AO.<sup>149</sup>
- 3.97 The Department of Agriculture responded that it was ‘always looking at ways to improve training for [AOs].’<sup>150</sup> At the same time, the Department of Agriculture highlighted that there are importing country requirements that needed to be met:

Australia’s trading partners require assurance that the strict import requirements specified within mutually accepted protocols are followed and

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<sup>145</sup> NSW Government, *Submission 41*, p. 4.

<sup>146</sup> Speciality Feeds, *Submission 4*, p. 2.

<sup>147</sup> INC, *Submission 12*, pp 3-4.

<sup>148</sup> Department of Agriculture, Water and the Environment, ‘Authorised Officers’, <https://www.agriculture.gov.au/export/controlled-goods/plants-plant-products/ao>, Accessed 2 March 2020.

<sup>149</sup> Premium Grain Handlers, *Submission 1*, p. 1.

<sup>150</sup> Mr David Ironside, Assistant Secretary, Plant Export Operations Branch, Biosecurity Plant Division, Department of Agriculture, *Official Committee Hansard*, Canberra, 13 September 2019, p. 20.



they are comfortable that the current structure of the AO model provides them this.<sup>151</sup>

- 3.98 The Department of Agriculture also outlined that it was rolling out a regional assurance manager initiative, to assist businesses 'understand what kind of [AOs] they need... [as] there are a number of registered establishments now that have [AOs] with job functions that they don't use.'<sup>152</sup> The Department of Agriculture concluded that:

... if we can better align the job functions that AOs hold to the work that they're doing, then the training burden will be less because they won't need to be being trained in jobs that they don't need.<sup>153</sup>

## Regulations for defence industries

- 3.99 APV stated that government support provided to defence exporters, including by the *Centre for Defence Industry Capability* and the *Australian Defence Export Controls Office* (DEC), had been 'instrumental in supporting [APV's] growth.'<sup>154</sup>
- 3.100 In contrast, Geospatial Intelligence, Electro Optic Systems (EOS) and Barrett Communications advised that lengthy processing times by DEC had resulted in missed export business opportunities and financial losses.<sup>155</sup> Barrett Communications added that it had experienced 'inconsistency in the application of qualifying criteria and decision making' by DEC.<sup>156</sup>
- 3.101 Geospatial Intelligence provided an example of its interaction with DEC, stating that it had pursued an export opportunity which was eventually lost due to a nine month wait for the finalisation of a DEC assessment. Geospatial Intelligence stated that:

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<sup>151</sup> Department of Agriculture, *Submission 22.1*, p. 3.

<sup>152</sup> Mr David Ironside, Department of Agriculture, *Official Committee Hansard*, Canberra, 13 September 2019, pp 19-20.

<sup>153</sup> Mr David Ironside, Department of Agriculture, *Official Committee Hansard*, Canberra, 13 September 2019, p. 20.

<sup>154</sup> Australian Performance Vehicles, *Submission 17*, p. 2.

<sup>155</sup> Geospatial Intelligence, *Submission 10*, p. 1; Electro Optic Systems, *Submission 19*, p. 1; and Barrett Communications, *Submission 46*, p. 1.

<sup>156</sup> Barrett Communications, *Submission 46*, p. 2.

This project was an opportunity to grow our company by exporting our skills and talent. However, the slow machinery of bureaucracy could not respond in time for us to get export approval.<sup>157</sup>

- 3.102 EOS described a similar experience and stated that the lengthy DEC processing times has meant that EOS no longer contends for business with delivery requirements of less than six months. EOS estimated that the loss associated with this was '25 per cent of current turnover.'<sup>158</sup>
- 3.103 As such, EOS recommended a reduction in export application processing times, including by investing in additional processing staff.<sup>159</sup> EOS also recommended the number of applications that DEC needs to process be reduced, by introducing 'multi-year/multi-territorial permits.'<sup>160</sup>
- 3.104 The Export Council advised that the intersection of DFAT's sanctions regime and DEC's regime was 'clunky' and caused delays. These delays could lead to 'adverse commercial consequences' for defence export businesses.<sup>161</sup> Barrett Communications expressed similar sentiments and explained that:
- ... in a number of our export contracts we were led to that business by DFAT coordinated trade promotion, yet after entering into subsequent contracts we have been prevented from finalising that trade by DEC rejecting our export permit. ... [Also], the involvement of separate Departments in the export permit approval process creates a disconnected interface for the defence export industry in Australia. For example, an individual application may require a DFAT decision under the autonomous sanctions regime; or an individual application being processed by DEC may require input from other departments and agencies, resulting in that application being on a decision 'carousel' and contributing to significant processing delays.<sup>162</sup>
- 3.105 Another regulatory issue for defence exporters regarded the process for securing tenders for major defence projects. Geospatial Intelligence outlined how some Australian companies had been included in tender processes put forward by international businesses to secure defence contracts, only for the

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<sup>157</sup> Geospatial Intelligence, *Submission 10*, pp 1-2.

<sup>158</sup> Electro Optic Systems, *Submission 19*, p. 1.

<sup>159</sup> Electro Optic Systems, *Submission 19*, p. 2.

<sup>160</sup> Electro Optic Systems, *Submission 19*, p. 2.

<sup>161</sup> Mr Heath Baker, Export Council of Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 3.

<sup>162</sup> Barrett Communications, *Submission 46*, p. 2.

Australian company to never be used after the tender process is completed. Geospatial Intelligence outlined its experience and stated that it has:

... very good relationships with all the primes, both North American and European. If there is a capability that requires our services, they will normally always come to us. The problem we have is that we've [been] part of many tender responses, but once the tender is won we never hear anything else ... Where is the accountability? Where is the follow-up? ... We don't see that.<sup>163</sup>

## Transport infrastructure

3.106 RMAC highlighted the importance of a streamlined and efficient transport supply chain to ensuring the international competitiveness of Australia's exports.<sup>164</sup> The Australian Logistics Council (ALC) agreed and stated that 'the viability and strength of Australia's export capacity is inextricably linked to the efficiency of supply chains across the country.' In addition, the ALC noted that as Australia's exports grow, so too will demands on freight and supply systems.<sup>165</sup>

3.107 The Queensland Government similarly highlighted the importance of infrastructure, and recommended that the Australian Government:

... commit to more efficient, transparent infrastructure funding models for delivery of productivity-enhancing infrastructure. Federal support for export ambitions could involve working with states and territories to identify critical export-related infrastructure requirements or greater engagement on ensuring adequacy and funding certainty.<sup>166</sup>

3.108 RMAC pointed to the government's *National Freight and Supply Chain Strategy* and *National Action Plan* (Strategy and Action Plan), which was endorsed by the Transport and Infrastructure Council on 2 August 2019 and sets 'an agenda for integrated national action across all freight modes over the next 20 years and beyond.'<sup>167</sup> RMAC stated that the implementation of

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<sup>163</sup> Mr Robert Coorey, CEO, Geospatial Intelligence, *Official Committee Hansard*, Canberra, 18 October 2019, p. 21.

<sup>164</sup> RMAC, *Submission 5*, p. 15.

<sup>165</sup> Australian Logistics Council, *Submission 8*, p. 1.

<sup>166</sup> Queensland Government, *Submission 44*, p. 4.

<sup>167</sup> Department of Infrastructure, Transport, Regional Development and Communications, 'National Freight and Supply Chain Strategy', [www.infrastructure.gov.au/transport/freight/national-strategy.aspx](http://www.infrastructure.gov.au/transport/freight/national-strategy.aspx), Accessed 2 March 2020.

the Strategy and Action Plan should be accompanied by ‘meaningful actions, measures and investment.’<sup>168</sup>

3.109 The ALC put forward a range of transport and infrastructure priorities to support exports, including:

- Prioritising road infrastructure projects that were ‘identified by Infrastructure Australia in the 2019 Infrastructure Priority List as critical to the freight and logistics sector.’<sup>169</sup>
- Establishing a High Productivity Vehicle infrastructure and education fund, which ‘would allow local governments and/or road managers to apply for funding to upgrade infrastructure or commence community education campaigns to facilitate the movement of high productivity vehicles across key freight routes.’<sup>170</sup>
- Prioritising the development of a national rail plan.<sup>171</sup>

3.110 Tourism Australia advised that aviation access was a critical factor in bringing international tourists to Australia, as 99 per cent of visitors arrive by aeroplane. Tourism Australia further stated that there is a ‘direct correlation between aviation capacity increases and increases in international visitation’ and as such it was important for Australia to maintain sufficient aviation capacity to meet ongoing demand.<sup>172</sup>

3.111 The Victorian Government agreed and stated that air service agreement capacity constraints were impeding the attraction of new international flight services. In particular, the Victorian Government recommended that air service arrangements, including with Qatar, South Korea and Hong Kong, ‘reflect the need for increased direct flights between Victoria and key destination markets.’<sup>173</sup>

## Digitising regulations

3.112 The PC explained that government information, particularly for businesses looking to export, is ‘often piecemeal and delivered by multiple agencies’.

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<sup>168</sup> RMAC, *Submission 15*, p. 15.

<sup>169</sup> Australian Logistics Council, *Submission 8*, p. 3.

<sup>170</sup> Australian Logistics Council, *Submission 8*, p. 4.

<sup>171</sup> Australian Logistics Council, *Submission 8*, p. 6.

<sup>172</sup> Mr Leo Seaton, General Manager, Communications and Government, Tourism Australia, *Official Committee Hansard*, Sydney, 29 November 2019, p. 33.

<sup>173</sup> Victorian Government, *Submission 45*, p. 10, 2.

The PC considered that the use of digital technologies may resolve this issue.<sup>174</sup> The Export Council agreed and called on the government for global leadership in digitising trade processes.<sup>175</sup> The Export Council stated:

... there are going to be huge efficiencies once we can move to a more efficient digital [trading] system, but it's going to take some leadership from governments in general ... there's a real opportunity for Australia to be a leader in this area ... The countries that move first, in terms of digitising supply chains, are going to have a huge first mover advantage, and that is something that I've really been encouraging the Australian government to take seriously.<sup>176</sup>

3.113 DFAT and Austrade advised that Austrade is working to digitise its services and stated:

Austrade is trialling digital technologies to enable businesses to access services when and where they need them, and to enable service delivery at cost-effective scale and so be able to service more exporters. ... these new online services will include help to find the right market and opportunities, and advice for those businesses considering exporting.<sup>177</sup>

3.114 The ABF identified that there was a need to modernise customs and border processes, and stated that it was leading the development of an agenda to address these issues over the next decade.<sup>178</sup> The ABF further stated that this long timeframe was needed as it was working towards 'incremental changes' over time, to 'transform [the trade system] piece by piece.'<sup>179</sup>

3.115 The NSW Government called for a "'21<sup>st</sup> century-standard" searchable database of products, export markets, requirements and tariffs' for agricultural exporters to use. It stated that current arrangements do 'not adequately function in this way', and a 'modernised alternative' is needed.<sup>180</sup>

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<sup>174</sup> Productivity Commission, *Submission 18*, p. 5.

<sup>175</sup> Mr Heath Baker, Export Council of Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 2.

<sup>176</sup> Mr Heath Baker, Export Council of Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 2.

<sup>177</sup> DFAT and Austrade, *Submission 29*, p. 10.

<sup>178</sup> Mr Aled Hall, ABF, *Official Committee Hansard*, Canberra, 13 September 2019, p. 12.

<sup>179</sup> Mr Aled Hall, ABF, *Official Committee Hansard*, Canberra, 13 September 2019, p. 13.

<sup>180</sup> NSW Government, *Submission 41*, p. 4.

3.116 The Department of Agriculture advised that it was implementing a ‘multiyear reform program aimed at modernising the agricultural trade system’, which includes the modernisation of digital systems that regulate agricultural trade.<sup>181</sup> DFAT and Austrade further stated that:

In November 2019 the Prime Minister announced the introduction of a modern export documents system. This will replace the existing paper based system with a new online system, allowing food exporters to get their product to market faster and more simply with more secure certification.<sup>182</sup>

3.117 The INC highlighted the importance of continued government support for the growth of ‘cross border e-commerce channels’ (CBEC). The INC explained that consumers prefer online shopping, and that CBEC also ‘provides a lower cost and more streamlined market entry channel for SMEs and new exporters.’ The INC stated that ‘there is an important role for the Australian Government to play in supporting CBEC into China and other Asian markets and maintaining an open dialogue with regulators about future management of CBEC.’<sup>183</sup>

## Emerging and growing areas of export

3.118 Inquiry participants from a range of sectors highlighted future opportunities for their sector, as well as potential challenges. This included opportunities for Australia in technology; space; education; entertainment; agriculture, food and beverages; resources and energy; and health. While this list does not encapsulate every export sector with future growth opportunities, it provides an insight into the diversity of Australia’s export strengths and possible areas of future focus.

### *Technology*

3.119 Australia’s technology sector was described as ‘a crucial aspect of Australia’s future economic growth and securing jobs for the future.’<sup>184</sup> Atlassian agreed and highlighted that technological manufacturing was a growing global

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<sup>181</sup> Department of Agriculture, *Submission 22*, p. 4.

<sup>182</sup> DFAT and Austrade, *Submission 29.3*, p. 4.

<sup>183</sup> INC, *Submission 12*, pp 4-5.

<sup>184</sup> DIIS, *Submission 13*, p. 13.

need<sup>185</sup> and that this sector in Australia needed 'to be enhanced and grown.'<sup>186</sup>

- 3.120 DIIS stated that it was working to support the development of the technology sector, including through supporting the development of emerging technologies such as blockchain.<sup>187</sup> DIIS further highlighted that in the 2018-19 Federal Budget, \$29.9 million was allocated over four years to strengthening Australia's artificial intelligence capability.<sup>188</sup>
- 3.121 Enhancing Science, Technology, Engineering and Mathematics (STEM) skills among the current and future workforce was described as essential to maintaining Australia's future competitiveness and driving innovation.<sup>189</sup> DIIS pointed to initiatives under the *National Innovation and Science Agenda* that promote STEM and STEM skills development.<sup>190</sup>
- 3.122 Atlassian expressed similar sentiments and stated:
- If we are to be truly competitive globally, we need the right skills to manufacture the products the world demands. There is a gap at the moment, between what talent in STEM is home grown and what we need to import. We should focus financially and culturally on prioritising education in STEM to fill this gap.<sup>191</sup>
- 3.123 In addition to enhancing STEM education, to address immediate workforce shortages the AIC stated that the government should fund 'institutions that can develop and deliver courses for tertiary students aimed at fostering entrepreneurship and teaching digital STEM skills.'<sup>192</sup>
- 3.124 Other recommendations put forward by Atlassian to support the development of the technology manufacturing sector included: clarifying

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<sup>185</sup> Atlassian, *Submission 30*, p. 6.

<sup>186</sup> Ms Georgie Skipper, Director of Public Policy, Atlassian, *Official Committee Hansard*, Sydney, 29 November 2019, p. 24.

<sup>187</sup> DIIS, *Submission 13*, p. 13.

<sup>188</sup> DIIS, *Submission 13*, p. 14.

<sup>189</sup> DIIS, *Submission 13*, p. 16.

<sup>190</sup> DIIS, *Submission 13*, p. 16.

<sup>191</sup> Atlassian, *Submission 30*, p. 4.

<sup>192</sup> Australian Investment Council, *Submission 3*, p. 7.

legislation related to encryption; investment in research and development; and skilled migration.<sup>193</sup>

### *Space*

- 3.125 The global space industry is currently worth US\$350 billion, and this is forecast to grow to more than US\$1 trillion by 2040. To ensure Australia can be a part of this growth, in 2018 the government established the Australian Space Agency (ASA), which is tasked with 'tripling the size of the space sector to \$12 billion' by 2030.<sup>194</sup>
- 3.126 The ASA stated that Australia's space sector is 'growing strongly and outperforming the broader economy.'<sup>195</sup> Areas of the space industry that the ASA considered Australia could contribute to included: positioning navigation and timing (including Global Positioning System (GPS) technology); earth observation; and adapting technology already being utilised in Australia (such as autonomous transport in the mining sector) for space.<sup>196</sup>

### *International education*

- 3.127 International education is a sector which has already experienced significant growth in Australia, presenting both benefits and risks.<sup>197</sup> In addition, Universities Australia advised that the 'huge growth' over recent years was 'probably unsustainable in the long term.'<sup>198</sup>
- 3.128 Technical and Further Education (TAFE) Directors Australia (TDA) advised the government to monitor the reputational risks associated with rapid growth and stated that:

Whilst international education has been a boon to Australia's service exports, its ongoing success needs to be underpinned by reputation and mutuality. These are key attributes of effective trade. If Australia's [vocational education

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<sup>193</sup> Atlassian, *Submission 30*, pp 4-5.

<sup>194</sup> DIIS, *Submission 13*, p. 15.

<sup>195</sup> Mr Anthony Murfett, Deputy Head, Australian Space Industry (ASA), *Official Committee Hansard*, Canberra, 7 February 2020, p. 11.

<sup>196</sup> Mr Anthony Murfett, ASA, *Official Committee Hansard*, Canberra, 7 February 2020, p. 12.

<sup>197</sup> Ms Leanne Cover, Deputy Chair, Technical and Further Education (TAFE) Directors Australia (TDA), *Official Committee Hansard*, Canberra, 18 October 2019, p. 11.

<sup>198</sup> Dr John Wellard, Policy Director International, Universities Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 13.



and training (VET)] system is perceived as the easy avenue to access work rights in Australia, with little regard to returning those skills to home countries, there is a risk its reputation may be impacted. Action is required by government if the data points to discernible pockets of Australian providers. Exploiting this market opportunity may eventually compromise our long-term viability.<sup>199</sup>

- 3.129 Despite this sector already experiencing significant export growth, there are a range of future export opportunities that can be harnessed, particularly through expanding Australia's educational presence overseas. Universities Australia and the Department of Education outlined offshore opportunities as including establishing campuses overseas, online delivery, or partnering with overseas institutions.<sup>200</sup>
- 3.130 Austrade similarly considered that internationalising Australia's VET sector presented a key opportunity, and saw the ratification of the Indonesia-Australia Comprehensive Economic Partnership Agreement as a 'significant opportunity' in this regard.<sup>201</sup>
- 3.131 TDA highlighted interest in offshore VET campuses from countries across Asia, but cautioned that the ability of TAFEs to leverage this interest is 'often compromised by a general lack of understanding across government of the VET approach.' TDA recommended 'a more sophisticated approach to the promotion of the Australian VET qualifications offshore', as well as 'better links with Australian aid and diplomatic efforts.'<sup>202</sup>
- 3.132 TDA outlined that another potential barrier to TAFEs capitalising on international interest was that, unlike the university sector (which can develop its own 'qualifications of global relevance'), VET qualifications are centrally developed. TDA put forward two reforms to VET qualifications which could help drive the international VET market in Australia:
- reforming the content and approach to Australian VET qualifications to facilitate international delivery; or

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<sup>199</sup> Ms Leanne Cover, TDA, *Official Committee Hansard*, Canberra, 18 October 2019, p. 11.

<sup>200</sup> Dr John Wellard, Universities Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 13 and Ms Karen Welsh, Branch Manager, Access, Department of Education, *Official Committee Hansard*, Canberra, 13 September 2019, p. 33.

<sup>201</sup> Mr Tim Beresford, Austrade, *Official Committee Hansard*, Canberra, 13 September 2019, p. 7.

<sup>202</sup> Ms Leanne Cover, TDA, *Official Committee Hansard*, Canberra, 18 October 2019, p. 12.

- allowing for the development of international VET qualifications which support the international student market.<sup>203</sup>

3.133 Other areas of international education with growth potential included:

- New university courses to meet the ‘rapidly changing and diversifying needs of both students and employers,’ including the provision of ‘more and more varied micro-credentials offshore;’<sup>204</sup> and
- School aged education, with the Department of Education stating it was developing a strategy to assist schools ‘to identify opportunities and barriers for them to grow their international education market.’<sup>205</sup>

### ***Entertainment***

3.134 SPA stated that there are fewer Australian screen exports today than there were ten years ago.<sup>206</sup> SPA further explained that the screen industry had significant ambition to grow, particularly by pivoting towards ‘an export driven market for Australian content,’ and that global streaming services could help drive this change.<sup>207</sup>

3.135 SPA also pointed to the US, Canada and the EU, all of which have screen export strategies, and stated that ‘Australia needs to do likewise.’<sup>208</sup>

#### **Box 3.1 Case study: interactive games and entertainment**

The Interactive Games and Entertainment Association (IGEA) stated that ‘interactive games are the fastest-growing media in the world’, with over two billion consumers (almost half of whom are in the Asia Pacific region). Globally, the video games market is worth \$200 billion.<sup>209</sup> IGEA

<sup>203</sup> TDA, *Submission 32*, p. 3.

<sup>204</sup> Universities Australia, *Submission 9.1*, p. 2.

<sup>205</sup> Ms Karen Welsh, Department of Education, *Official Committee Hansard*, Canberra, 13 September 2019, p. 35.

<sup>206</sup> Screen Producers Australia, *Submission 14*, Attachment A, p. 1.

<sup>207</sup> Mr Matthew Deaner, CEO, Screen Producers Australia, *Official Committee Hansard*, Canberra, 18 October 2019, p. 29.

<sup>208</sup> Screen Producers Australia, *Submission 14*, p. 5.

<sup>209</sup> Mr Edward Fong, Chairman, Interactive Games and Entertainment Association (IGEA), *Official Committee Hansard*, Sydney, 29 November 2019, p. 17.

advised that Australians spent more than \$4 billion on video games and associated hardware in 2018, which was a 25 per cent increase on 2017.<sup>210</sup>

Despite this high demand, IGEA advised that Australia's game development sector is 'very small'<sup>211</sup>, with an estimated 1275 video game developers nationally (compared to an estimated 200 000 to 300 000 game developers worldwide).<sup>212</sup> Australia's gaming industry made \$143.5 million in revenue in 2018-19, which IGEA stated was approximately 0.07 per cent of the global market.<sup>213</sup>

Notwithstanding its size, IGEA described Australia's game development sector as 'highly creative', 'innovative' and 'at the cutting edge of a technology driven and export focused industry that has the potential to play a huge role in Australia's economy both now and in the future.'<sup>214</sup>

IGEA described how the nature of video and app based games lend themselves to international export and stated:

Games are digital exports that can be shipped without transportation, cost or even environmental impact. With over two billion players globally, and about half of them on our doorstep in Asia, the potential export market is enormous. Unlike other types of digital exports, like film and music, interactive games can provide developers with ongoing revenue streams through content updates, expansions and new business models. Many Australian game developers are still earning significant export revenues from games they developed years ago.<sup>215</sup>

To stimulate the growth of Australia's games sector, IGEA recommended the Australian Government introduce a 30 per cent refundable tax offset for video game development, which is comparative to tax offsets available to the film and television production industries.<sup>216</sup> IGEA further stated

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<sup>210</sup> IGEA, *Submission 7.1*, p. 2.

<sup>211</sup> Mr Edward Fong, IGEA, *Official Committee Hansard*, Sydney, 29 November 2019, p. 17.

<sup>212</sup> IGEA, *Submission 7.1*, p. 2.

<sup>213</sup> IGEA, *Submission 7.1*, p. 2.

<sup>214</sup> Mr Edward Fong, IGEA, *Official Committee Hansard*, Sydney, 29 November 2019, p. 17.

<sup>215</sup> Mr Edward Fong, IGEA, *Official Committee Hansard*, Sydney, 29 November 2019, p. 17.

<sup>216</sup> IGEA, *Submission 7*, Attachment A, p. 14.

that tax incentives for game development have been used in other regions such as the UK, Canada, Singapore, the US and EU.<sup>217</sup>

IGEA further stated that there are 'global publishers who are currently investigating opportunities to establish studios in Australia ... [and] without policies to attract investment, these opportunities will be lost.'<sup>218</sup>

### *Agriculture and other food related industries*

3.136 Australia's agricultural industry has put forward a goal of increasing its value to \$100 billion by 2030. This goal, in large part, will be achieved through exports. The Australian Government is developing a national plan to identify how the government can assist industry to meet this goal, including through enhancing overseas market access; productivity and competitiveness; reducing regulatory costs and attracting foreign capital.<sup>219</sup>

3.137 When asked whether Australia was likely to meet the \$100 billion mark by 2030, the Department of Agriculture cautioned that continued growth could not be assured:

... the \$100 billion is quite an ambitious target, and ... I don't think we can assume that the price growth that we've experienced in recent years is going to continue. I think there are some real challenges there for industry and for government to look at how we can enable industry to reach those targets. We're sort of running out of countries to do FTAs with that would deliver significant extra value to us, and so ... the importance of addressing those non-tariff measures is really increasing in value for us in terms of the returns that industry can get.<sup>220</sup>

3.138 Increasing international interest in hemp and medicinal cannabis present opportunities for Australia grow and export these products. In addition to highlighting these export opportunities, the Department of Agriculture cautioned that these products were subject to a range of federal regulations which make them difficult to export:

<sup>217</sup> Mr Edward Fong, IGEA, *Official Committee Hansard*, Sydney, 29 November 2019, p. 18.

<sup>218</sup> Mr Edward Fong, IGEA, *Official Committee Hansard*, Sydney, 29 November 2019, p. 18.

<sup>219</sup> Department of Agriculture, *Submission 22*, p. 1.

<sup>220</sup> Mr Matthew Worrell, Acting First Assistant Secretary, Trade and Market Access Division, Department of Agriculture, *Official Committee Hansard*, Canberra, 13 September 2019, p. 17.

Certainly in terms of legislation it's quite tricky because of the interplay between the Export Control Act, the Customs Act, the Crimes Act and all of the different federal regulators who are involved in administering those different bits of legislation. We're working through that at the moment so that we can certify hemp products for export in the same way as we would certify other agricultural products, which, at the moment, we can't do legally. It's quite a restriction on our ability to trade in that space.<sup>221</sup>

- 3.139 In relation to the future of Australia's sugar industry, the ASMC stated that diversification was 'key to the long term sustainability of sugar production.'<sup>222</sup> Options for diversification include renewable energy, ethanol, and molasses.<sup>223</sup> To progress diversification, the ASMC recommended the development of 'an industry/government strategy that acknowledges the policy and financial barriers blocking growth and investment on a commercial scale.'<sup>224</sup>
- 3.140 The Southern Seafood Producers (WA) Association considered that research could assist the seafood industry to determine what types of seafood may become popular in the future, particularly in niche markets. Southern Seafood Producers (WA) Association highlighted seaweed as a potentially valuable product in the future and stated:
- ... Australia is ideally positioned, not to be the "food basket" of Asia, but the purveyor of fine food products that have the characteristics those markets value and are willing to pay for ... currently in Asia, one of the rapidly growing sectors is seaweed ... This product can be grown both as a food source and as an energy source ... Australia needs to understand what is valuable now and what we have to meet those needs. We also need to be aware of what is going to be valuable into the future and what resources there are to meet those needs too.<sup>225</sup>

### *Wine and beverages*

- 3.141 The AGW outlined innovative and new products that may have future growth potential in its industry. As an example, the AGW stated that 'consumers actually prefer lower alcohol products', and that there is

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<sup>221</sup> Mr David Ironside, Assistant Secretary, VET Quality and Regulation Branch, Department of Agriculture, *Official Committee Hansard*, Canberra, 13 September 2019, p. 19.

<sup>222</sup> ASMC, *Submission 26*, p. 3.

<sup>223</sup> Mr David Pietsch, ASMC, *Official Committee Hansard*, Sydney, 29 November 2019, p. 43.

<sup>224</sup> ASMC, *Submission 26*, p. 3.

<sup>225</sup> Southern Seafood Producers Western Australia (WA) Association, *Submission 28*, p. 3.

research being conducted into how to retain flavour and characteristics while reducing alcohol content.<sup>226</sup> The AGW further explained that this was influenced by a move more generally towards health and wellness and stated that:

... increasingly, consumers are demanding a number of things. One of them is a health and wellness attribute. That doesn't mean they think alcohol is bad — they don't — but they are looking for low alcohol and products that will have other products infused. There is wine with tea infused in it, for example ... So I think in the next five years or so we're going to see a great increase in the number of products out there which will diversify our offering. The biggest growth category in alcohol at the moment is gin ... The second-biggest growth category is zero-alcohol spirits, which is flavoured water!<sup>227</sup>

### *Resources and energy*

- 3.142 DIIS stated that there is growing global demand for critical minerals and battery commodities, from sectors including 'renewable energy, automotive industries (especially electric vehicles), agricultural technology, defence and telecommunications.' To illustrate, DIIS stated that 'export revenue for lithium is forecast to reach \$1.4 billion by 2020-21, up from \$117 million in 2012.'<sup>228</sup>
- 3.143 In order to take advantage of this demand, the DIIS cautioned that Australia would need to be 'cost competitive' in the context of 'strong international competition in this space.'<sup>229</sup>
- 3.144 Hydrogen was also described as an 'emerging sector of growth'.<sup>230</sup> DIIS highlighted the Council of Australian Governments Energy Council's *National Hydrogen Strategy*, which 'aims to position [Australia's] industry as a major player by 2030' and outlines an 'approach that equips Australia to scale up quickly as the hydrogen market grows.'<sup>231</sup>

<sup>226</sup> Mr Anthony Battaglene, AGW, *Official Committee Hansard*, Sydney, 29 November 2019, pp 30-31.

<sup>227</sup> Mr Anthony Battaglene, AGW, *Official Committee Hansard*, Sydney, 29 November 2019, p. 30.

<sup>228</sup> DIIS, *Submission 13*, p. 10.

<sup>229</sup> DIIS, *Submission 13*, p. 10.

<sup>230</sup> DIIS, *Submission 13*, p. 11.

<sup>231</sup> DIIS, 'Australia's National Hydrogen Strategy', <https://www.industry.gov.au/data-and-publications/australias-national-hydrogen-strategy>, Accessed 31 January 2020.

## *International health*

- 3.145 International health was described as a 'real opportunity' for Australia. Austrade explained the potential of this area and stated:

International health is where education was 20 or 30 years ago. We are on the cusp of an exciting opportunity in international health ... we have extraordinary capacity and capability in international health which we can take into those markets. As all of those markets are on the S-curve of growth and looking for that healthy lifestyle, I think we are extremely well positioned to play into that role.<sup>232</sup>

- 3.146 Other opportunities for Australia in international health included digital e-health and clinical trials.<sup>233</sup>

## **Committee comment and recommendations**

### *Government support for exports*

- 3.147 Exports will drive future growth in Australia's economy, and it is appropriate that a range of government initiatives and agencies assist in facilitating this trade. The Australian Trusted Trader initiative is a positive example of where government regulations are being streamlined to support exporters. Assistance provided by Austrade, both in Australia and internationally, has also been used with success by a range of exporters.
- 3.148 The Export Market Development Grants (EMDG) scheme is an important and effective form of government support for exports. The Committee is pleased that this scheme is being utilised by exporters and welcomes the additional funding allocation announced in April 2020 by the Australian Government. Ensuring there are adequate and ongoing funds available to support this scheme will assist to boost Australia's exports. This is particularly important given the range of domestic and international challenges currently affecting the global trading environment.

## **Recommendation 10**

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- 3.149 The Committee recommends that the Australian Government permanently increase funding for the Export Market Development Grants**

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<sup>232</sup> Mr Tim Beresford, Austrade, *Official Committee Hansard*, Canberra, 12 February 2020, p. 3.

<sup>233</sup> Mr Dan Williams, Assistant General Manager, Government and Policy, Austrade, *Official Committee Hansard*, Canberra, 12 February 2020, p. 4.

scheme by \$60 million per year, or alternatively by an amount which will meet the expected demand and reflects the needs of business following the post-COVID-19 resumption of economic activity.

### *Free Trade Agreements (FTAs), diversification and non-tariff barriers (NTBs)*

- 3.150 FTAs underpin much of Australia's international trade, and have opened up new markets for many Australian goods and services. The Committee supports the government's FTA agenda and the opportunities that the signing of new trade agreements will create for business. The Committee also considers that FTAs should be subject to the usual tests of national interest, economic criteria and social protections that ensure all Australians are better off.
- 3.151 At the same time, the Committee received evidence that the build-up of bilateral and multilateral agreements can create regulatory complexity, which may impact on the utility of the agreements for businesses. This may particularly be the case when one country is covered by more than one trade agreement.
- 3.152 The Australian Government is aiming for 90 per cent of Australia's two-way trade to be covered by FTAs by 2022. This raises the question, however, of what mechanisms will be available to the government to continue to grow Australia's exports once this goal has been reached? Developing and outlining the government's plan for post-2022 could increase business confidence and ensure Australia's economy will continue to grow.
- 3.153 The Committee is concerned that the Australian economy may be overly dependent on relatively few export markets. While the signing of FTAs will help to rectify this issue, some sectors may require additional support to enter new markets. India and Indonesia hold untapped opportunities for Australian businesses that, with the right support mechanisms in place, could lead to new export opportunities across the economy.
- 3.154 The Australian Government has taken action to address NTBs, including developing the NTB action plan and NTB gateway. The Committee is interested to see the impact these actions will have on NTBs for industry (particularly agriculture) and looks forward to many NTBs being resolved.



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## Recommendation 11

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**3.155 The Committee recommends that the Australian Government continue to push for new export market opportunities, including by:**

- the signing of new trade agreements, with a preference for multilateral and regional agreements where possible;
- considering options to harmonise or streamline regulations where Australia has overlapping trade agreements with the same country; and
- prioritising the needs of small and medium sized businesses in the context of trade negotiations.

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## Recommendation 12

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**3.156 The Committee recommends that the Department of Foreign Affairs and Trade develop and release a plan for boosting Australia's exports and investment once the vast majority of Australia's trade is covered by FTAs (in line with the government's goal of achieving this by 2022).**

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## Recommendation 13

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**3.157 The Committee recommends that the Australian Government conduct an assessment of Australian export industries that are over-exposed to a single market and work with industry towards diversification.**

## *Regulation of exports*

**3.158** The Committee is concerned that there may be regulatory barriers in place that are impeding the continued growth of agricultural and other food related exports. While regulation is necessary to ensure Australia maintains its reputation as a high quality exporter, it is important that the government continue to review the impact of regulation on Australia's competitiveness. In particular, the cost of entering the export market for agricultural goods should not be so high as to deter business interest. Regulatory overlap at the local, state and federal level should also be addressed where necessary.

**3.159** The Committee received evidence from the agricultural sector that red and green tape at the federal, state and territory levels was impacting on industry growth and exports. The seafood, sugar, meat and grain industries

each provided examples of how regulation led to increased costs and/or inefficiencies.

- 3.160 The agricultural sector has a goal to grow to \$100 billion by 2030 – it is imperative that governments at the local, state and territory, and federal levels assist the industry to reach this goal. This should include a thorough assessment of whether there are regulatory barriers across jurisdictions that may prevent the growth of trade and agricultural production. The Committee notes that the Standing Committee on Agriculture and Water Resources is currently undertaking an *Inquiry into growing Australian agriculture to \$100 billion by 2030*, and looks forward to its recommendations.
- 3.161 The Committee was also concerned to hear multiple reports of lengthy delays by the Defence Export Controls Office (DEC) in processing defence export approvals, and that this had resulted in lost export opportunities. In addition, the Committee received evidence that while DFAT may connect a defence exporter with an export opportunity, this advice may later be contradicted by DEC. The Committee considers that processing times of (in some cases) nine months is unacceptable and does not reflect the competitive and fast-paced nature of international business.
- 3.162 The Committee also received evidence that large international companies may include Australian businesses in their tenders for defence contracts, but not engage the Australian business once the contract has been won. Australian businesses must be given the opportunity to contribute to the defence export economy, including as part of large defence contracts.
- 3.163 The Committee welcomed the government's efforts to transform and modernise Australia's border and customs processes to support trade. The that the ten year time frame for implementation of modernisation, however, may not be timely enough to support continued export growth. If Australia's export sector is to continue to compete globally, the regulatory processes must be streamlined, efficient, and (in most cases) digital.

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## Recommendation 14

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- 3.164 **The Committee recommends the Department of Agriculture, Water and the Environment, in collaboration with state and territory governments, conduct an audit of the regulatory arrangements for agricultural exports (including seafood) and identify and implement actions in order to:**
- **Harmonise export regulation across local, state and federal jurisdictions, with an aim of achieving a best-practice outcome;**

- **Increase competitiveness for the agricultural industry, including assessing whether cost-recovery arrangements and export registration costs are deterring exports, and a comparison between Australia and its international competitors; and**
- **Assess the impact of red and green tape (at the state and federal levels) on the ability of the sector to reach its goal of growing Australian agriculture to \$100 billion by 2030.**

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### **Recommendation 15**

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- 3.165 The Committee recommends that the Department of Defence implement reforms to expedite Defence Exports Controls approval processes.**

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### **Recommendation 16**

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- 3.166 The Committee recommends that the Australian Government progress its election commitment to implement a single digital window for trade as a priority.**

### *Future of Australia's exports*

- 3.167 The Committee is grateful to the businesses and industry representatives that provided the Committee with an insight into future challenges and opportunities for their sectors. Opportunities may be generated through innovation and new technology, such as in advanced manufacturing, or through changing tastes and attitudes, such as with medicinal cannabis and low-alcohol beverages. Taking advantage of Australia's strengths in the areas of health and education and building on them for an international audience will create new opportunities for growth.
- 3.168 Supporting these sectors to harness the global opportunities, through connecting them with new markets; streamlining regulatory requirements; and optimising the digital provision of government assistance, will ensure Australia maintains its reputation as a nation of high quality exports.

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### **Recommendation 17**

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- 3.169 The Committee recommends that the Australian Government introduce a refundable tax offset for video game development in Australia, similar to offsets provided to the film and television production industries.**

### **Recommendation 18**

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- 3.170** The Committee recommends that the Department of Industry, Science, Energy and Resources examine opportunities to further involve Australian businesses, particularly small and medium sized enterprises, in the development and growth of Australia's space sector.

### **Recommendation 19**

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- 3.171** The Committee recommends that the Department of Foreign Affairs and Trade and the Department of Education, Skills and Employment develop and implement a strategy to expand offshore delivery of university education and vocational education and training.

### **Recommendation 20**

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- 3.172** The Committee recommends that the Australian Government investigate ways of encouraging the growth of Australian-based telehealth services, particularly those with an export focus, in light of the COVID-19 pandemic.

**Mr George Christensen MP**

**Chair**

# A. Submissions

- 1 Premium Grain Handlers Pty Ltd
- 2 Department of Home Affairs
  - 2.1 Supplementary to submission 2
- 3 Australian Investment Council
- 4 Specialty Feeds
- 5 Red Meat Advisory Council
- 6 Greater Whitsunday Alliance
- 7 Interactive Games & Entertainment Association
  - 7.1 Supplementary to submission 7
  - Attachment 1
- 8 Australian Logistics Council
- 9 Universities Australia
  - 9.1 Supplementary to submission 9
- 10 Geospatial Intelligence Pty Ltd
  - 10.1 Supplementary to submission 10
- 11 Seafood Industry Australia
- 12 Infant Nutrition Council
- 13 Department of Industry, Innovation and Science
- 14 Screen Producers Australia
  - 14.1 Supplementary to submission 14
  - Attachment 1

- Attachment 2
- Attachment 3
- 15 Standards Australia
- 16 Queensland Seafood Industry Association
- 17 Australian Performance Vehicles Pty Ltd
  - 17.1 Supplementary to submission 17
- 18 Productivity Commission
- 19 Electro Optic Systems
- 20 APRA AMCOS
  - 20.1 Supplementary to submission 20
  - Attachment 1
- 21 Department of Education
  - 21.1 Supplementary to submission 21
- 22 Department of Agriculture
  - 22.1 Supplementary to submission 22
- 23 Export Consultants Association Incorporated
  - Attachment 1
- 24 Co-operative Bulk Handling (CBH) Group
- 25 Insurance Council of Australia
- 26 Australian Sugar Milling Council
- 27 Ausfilm
  - 27.1 Supplementary to submission 27
  - Attachment 1
- 28 Southern Seafood Producers (WA) Inc. Association
- 29 Department of Foreign Affairs and Trade (DFAT) and Australian Trade and Investment Commission (Austrade)
  - 29.1 Supplementary to submission 29
  - 29.2 Supplementary to submission 29
  - 29.3 Supplementary to submission 29
  - 29.4 Supplementary to submission 29
- 30 Atlassian

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- 31 Export Council of Australia
  - 32 TAFE Directors Australia
  - 33 BDO
  - 34 Medicines Australia
    - 34.1 Supplementary to submission 34
  - 35 Bristol-Myers Squibb
  - 36 Australian Chamber of Commerce and Industry
  - 37 Business Council of Australia
  - 38 Department of Employment, Skills, Small and Family Business
  - 39 *Confidential*
  - 40 *Confidential*
  - 41 NSW Treasury
  - 42 Tourism Australia
  - 43 Government of Western Australia
  - 44 Queensland Government
  - 45 Victorian Government
  - 46 Barrett Communications





## B. Exhibits

1 APRA AMCOS

*Born Global: Australian Music Exports*, Australian Research Council, July 2019

2 Screen Producers Australia

*Best Practice in Screen Sector Development - A Study for the Association of Film Commissioners International*, Olsberg SPI, September 2019

3 Australia Council for the Arts

*International Arts Tourism - Connecting Cultures*, November 2018

4 Australia Council for the Arts

*Best Practice in Screen Sector Development - A Study for the Association of Film Commissioners International*, Olsberg SPI, September 2019

5 Screen Producers Australia

*Screen production in Australia: independent screen production industry census*, Deloitte Economics for Screen Producers Australia, 2018

6 Screen Producers Australia

Fact Sheets: Screen Production in Australia Key Findings; and Future Asia – Screen Industry Trade Strategy.

7 Red Meat Advisory Council

*Tax in Agriculture: a collaborative research project for the agricultural sector* Boyce Chartered Accountants and Su McCluskey, 2016.

8 APRA AMCOS

*Investment Initiative to Cultivate the Australian contemporary music industry,*  
EY, February 2016

- 9 National Farmers' Federation

*2030 Roadmap*

- 10 Department of Foreign Affairs and Trade,

*Industry Recommendations: an Action Plan to Boost Australian Service Exports,* November 2019

- 11 Department of Foreign Affairs and Trade

*Government Response to Industry's Action Plan to Boost Australian Services Exports,* November 2019

- 12 Export Consultants Association

*Certainty and Confidence - Export and Jobs for a Changing Global Economy: Review of the Export Market Development Grants scheme,* 2015

- 13 CBH Group

*Grains NTM Project,* Grains Research and Development Corporation and the Department of Agriculture and Water Resources, March 2018

# C. Public Hearings

## 13 September 2019 – Canberra

### *Department of Foreign Affairs and Trade*

- Mr Tony Coles, Acting Chief Economist (Trade and Investment), Office of Economic Analysis
- Mr Lachlan Crews, Assistant Secretary, Trade and Investment Advocacy Branch
- Ms Julianne Merriman, Assistant Secretary, Competitiveness and Business Engagement Branch
- Mr James Wiblin, Assistant Secretary, Investment Branch, Investment and Economic Division

### *Australian Trade and Investment Commission*

- Mr Tim Beresford, Deputy Chief Executive Officer, Global Markets and Sector Engagement
- Ms Margaret Bowen, Assistant General Manager, Ministerial, Economic and International Engagement
- Ms Sally Deane, Acting General Manager, Government and Partnerships
- Mr Dan Williams, Assistant General Manager, State Operations

### *Department of Home Affairs*

- Ms Louise Greig, Director, Australian Trusted Trader Strategic Policy, Trade Modernisation and Industry Engagement Branch, Australian Border Force
- Mr Aled Hall, Acting Assistant Secretary, Trade Modernisation and Industry Engagement, Customs Group, Australian Border Force

*Department of Agriculture*

- First Assistant Secretary, Exports Division
- Mr David Ironside, Assistant Secretary, Plant Export Operations Branch, Biosecurity Plant Division
- Mr Matthew Worrell, Acting First Assistant Secretary, Trade and Market Access Division

*Department of Industry, Innovation and Science*

- Mr David Lawrence, General Manager, Sectoral and Place Based Policy, Industry Growth Division
- Mr Nick Purtell, General Manager, Major Projects Branch
- Mr Jason Russo, General Manager, Resources Strategy Branch, Resources Division
- Mr Martin Squire, General Manager, Trade and International Branch
- Dr Abrie Swanepoel, Acting General Manager, Insights and Evaluation Branch

*Department of Employment, Skills, Small and Family Business*

- Mr Peter Cully, First Assistant Secretary, Small Business, Economic and Deregulation Division
- Mr Matthew Hardy, First Assistant Secretary, VET Reform
- Ms Renae Houston, Assistant Secretary, VET Quality and Regulation Branch
- Ms Nadine Williams, Deputy Secretary

*Department of Education*

- Ms Karen Sandercock, Group Manager, International
- Ms Karen Welsh, Branch Manager, Access

*Productivity Commission*

- Mr Michael Brennan, Chair
- Dr Ralph Lattimore, Executive Manager

**18 October 2019 – Canberra***Export Council of Australia*

- Mr Heath Baker, Acting Chief Executive Officer

*Australian Chamber of Commerce and Industry*

- Mr Andrew Willcocks, Acting Director, International Chamber of Commerce Australia

*Universities Australia*

- Mr Mike Teece, Policy Director, Academic
- Dr John Wellard, Policy Director International

*TAFE Directors Australia*

- Ms Leanne Cover, Deputy Chair

*Geospatial Intelligence*

- Mr Robert Coorey, Chief Executive Officer

*APRA AMCOS*

- Mr Scot Morris, Director International Relations
- Mr Nicholas Pickard, Director Public Affairs, Communications and Events

*Ausfilm*

- Dr Nick Herd, Head of Policy and Research

*Screen Producers Australia*

- Mr Matthew Deaner, Chief Executive Officer

*Red Meat Advisory Council*

- Ms Anna Campbell, Chief Executive Officer

**29 November 2019 – Sydney***Australian Investment Council*

- Mr Yasser El-Ansary, Chief Executive
- Mr Brendon Harper, Head of Policy and Research
- Ms Robyn Tolhurst, Public Affairs Manager

*Export Consultants Association*

- Mr Peter Campbell, Director
- Mr Rod Campbell, Chairman

*BDO (East Coast Partnership)*

- Mr William Cole, Partner, International Trade and Excise

*Interactive Games and Entertainment Association*

- Mr Ron Curry, Chief Executive Officer
- Mr Edward Fong, Chairman

*Atlassian*

- Ms George Skipper, Director of Public Policy

*Australian Grape and Wine*

- Mr Anthony (Tony) Battaglione, Chief Executive

*Tourism Australia*

- Mr Jarrod Mander, General Manager, Investment
- Mr Leo Seaton, General Manager, Communications and Government

*Queensland Seafood Industry Association*

- Mr Eric Perez, Chief Executive Officer

*Australian Sugar Milling Council*

- Mr David Pietsch, Chief Executive Officer

*Australian Performance Vehicles*

- Mr Harry Hickling, Managing Director

*New South Wales Government*

- Ms Kylie Bell, Executive Director, Trade and Investment,
- New South Wales Treasury

**7 February 2020 – Canberra***Medicines Australia*

- Ms Elizabeth de Somer, Chief Executive Officer
- Mr Piotr Komocki, Manager, Industry and Regulation Policy

*Bristol-Myers Squibb*

- Mr Neil MacGregor, Managing Director, Australia/New Zealand
- Mr James McAdam, Head, Government Affairs and Policy

*Australian Space Agency*

- Mr Anthony Murfett, Deputy Head

*Lockheed Martin Australia*

- Mr Rodrick Drury, Managing Director, Australian/New Zealand

*Council of Small Business Organisations Australia*

- Mr Peter Strong, Chief Executive Officer

*National Farmers' Federation*

- Dr Prudence Gordon, General Manager, Trade and Economics

*Cooperative Bulk Handling (CBH) Group*

- Mr Jason Craig, General Manager, Marketing and Trading
- Mr David Paton, Government and Industry Relations Manager

*Australian Small Business and Family Enterprise Ombudsman*

- Ms Alexandra Hordern, Director, Advocacy
- Dr Craig Latham, Deputy Ombudsman
- Mr Eamon Sloane, Advocacy Analyst

*Infant Nutrition Council*

- Ms Jan Carey, Chief Executive Officer
- Mr Simon Woolmer, Market Access Manager

*Advanced Manufacturing Growth Centre*

- Mr Michael Haddy, National Director, Defence and Space, and State Director, South Australia

*Atom Industries*

- Mr John Notaras, Chief Executive Officer

**12 February 2020 – Canberra***Department of Foreign Affairs and Trade*

- Ms Elisabeth Bowes, Chief Negotiator, Regional Trade Agreements Division
- Mr Angus Mackenzie, Head, Bushfire Response Coordination Unit
- Ms Tiffany McDonald, Director, Non-Tariff Barriers Coordination Section

- Ms Julianne Merriman, Acting First Assistant Secretary, Trade Investment and Business Engagement Division

*Australian Trade and Investment Commission*

- Mr Tim Beresford, Deputy Chief Executive Officer
- Mr Dan Williams, Assistant General Manager, Government and Policy



# Labor members' dissenting report

- 1.1 Labor has long recognised the importance of trade and investment as essential components for growing Australia's economy and we support broadly the final report on the committee's inquiry.
- 1.2 However, the Labor members do not support recommendation 2 which calls for a reduction in the company tax rate to be a priority. The recommendation is based more on ideology than any sound economic basis and the committee did not find any compelling evidence that reducing the corporate tax rate would result in an investment boom or higher wages. This is dealt with in more detail below.
- 1.3 The Labor members would also like to note, that while this inquiry was coming to a close when the COVID-19 pandemic hit, it has highlighted the absolute need for the Australian government to focus on diversifying Australian export markets and supply chains as vital for the economy, for jobs, and the prosperity of all Australians.

## *Recommendation 2*

*2.102 The Committee recommends that the Australian Government continue to progress its tax reform agenda, particularly by reducing the company tax rate, as a priority.*

- 1.4 Labor members do not endorse Recommendation 2 of the JSCTIG's Supporting Australia's Exports and Attracting Investment Report, which calls for a reduction in the company tax rate to be a priority.
- 1.5 The hearings undertaken and submissions received by the inquiry preceding the Government's report did not make the case for an urgent reduction in the rate of corporate tax in Australia.

- 1.6 No compelling evidence was provided to the Committee that a reduction in the corporate tax rate would result in increased investment into Australia or any benefits for working Australians through higher wages or conditions.
- 1.7 Australia already has low levels of average and effective corporate taxation.
- 1.8 While statutory corporate tax rates are the most obvious measure of corporate taxation, they are often misleading. In many countries, seemingly low statutory rates are offset by a broader definition of taxable income that results in an effective corporate tax rate far higher than the statutory level would imply.
- 1.9 Conversely, Australia's statutory corporate tax rate, currently 30 per cent, is offset by a range of concessions, allowances and rebates that translate into significantly lower effective and average rates of taxation for companies operating in Australia.<sup>1</sup>
- 1.10 A recent assessment of corporate tax rates across the G20, undertaken by the US Congressional Budget Office, found that Australia's top statutory corporate tax rate is close to the median, rather than an outlier disincentivising investment in our economy.<sup>2</sup>
- 1.11 This authoritative analysis also found that Australia's average corporate tax rate is far lower than the statutory rate, as is the effective corporate tax rate paid by Australian companies.
- 1.12 For any company considering foreign expansion and investment, comparing effective tax rates is the best way to assess real levels of corporate tax in destination markets and their impact on investment returns.
- 1.13 Therefore, Australia's low average and effective corporate tax rate are important dimensions in our attractiveness as a market for overseas investment and in total flows of foreign investment.
- 1.14 While tax is an important factor in corporations' investment decisions, the OECD has found that it is not the main determinant.<sup>3</sup> Capital flows are

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<sup>1</sup> The statutory corporate tax rate is one of many features of the tax system that influence corporate behaviour. The average corporate tax rate is a measure of the total amount of corporate taxes that a company pays as a share of its income. The effective marginal corporate tax rate (or effective corporate tax rate), is a measure of a corporation's tax burden on returns from a marginal investment (one that is expected to earn just enough, after taxes, to attract investors).

<sup>2</sup> Congressional Budget Office, *International Comparisons of Corporate Income Tax Rates*, Washington D.C., March 2017, available at [www.cbo.gov/publication/52419](http://www.cbo.gov/publication/52419)

<sup>3</sup> OECD, *Policy Brief: Tax Effects on Foreign Direct Investment*, Paris, 2008.

attracted to countries which offer equitable and efficient access to markets, stable conditions and profit opportunities, low levels of sovereign risk and a predictable, non-discriminatory legal and regulatory framework.

- 1.15 Not only does Australia already have highly competitive rates of average and effective corporate tax compared to our G20 peers, these are matched by our rule of law, well-developed infrastructure, strong institutions and public services, advanced levels of human capital and a raft of other fundamental attributes that are highly attractive to businesses – including those based in jurisdictions with lower corporate tax rates than Australia.
- 1.16 Given that the decision-making of foreign investors is most strongly swayed by these macroeconomic fundamentals, it is not clear that slashing statutory corporate tax rates is required to attract foreign capital.
- 1.17 The Committee did not find compelling evidence that reducing the corporate tax rate would result in an investment boom or higher wages.
- 1.18 The economics underpinning proposals to reduce the statutory tax rate applied to the largest businesses operating in Australia are not compelling.
- 1.19 Reducing Australia's corporate tax rate for large businesses will not unleash higher levels of investment or a job-creation boom. Instead, it is more likely to accentuate the share of economic output flowing towards shareholders and capital at the expense of labour.
- 1.20 Since the 1970s, Australia's corporate tax rate has fallen from nearly 50 per cent to 30 per cent. This contributed to corporate profits reaching all-time highs at the end of 2019, with the windfall being directed towards shareholders, rather than being reinvested back into productive assets and deepening the capital base of the Australian economy – ultimately, the key driver of improved living standards.
- 1.21 Across a similar period, labour compensation as a share of GDP fell from 58 per cent in the mid-1970s to just 47 per cent by 2017, the lowest level since 1960.<sup>4</sup>
- 1.22 Rather than enabling capital deepening, as promised by advocates of accelerated corporate tax cuts, falling corporate tax rates and rising company profits have been accompanied by capital shallowing – a reduction in the capital-labour ratio that has contributed to Australia's declining labour productivity.

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<sup>4</sup> Stanford, J. (2018) 'The Declining Labour Share in Australia: Definition, Measurement, and International Comparisons', *Journal of Australian Political Economy*, No. 81, pp 11-32.

- 1.23 Labour's declining share of Australian GDP has equated to the redirection of over \$200 billion in income per year from Australian workers to other groups in society, mainly corporations. Prioritising further corporate tax cuts in the name of obtaining higher levels of foreign investment would accelerate this trend and give precedence to the bottom line of large corporations over Australian living standards.
- 1.24 The idea that lower-taxed firms create more jobs is also not supported by evidence. An examination of the relationship between Australian companies' job creation rates and tax rates demonstrates that output and employment growth in the Australian economy has not been driven by those with the lower effective tax rates.<sup>5</sup>
- 1.25 In fact, firms which use existing deductions and rebates to obtain an effective corporate tax rate lower than 25 per cent shed more jobs than they create. By contrast, Australian firms with an effective tax rate above 20 per cent grew employment at an annual rate of 2 per cent.

### *Australia's weak budget position*

- 1.26 Australian Government debt more than doubled during the period 2013 - 2019. Even before the COVID-19 response, net debt stood at over \$403bn, an all-time high.<sup>6</sup>
- 1.27 The Government's response to COVID-19 will result in an unprecedented and rapid additional increase in public debt.
- 1.28 This is not the time to slash the company tax rate, with large corporations being given a free kick at the expense of working Australians.
- 1.29 To slash the company tax rate at this time would result in workers on average incomes bearing an even greater share of the burden of paying off this Government's massive debt.

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<sup>5</sup> Leigh, A. (2018) 'Do Firms that Pay Less Company Tax Create More Jobs', *Economic Analysis and Policy*, Vol. 59, September 2018, pp 25 – 28.

<sup>6</sup><https://www.finance.gov.au/publications/commonwealth-monthly-financial-statements/2020/mfs-december>

**Ms Ged Kearney MP**

**Senator Tim Ayres**

**Deputy Chair**

**Dr Daniel Mulino MP**

**Senator Marielle Smith**