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Australian Services Exports
Productivity Commission
Locked Bag 2, Collins Street
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ADVANCE CAIRNS SUBMISSION TO THE PRODUCTIVITY COMMISSION STUDY INTO BARRIERS TO GROWTH IN AUSTRALIAN SERVICES EXPORTS

Introduction

Advance Cairns welcomes the opportunity to make a submission to the Productivity Commission's research study: Barriers to Growth in Australian Service Exports, and thanks the Commission for its consideration of our submission.

Advance Cairns is the peak regional economic development and investment promotion organisation for Tropical North Queensland. It plays a key role in advocacy for growth creating projects, investment and development for the region. Advance Cairns facilitates connections between private enterprise, industry, community, government agencies and political representatives to maximise the opportunities for economic and social development for Tropical North Queensland (TNQ), focussing on diversification for economic growth, and improving the lives of the region's residents.

Cairns is Australia's gateway to Asia and beyond and is perfectly positioned as a major service provider for Northern Australia. As a developed city in the tropics, we have technology, health, education and social structures within a politically stable environment that create an excellent business base for service exporters.

This document further defines issues outlined in the Commission's Issues Paper by industry sector in the context of Tropical North Queensland and proffers suggested recommendations and actions to ease barriers to growth in services exports.

Industry specific comments

Tourism is the main economic driver of the regional economy, contributing \$2.5bn for 12 months ending December 2013 and has contributed \$16.2bn in the last 5 years to the regional economy.

Northern Australia's biodiversity and areas of pristine natural habit present a great natural resource that can draw urban tourists seeking nature-based experiences. There is significant potential to assist tourism enterprises to meet the demands of emerging economies to our north for a differentiated and aspirational destination.

The benefits include growing employment opportunities while additional air services offer scope for airfreight of high value exports to Asia.

Edu-tourism, where travellers seek personal or professional development as part of their travel experience, is an opportunity being pursued in Northern Queensland. Consortium efforts are linking James Cook University (JCU) with tourism bodies to run short courses based at JCU's world class research facilities such as the Daintree Rainforest Observatory and Orpheus Island Research Station.

To support growth and the required innovation, locally based tourism research infrastructure needs to be established. Local government, through the Cairns Regional Council provides a strong level of support to the region's peak tourism industry body – Tourism Tropical North Queensland with \$2 million towards industry development and major international events attracting a growing number of overseas athletes, support teams and spectators including the Mountain Bike World Cup and the Cairns Airport Adventure Festival. More than 2,500 athletes from 32 different countries participated in the Ironman event alone in 2012 injecting an estimated \$9.09 million up from \$7.75 million in 2011.

Transport infrastructure needs to be enhanced. Foreign investment such as the proposed \$8.15 billion Aquis resort in Cairns should assist the region's transition to new product offerings.

Recommendation: any increase in taxes levied on international tourists by the Federal government to be directed to international marketing efforts.

Recommendation: Transport infrastructure forward planning needs to consider population at peak tourist times.

Education. The Asia Pacific Economic Cooperation (APEC) leaders declaration of 2012, endorsed in Bali in October 2013, promoted cooperation on cross boarder exchange in education as an important component of economic integration for regional supply chains. Tropical North Queensland was represented by James Cook

University at the APEC University Associations Cross-Border Education Workshop in May 2014 in Kuala Lumpur, where recommendations were made across four key mobility areas including:

Student Mobility:

- The differing capacity of economies requires closer cooperation to support students from less wealthy backgrounds by minimising barriers, such as tuition fees and living expenses.
- 'Brain circulation' rather than 'brain drain' supported by joint training programs & short-term exchanges.

Researcher Mobility:

- The creation of an 'APEC Researcher Travel Card' (in addition to APEC Business Travel Card).

Provider Mobility:

- Provider mobility enhances host economies and sending economies with two-way flows of knowledge and skills – removing the term 'branch campus' is beneficial.
- Variations in regulations remain a barrier to provider mobility – APEC wide collaborations on qualifications frameworks would be useful.
- Educational providers establishing in other economies need to make a long-term commitment.

Virtual Mobility:

- to meet the significant and unmet demand for university education.
- Creating opportunities for economies to share regulatory approaches to online and virtual forms of education.

Recommendation: Relevant agencies ((Department of Immigration and Border Protection, Department of Foreign Affairs and Trade) support the further development of protocols for frequent visitors under APEC to include researchers.

A key consideration for increasing the number of international students in Northern Queensland is to encourage the movement of human capital to regional areas: students who study in a nominated "regional" campus may be eligible for "regional points" which will be taken into account in an application for a subsequent work visa. Increasing the points available (from 5 to 10) will increase the attractiveness of regional study locations for international students who may intend to apply for a post study work visa after completion of their course. This has also been highlighted in the Advance Cairns response to the Draft Strategy for International Education.

Recommendation: Encourage international education in regional areas through an additional points weighting.

From the vocational training perspective, Government to government engagement is a key priority in TAFE Queensland International Strategy. Strong relationships at the highest level can be leveraged to establish sustainable partnerships with key stakeholders.

Australian Government's Overseas Development Program will continue to be a cornerstone of international engagement.

Health. Australia's reputation as a quality provider of health care within a global region in which the middle class is predicted to grow from 300 million to 3 billion people within 40 years offers significant market opportunities in health care. These opportunities can leverage areas of competitive advantage unique to northern Australia.

The Minister for Trade and Investment's announcement on 10 May 2015 of \$8.5m for an Australian Tropical Medicine Commercialisation Grants Programme and \$6.9m to build primary research capacity for collaborative projects addressing priority diseases including dengue, malaria, Hendra and multi-drug resistant tuberculosis was welcome.

Given 60 – 70% of Australian health care expenditure is devoted to health workforce, there is considerable scope to leverage that domestic investment in skills and expertise into export markets. The health workforce experience of northern Australia – serving about one-third of Australia's regional and remote population and 30% of the nation's Aboriginal and Torres Strait Islander population – is uniquely applicable to meeting the needs of underdeveloped countries globally.

Health care practice in rural and remote communities is broader and more complex as distance from major secondary and tertiary centres increases. Health care in northern Australia has evolved unique characteristics and strengths, including a multidimensional practice environment requiring generalist skills and training. James Cook University promotes the following opportunities for trade in the health workforce:

Knowledge transfer initiatives leveraging key areas of expertise -

- Northern Australia has established significant expertise in responding to disasters, managing tropical diseases and developing strategies to prevent and manage chronic diseases.
- Combined with significant experience in rural and remote health workforce development and health system innovations, northern Australia has expertise to offer other nations striving to achieve the goal of universal health coverage and

is well placed to develop these areas of expertise as export commodities. Examples include:

- curricula development suited to local health and professional training needs;
- education and training models; and
- innovative models for clinical service, workforce and clinical pathways redesign to reduce costs and better align service with patient needs, including telehealth, medical/allied health generalist training pathways and delegated practice models for rural health workforce.

Education, training and professional development -

- Charles Darwin and James Cook University in particular not only train the future health professionals of the region to meet health workforce needs; they strengthen the economy and build vital diplomatic and research links internationally.
- Universities in Northern Australia can grow their contribution to training overseas students and upskilling health professionals to work in rapidly evolving practice environments in tropical, rural and remote locations.
- International education is Australia's largest service export earner. Quality and reputation are key considerations why international students choose Australia and it is important that the commitment to quality is maintained.
- Overseas clinical experience is a strategically important element of health professional education, providing opportunities for students to experience different disease patterns and health system models. The New Colombo Plan is important for intellectual and cultural harmonization, and could be expanded.

Health Research and research training -

- Research has a significant role to play in developing new treatments and models of care across a range of health issues. Developing the evidence base to improve health in northern Australia requires research capacity building and inter-institutional partnerships.
- Northern Australia can export research training and postdoctoral opportunities in key areas of expertise.
- Research and research training initiatives that target key risks to Australia's health security and biosecurity need to be located in the regions where those risks emanate and are encountered.

Freer movement of health professionals in targeted health professions across willing economies -

- There is strong evidence that enhancing mobility of the health workforce will provide better access to health care across a number of countries. There is an opportunity for Australia to explore business models to develop a health workforce mobility pilot project underpinned by carefully considered regulatory and policy frameworks.
- APEC recognises that effective management of international of labour movement can fill the gaps where skills shortages are most acute. APEC and

ASEAN are both pursuing options for health workforce mobility as bilateral or multilateral arrangements, across a number of professions. ASEAN is facilitating a freer flow of skilled labour in six professions (engineering, nursing, architecture, medicine, dentistry and tourism) by implementing Mutual Recognition Arrangements based on national and ASEAN Qualification Frameworks, as well as the facilitation of temporary visa issuance.

- Mobility arrangements should be circular and benefit all partner countries in terms of skills, knowledge and service delivery. Circular migration refers to a model of cross-country workforce mobility where migrants remain engaged in both origin and destination countries through short term sojourns. These complement initiatives such as shared investment in education/training.
- Exploring options for circular migration of health professionals may help to address some challenges in health workforce policy and planning for northern Australia, including:
 - cycles of significant surplus and shortage of health workforce;
 - maldistribution of health workforce (referring to imbalances between professions and specialties, geographic regions (e.g. rural/urban) and between private/public and primary/tertiary health systems); and
 - increasing international labour market competition for health workforce.

Recommendation: Extend opportunities for prestigious scholarships and grants for study and internships/mentorships in the Indo Pacific region as a stimulus for growth.

Recommendation: Prioritise workforce mobility protocols through APEC and ASEAN which support circular migration.

Banking and Finance. According to the region's bank and finance sector there are over 1,000 businesses exporting from this region with approximately 50% of those being service exporters. A small number provide both goods and services export.

The sector in Tropical North Queensland is of the opinion that the predominantly small businesses involved in or interested in services export need to avail themselves of support such as Export Finance and Insurance Corporation (Efic) provides although such support is more focussed towards goods than services in its financial and operating parameters.

The abolition of the 90 day rule – which exempted Australian residents from paying Australian income tax when they were out of the country for more than 90 days – was a disincentive for professionals looking at taking on longer-term overseas assignments. Australian companies are increasingly employing foreigners on overseas projects, rather than pay the higher salaries required to make these projects attractive to Australians.

The nature of information dissemination is currently capital city centric with a lack of readily available support for regional exporters.

Recommendation: Tax offsets for a percentage of business generated by service export could create growth in service exports.

Information Technology. E-commerce is vital to the growth and development of services export and in Tropical North Queensland the limited infrastructure to support electronic information flow is impeding business growth.

The National Broadband Network roll out has commenced in parts of the region however only selected parts of the city of Cairns will actually receive fibre technology in the next 2 years. A reliance of lesser technologies results in less reliable communication channels – limiting on-line service delivery for example in education and slower transfer of information affecting for example business to business videoconferencing, streaming of live advice, etc.

Tropical North Queensland has service exporters who reside in places where there is little or no coverage significantly reducing their capacity to deliver services from their premises and forcing the use of redundant technology.

Recommendation: A faster and more extensive roll out of the NBN program in the region.

Domestic Barriers

Advance Cairns is aware of an aversion of some regional businesses to Mode 3 due to the perceived lack of confidence in legal and commercial frameworks in some countries of export, although Mode 3 is that most commonly used by multinationals for export of services. Most of Australia's major trading partners are World Trade Organisation members, and accession to the WTO requires a State to put in place legal and commercial regulatory controls that are acceptable to other member States.

Therefore the real issue appears to be potential exporters being unaware of the protocols in place. Australian exporters of services (particularly in regional areas) need to research and plan for export as part of their business plan. In addition, government agencies could better distribute available information – through increasing regional representation and physical and electronic access to advice and information.

Australia already has one of the most liberal aviation policy environments in the world. It is the regional airports that could benefit from policies that incentivise the establishment of new international air services to secondary airports.

The rate of the Passenger Movement Charge is seen as a barrier to attracting new international passenger services to Cairns. Federal Government should consider reducing the Passenger Movement Charge to maintain Australia is a competitive

tourism destination. Waiver of this charge for passengers departing Northern Australia's airports on international flights would incentivise regional airport development in Northern Australia.

Visa arrangements. The visa application process for Chinese nationals should be simplified to ensure it is as smooth as possible, and on par with competing destinations such as the US and Europe.

Education services in Cairns supporting PNG students spans from primary to tertiary, and include significant research. James Cook University takes a 'whole of PNG approach' to its strategy, with more than 70 research projects undertaken at any one time. TAFE North provides in country and locally based industry relevant training, accounting for a significant part of its international portfolio.

Cairns' advantage is that the region has a large PNG population and a strong cultural understanding that provides a strong sense of community and support for PNG students in Australia.

PNG is the only Pacific nation requiring visas for Australian nationals – a carry over from the colonial era of permits to travel to PNG. We acknowledge work on visa improvements for PNG nationals entering Australia, including the e-visa arrangements now in place.

Advance Cairns encourages supporting the Visitor Visa Reform recommendations of the Tourism Transport Forum including:

- Prioritise the implementation of online visitor visa processing for key markets including China and India
- Continue to review and simplify documentary requirements of visitor visa applications
- Extend multiple-year multiple entry visas to leisure visitors and other countries
- Review whether the needs of key source markets are being met and roll out forms in other languages
- Examine the current visitor visa fee structure with a view to introducing a more equitable approach that recognises the economic contribution of tourism
- Introduce a fee-for-service premium option for faster processing of visitor visas

Recommendation: Federal Government should ensure a smooth visa application process for Chinese nationals to ensure Australia is a competitive tourism and business destination.

Recommendation: The Australian Government should continue to advocate for visa free entry to PNG, consistent with most Pacific and Asian nations.

Skills and labour. While Tropical North Queensland's services export is dominated by tourism and education, there is a growing market for tropical expertise across a

diverse range of professions and services including tropical agriculture, civil and built construction, mining, environmental rehabilitation and sustainable energy. As much of this activity is conducted via modes 1 and 2 requiring infrastructure onshore and mode 4 requiring support services and infrastructure onshore there is significant potential for growth in jobs to support an increase in these activities.

As both generational and youth unemployment are high in the region, these activities will create opportunities that could reduce unemployment directly (tourism and infrastructure development) and indirectly via a need for more entry level jobs as expertise continues to develop generating career progress for skilled workers.

Recommendation: Government to allow a portion for skilling programs funding to support training of Australian workers to leverage international employment and trade in services.

Barriers in key trading countries

Tourism development worldwide has brought about positive economic development in many remote parts of the world, offering the opportunity for employment, infrastructure and services development.

There is considerable business activity between Cairns and PNG, which will continue to increase in the future. The growth in mining in the region over the next five years and increased use of Cairns as a supply base for mines and general development in PNG, will require a workforce expertise that cannot be met from PNG sources and for which Australian skilled workers are well placed.

There are numerous benefits for the stakeholders involved and affected by establishing preclearance customs processing for aviation connections between Cairns and PNG.

Direct flights following customs and immigration clearance in Cairns would create efficiencies for resource companies operating charter flights from Cairns to PNG.

This would enable growth through:

- Further development of Cairns as a hub for corporate services/ offices for mining operations.
- Cairns region as an ideal source of high level expertise.
- Additionally, Cairns can become a key training centre exporting its expertise for support to the development of the PNG workforce.

Cooperative activities between PNG and Australian Customs and Immigration officials could be further strengthened through co-location, resulting in training and

cost efficiencies, improvement in service levels, enhanced collaboration and cross border security. Medical evacuation from regional areas of PNG to Australia would be more efficient through direct services to Cairns.

Advance Cairns in partnership with the Australia PNG Business Council has been advocating for a trial for customs and immigration processing in Cairns for PNG, initially for freight. This would develop new routes into PNG without having to focus all inbound air traffic through Port Moresby. More direct linkages to other destinations in PNG could stimulate new business opportunities.

Recommendation: Establish a three year trial for customs pre-clearance for PNG in Australia for air freight from Cairns, and sea freight from Townsville.

Mechanisms for addressing barriers to services exports

The promotion of strategic relationships and partnerships with developing nations, international consortia, international non-governmental bodies (e.g. the World Bank) and our own government agencies including the Department of Foreign Affairs and Trade, and AusAID are crucial in realising the potential for exporting tropical expertise.

In the World Economic Forum's *Travel and Tourism Competitiveness Index* for 2013, Australia was ranked number 130 out of 140 countries for competitiveness of *Ticket Taxes and Airport Charges*. New Asian routes could be more readily opened up if the international airports in Northern Australia, including Cairns Airport, became 'de facto' members of the ASEAN open skies agreement.

Recommendation: Australian Government consider approval of bilateral or multilateral Air Service agreements that allow CASA-approved ASEAN-based airlines uncapped capacity to & from Northern Australia.

Investing in the North's science and research capacity, career pathways, communication and digital infrastructure, accommodation and transport infrastructure, as well as coordination of policy and regulation direction are important priorities to capitalize on these opportunities.

On an operational level, access to information, advice and education about exporting services needs development to positively impact on growth of this sector in regional Australia. Collation of market intelligence at all levels is critical to improve the growth of services exports from Australia.

Trade Commissions provide a useful vehicle for introductions, although they are often more costly than privately organised activities and need to consider seasonality of some businesses to select the most effective time for service exporters and customers to engage in the initial research and negotiation phases. For

example: agricultural and environmental advisory services will have seasonal peaks within Australia which may coincide or conflict with peaks in export countries.

Poorly timed trade missions will then restrict some from attending due to their peak business time in Australia and/or not align to most suitable times to demonstrate expertise to overseas customers. This impact is much more significant in small businesses. Additionally, while facilitated introductions are helpful, there is a need for support and advice to extend beyond initial sessions to truly impact on the establishment of strong contracts and business relationships.

Government policies could include provision for a regularly updated list from ASIC/ATO to identify export activity in a region. This would enhance the services matching ability of agencies including Department of Foreign Affairs and Trade and Trade Investment Queensland.

Recommendation: cross-agency collaboration to compile and regularly update a list of service export activities and from which sites in Australia they are generated.

Export Assistance Schemes

Business Grants Australia listing of export grants currently shows 99 grant recipients nationally, two of which are within Queensland and neither of these are from the north. This demonstrates the lack of knowledge of schemes and grants available, but also that access to information is limited. While businesses seeking to export services need to show initiative in researching and planning for export activities, government could assist with greater representation in regional areas either via physical presence or representation via regional organisations to inform and educate current and potential exporters of services.

Source documents:

Passenger Movement Charge Stability Proposal, Cairns Airport
PNG Pre Clearance Customs Position Paper, Advance Cairns May 2014
PNG Aid Effectiveness Submission, Advance Cairns April 2015
State of the Tropics 2014, James Cook University June 2014

Consultations:

Cairns Airport
James Cook University
ANZ Bank
Cummings Economics
Department of State Development Infrastructure & Planning
Cairns Regional Council
TAFE North / TAFE Queensland
Tong Sing Pty Ltd
Cairns Chamber of Commerce
BDO