# Barriers to Growth in Service Exports

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Commonwealth of Australia 2015

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Publications enquiries

Media and Publications, phone: (03) 9653 2244 or email: maps@pc.gov.au

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| The Productivity Commission |
| The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.  The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.  Further information on the Productivity Commission can be obtained from the Commission’s website ([www.pc.gov.au](http://www.pc.gov.au/)). |
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# Foreword

The opportunities for Australian service providers to participate in international trade are greater than ever. Services make up a substantial part of Australian exports and demand for services globally continues to grow, driven in part by increasing incomes in Asia.

In this study the Commission was asked to examine domestic and international barriers to Australian service exports, with a focus on tourism, education, financial, professional, information technology and health services. The Commission found that Australian governments should take steps to reduce barriers to service exports, with priority given to domestic policy reform that promotes competition and provides incentives for firms to innovate and lift their productivity.

The study benefited from discussions and submissions from stakeholders in the government, non-government and business sectors. The Commission acknowledges the valuable contribution of all those who participated.

Angela MacRae

Commissioner

November 2015

# Terms of reference

**Productivity Commission Study into Barriers to Growth in Australian Services Exports**

I, Joe Hockey, Treasurer, pursuant to Parts 2 and 4 of the Productivity Commission Act 1998, hereby request that the Productivity Commission undertake a research study into barriers to growth in Australian services exports.

### Background

Service industries are a large and growing share of the Australian economy and world trade. While services account for approximately 70 per cent of the Australian economy, they represent only 20 per cent of Australia’s total exports indicating there is scope for significant growth. Some service industries are subject to extensive regulation and barriers to entry. The Government considers there is scope to reduce these and other barriers to growth.

### Scope of the research study

In undertaking the study, the Commission should:

1. Consider recent trends in services exports by Australian suppliers, and draw on case studies and other material where relevant to look at drivers of Australian services exports. The study should focus on the education, financial services, health services, information technology, professional services, and tourism sectors.
2. Examine the domestic barriers to growth in Australian services exports, including any investment barriers, and consider appropriate policy remedies.
3. Examine barriers to growth in Australian services exports in economies with which Australia does not have free trade agreements/economic partnership agreements in force or substantially concluded and which are ranked in Australia’s top forty trade partners.
4. Provide an assessment of the economic benefits of removing or reducing the barriers to Australian services exports in these markets.
5. Examine, where relevant, the experience of other international economies in developing policy approaches in this area.

### Process

The Commission is to undertake an appropriate public consultation process and release both a draft and a final report.

Noting that the Commission has recently commenced research in the international education services and tourism sectors, in undertaking this study the Commission should avoid duplication of that work and draw on it as appropriate in its final report.

The final report should be released within nine months of receipt of these terms of reference.

J.B. HOCKEY

Treasurer

**[Received 4 March 2015]**

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# Abbreviations

ABS Australian Bureau of Statistics

ACPET Australian Council for Private Education and Training

AFMA Australian Financial Markets Association

AIPE Australian Institute of Professional Education

AL Assessment level

ANZ Australia and New Zealand Banking Group

APEC Asia-Pacific Economic Cooperation

APRA Australian Prudential Regulation Authority

ARFP Asia Region Funds Passport

ASEAN Association of Southeast Asian Nations

ASIC Australian Securities and Investments Commission

ASQA Australian Skills Quality Authority

ATO Australian Taxation Office

CAMAC Corporations and Markets Advisory Committee

COAG Council of Australian Governments

CBPR Cross-Border Privacy Rules

CGE Computable general equilibrium

CIV Collective investment vehicle

CRICOS Commonwealth Register of Institutions and Courses for Overseas Students

DET Department of Education and Training

DFAT Department of Foreign Affairs and Trade

DIPB Department of Immigration and Border Protection

ECA Export Council of Australia

EFIC Export Finance and Insurance Corporation

EMDG Export Market Development Grants

ESOS Education Services for Overseas Students

ETF Exchange-traded funds

FATA *Foreign Acquisitions and Takeovers Act 1975* (Cwlth)

FDI Foreign direct investment

FISIM Financial intermediation services indirectly measured

FSC Financial Services Council

FSI Financial System Inquiry

FTA Free trade agreement

GATS General Agreement on Trade in Services

GDP Gross domestic product

GOS APEC Group on Services

GSP Gross state product

GTE Genuine Temporary Entrant

IAIS International Association of Insurance Supervisors

ICAC Independent Commission Against Corruption NSW

ICP Insurance Core Principle

ICT Information and communications technology

IEAA International Education Association of Australia

IMF International Monetary Fund

IMR Investment manager regime

IP Intellectual property

ISO International Organisation for Standardization

MFN Most favoured nation

MIT Managed investment trust

MRA Mutual recognition agreement

OECD Organisation for Economic Co-operation and Development

PC Productivity Commission

PMC Passenger Movement Charge

QILT Quality Indicators for Learning and Teaching

RCEP Regional comprehensive economic partnership agreement

RDNS Royal District Nursing Service

SME Small and medium-sized enterprise

SNA System of National Accounts

SSVF Simplified international student visa framework

SVP Streamlined visa processing

TAFE Tertiary and Further Education

TEQSA Tertiary Education Quality Standards Agency

TiSA Trade in services agreement

TPP Trans-Pacific Partnership

TRIPS Trade-related aspects of intellectual property rights

TSA Tourism Satellite Account

TTF Tourism and Transport Forum Australia

TTMRA Trans-Tasman mutual recognition arrangement

UCITS Undertakings for collective investment in transferable securities

USTR United States Trade Representative

VAGO  Victorian Auditor General’s Office

VET Vocational Education and Training

VFR Visiting friends and relatives

WTO World Trade Organization