



# Australian Services Roundtable

## *Creating a better business environment for Australia's services industries*



**International best-practice regulation and taxation**

**Efficient public sector services**

**Global market access**

**Critical infrastructure**

**Availability of adequate capital**

**A culture of services innovation, and responsiveness to a rapidly  
changing environment**

**A supportive environment for SMEs**

**Achievement of community goals**

**Government policy focus on services**

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## The Challenge for Australia's Services Industry

A key characteristic of all developed countries in the modern world is a *high* and *growing* share of services within the overall economy.

It is inconceivable that Australia could defy this trend. Without sustained and substantial growth in services we cannot aspire to maintain our economic ranking.

But Australian services industries face unprecedented challenges in the domestic and international business environment.

In the policy arena, their dominant contribution to national employment and the balance of payments continues to be insufficiently acknowledged both by government and by industry. Our national approach to services industry policy - under the headings of trade and industry development, competition, investment, immigration, education and training, and taxation - tends to be fragmented and unfocussed. The potential consequences of this are serious, whether it be a failure to implement needed domestic reform or to fully exploit opportunities offered by international trade negotiations.

In the wider world there is a major task ahead to market Australia as a source of highly competitive services. Our national strengths in other sectors do distract attention from the competitive services exports we have to offer. The fact that we are a small, very open economy with a volatile currency strongly influenced by commodity prices, also poses an extra level of complexity in management of services exports.

While our financial services sector occupies a prominent position in the economy, many other key services sectors are under-developed, posing longer-term threats to balanced growth. Deficiencies in appropriate infrastructure and resources for services industries are partly the cause of this, and require concerted attention by government and business.

The rapid advancement of technology, and new business processes and structures to exploit it, are key drivers of change in services industries globally. Educational advancement in the developing world is another. The potential for transformation of services industries within current business planning horizons is substantial. The implications of this for Australian business need to be much better understood.

Services matter, not just in their own right, but also because they are pervasive. Best practice in provision of services in Australia will contribute undoubtedly to international competitiveness in all other sectors of the economy.

The Australian Services Roundtable is determined to re-map public understanding of the Australian economy, to take greater account of the contribution of the services sector and to raise awareness of the need for change in our services business environment.

For Australia to prosper in today's advanced global services markets, it is essential that our services industries be effective competitors at home and abroad, and recognised as such.

The Australian Services Roundtable seeks to achieve this outcome by creating a better business environment for services at home and abroad. If your organisation is not already a member of the Roundtable, please join us to help continue this important work.

**Dr Vince FitzGerald**  
President

## THE SERVICES SECTOR

Telecommunications

Financial Services (banking, insurance, securities)

Professional Services (accountants, lawyers, engineers, architects, consultants)

Health Services

Environmental Services

Energy Services

Mining Technology Services

Education

Logistics

Tourism

Information Technology

Standards and Conformance

Transport

Audio-visual services

Media

Entertainment

Cultural

Business Services

## *Our Vision*

An internationally competitive Australian services sector,  
Making a direct contribution to economic growth and flexibility  
commensurate with its dominant place within the economy,  
Facilitating the success of other industry sectors,  
Providing choice and value for consumers, and  
Creating social capital by supporting community values

## *Our Mission*

To create a better business environment for Australia's services industries.

## *The Issues*

International best-practice regulation and taxation for Australian  
services industries  
Efficient public sector service delivery  
Global market access  
Infrastructure for services industries  
Availability of capital  
A culture of services innovation, and responsiveness to a rapidly  
changing environment  
A supportive environment for SMEs  
Achievement of community goals  
Government policy focus on services

## *How We Work*

Building the profile of Australia's services industries  
Sharing ideas  
Promoting research  
Promoting good government policy  
Supporting Australia's trade negotiators

## THE ISSUES

### ***Creating a better business environment for Australian services industries***

#### **International best-practice regulation and taxation for Australian services industries**

Regulation of professions  
Competition reform  
Tax issues affecting services  
Immigration, Mode 4, skills shortages

#### **Efficient public sector service delivery**

Productivity, pricing, monopolies  
Major driver of community welfare  
Outsourcing  
Privatisations  
Public Private Partnerships

#### **Global market access**

What opportunities are already available?

Issues affecting improved access:

- WTO
- FTAs in place - NZ, US, Singapore, Thailand
- FTAs in prospect - China, Malaysia, ASEAN
- FTAs under study - Japan
- Issues re market access for services
- National treatment
- Standards and conformance
- Qualification recognition
- People mobility
- Local partner requirements
- Access to Government contracts
- Repatriation of profits and capital
- IP protection
- Monitoring market threats and opportunities

Role models for prospective exporters

#### **Critical infrastructure for services**

Broadband networks and pricing  
Education and training  
Transport  
IP protection  
Standards and conformance  
Government funding of R&D, export development  
Government procurement policies  
Availability of market data (ABS etc)  
Better management training for services businesses

#### **Availability of adequate capital**

Lending practices  
Equity investor attitudes  
Private equity availability  
Valuations of services businesses, impact of accounting standards

#### **A culture of services innovation, and responsiveness to a rapidly changing environment**

Technological change  
The digital economy  
Expansion of foreign language skills in developing countries, automation, self-service  
Growth of demand for higher-level services in Asia eg tourism  
Language and cultural skills in Australia  
Mobility of Australian services exporter personnel

#### **A supportive environment for SMEs**

Small and medium enterprises are particularly prevalent in the services sector  
All advanced economies now have policies aimed at fostering the growth of the SME sector

#### **Achievement of community goals**

Role of civil society  
Role of the market

Effectiveness of service delivery as a driver of equal opportunity and social justice

Cultural identity

Development of human capabilities

Cushioning the adjustment to

competitive markets

### **Government policy focus on services**

Specialised Departments (eg DOCITA, Health, Education) but no “whole of services focus” cutting across this

Better policy framework for services regulators?

Lack of recognition of services as a major growth area for domestic and external growth

## **WHAT IS THE ROUNDTABLE?**

The Roundtable is a peak body focussed on the high level issues and trends that affect services businesses broadly. It seeks to avoid overlap with organisations dealing with the specific needs of services sub-sectors, or with economy-wide issues.

The Roundtable is recognised by the Federal Government as the chief conduit for services industry consultations to evaluate and monitor policies affecting Australia’s exports of services.

The Australian Services Roundtable is a forum in which to share ideas about the environment that is needed for Australia to develop and maintain a truly successful services sector.

Membership is open to all companies, organisations and individuals having an interest in the development of services industries in Australia.

The Roundtable includes public and private companies of all sizes, from industry leaders to the many small and medium sized enterprises typical of the services sector. It also includes a number of non-profit organisations and business associations.

The Roundtable is committed to the development of an open and internationally-competitive services sector in Australia.

It also has a particular interest in the international dimension of services issues, including globalisation and trade policy issues, where much effort to expand services trade is required.

The Roundtable is a body which places strong emphasis on meeting the social and cultural needs of the Australian community through the services sector.

## **HOW DOES IT OPERATE?**

The Roundtable:

- engages with business leaders at all levels,
- collaborates with a wide range of government and business sector organisations,
- promotes effective, policy-oriented research and analysis in the services sector,

- provides unique opportunities for services sector networking; domestically and internationally,
- represents the broadest possible range of service sectors,
- identifies the various domestic regulatory obstacles to international competitiveness,
- promotes the need for domestic policy reform to enhance international competitiveness,
- advocates and represent the interests of services industries to government,
- builds a strong public profile for the services sector in Australia,
- contributes to strategies for negotiating services trade and investment issues in the WTO, APEC and bi-lateral or regional agreements.

## STRUCTURE AND GOVERNANCE

Australian Services Roundtable Limited is a company limited by guarantee and operates under a Constitution adopted by the founding group of Members in 2003.

The Board is made up of Directors and Office-bearers elected annually by the members. The present Board represents a broad cross-section of member organisations and services sub-sectors.

The Board is headed by the President, assisted by a Vice-President and Treasurer.

The Board is committed to managing the Roundtable in

accordance with the best principles of corporate governance.

The Executive Director is engaged by the Board, under contract, to provide secretariat services and manage the operations of the Roundtable.

The Board determines strategies, policies, budgets and the annual programme of activities, and monitors implementation.

Roundtable activities are conducted by the secretariat and through participation by Directors and Members in working groups and taskforces. Directors frequently participate in meetings, conferences and delegations on behalf of the Roundtable, in Australia and overseas

## ADVOCACY

- The Roundtable will advocate deregulation domestically where regulation is acting as a constraint to growth and/or to export and identify and work with government towards removal of barriers to entry in external services markets.
- To achieve this, the Roundtable will submit reports and contribute to working groups and consultations with government on:
  - improving Australia's services growth and export potential
  - minimising any unnecessary regulatory constraints to doing business in Australia.
  - contributing on the policy and advocacy front to all aspects of

the WTO negotiations on services and services-related issues, including Investment, Government Procurement, Business Facilitation and Competition Policy;

- regional trade liberalisation initiatives eg. AFTA/CER and APEC
- bilateral trade and investment agreements, eg the FTA with China
- freer international movement of professional, technical and managerial personnel.

## PUBLICITY

The Roundtable has established a strong profile with national journalists. The Executive Director, Jane Drake-Brockman is regularly asked for expert opinion on high profile issues such as the Australia-US Free Trade Agreement. The Roundtable intends to become one of the pre-eminent sources of informed opinion on trade issues as they relate to the services sector.

The Roundtable also refers journalists to speak about more specific issues with its Members who are industry advisers or industry bodies. This further helps Members influence public debate through Roundtable activities.

In some cases, the Roundtable secretariat will offer specific consulting and briefing services to Members to ensure that their senior executives are optimally briefed on public issues, and help them manage their media activities.

## NETWORKING

The Roundtable holds frequent meetings, across Australia, to stimulate informed policy oriented networking by industry participants across the various services sectors, with Federal and State government, with the research community and with international industry and government counterparts.

The Roundtable will also invite speakers who are able to make quality contributions to Members' interests and facilitate better understanding of services industry issues both domestically and internationally.

## RESEARCH

The Roundtable is building a strong public policy research profile, working closely with a number of Australian academic institutions across a large number of domestic and international services sector issues.

Data on *trade* in services is notoriously hard to collect and difficult to measure. More reliable statistics are needed.

The Australian Services Roundtable works closely with the Australian Bureau of Statistics, the Department of Foreign Affairs and Trade, and other agencies to ensure more resources are allocated to the collection of services data. Wherever possible it will set up networks with its members and the ABS to achieve more up to date, accurate and reliable services statistics.



## THE ROUNDTABLE ONLINE

The Roundtable's website ([www.servicesaustralia.org.au](http://www.servicesaustralia.org.au)) promotes the Roundtable to non-member services firms and other interested parties, while informing members about ongoing activities and research outputs.

## WHY THE SERVICES SECTOR MATTERS

The services sector is today the dominant segment of the Australian economy, accounting for around 80% of both the value of production and total employment.

This is true for most advanced economies. But even developing economies have much larger services sectors than is commonly realised.

Parts of the services sector, including communications and business services, are also among the most rapidly growing segments of the Australian economy over the last decade.

Issues that affect the services sector reverberate through the broader economy, and not only because of its sheer size. Even more importantly, services providers, including finance, telecommunications, professional services, transport and education are key facilitators of the performance of agricultural, resources and manufacturing industries.

Services are knowledge and skills-based, they are subject to constant business process innovation, and

in the case of many tradeable services, they are very high value-adding.

Services plays a major role in both the B to C markets (fore example tourism, entertainment, personal services) and in B to B markets, as a crucial enabler, and infrastructure provider.

The productivity of the services suppliers in the Australian market is therefore a major determinant of our economic growth.

Services are also a key factor in the ongoing challenge of improving Australia's terms of trade. For advanced economies such as Australia, future opportunities for higher value exports are likely to come from the services sector.

Australia's participation in trade, with the economic benefits that brings, is likely to be increasingly in the services sector. Services represent a much smaller share of world trade than of domestic economies and the prospects for global services trade expansion is therefore substantial.

Many international institutions, such as the World Trade Organisation, and various trade agreements are focussing on achieving this. Australia needs to position itself to exploit this wave of change by creating a new generation of services exporters as well as by taking advantage of efficient new offshore services suppliers. A high degree of international competitiveness in our services sector will increasingly be a prerequisite for economic growth. For more information on the services sector, see the Roundtable's statistical card.

## ADVANTAGES OF MEMBERSHIP

**Understand emerging macro trends, both local and global**, that will affect your services organisation, through the Roundtable's extensive network of contacts and resources.

**Exchange ideas** with expert speakers and colleagues at regular Roundtable Member events. Free attendance for Members.

**Gain insights** into Government policy and official thinking which affects your organisation, through opportunities for networking with Ministers and policy advisers.

**Keep up to date**, through the Roundtable's newsletter on services industry issues.

**Email alerts** on emerging issues.

Participate in Roundtable **working groups** on major issues.

Provide input to the Roundtable's **policy proposals to Government**

Get help with **business research** through the Roundtable secretariat.

Access the Roundtable's **international network** of information sources including the Global Services Network and the Trade Facilitation Alliance

Promote your organisation through **sponsorship** of the Roundtable or specific events.

**For Membership enquiries please contact the Executive Director, Ms Jane Drake-Brockman, or any Board Member.**

Several categories of membership are available to suit the needs of services businesses of all sizes, and industry associations.

Corporate sponsorship opportunities are also available

*We would be delighted to welcome you as a Member of the Roundtable*

## BOARD OF DIRECTORS 2004-05

**President:** Vince FitzGerald ( Chairman, The Allen Consulting Group)

**Vice President:** Peter Walsh ( Managing Director, Conformance and Standards Services Pty Ltd)

**Treasurer:** Richard Thwaites (Managing Director, Rich Communications)

**Executive Director and Secretary:** Jane Drake-Brockman (Managing Director, Trade and Environment Solutions Pty Ltd)

Peter Bartlett  
(Chairman, Minter Ellison Lawyers)

Barbara Carney  
(Group Head, Government Relations and Policy, Insurance Australia Group)

Peter Cook  
(Managing Director, Corangamite Pty Ltd)

Louise Cox  
(International Union of Architects)

John Denton  
(Chief Executive Officer, Corrs Chambers Westgarth)

David Hawes  
(Corporate and Government Relations Executive, Qantas Airways)

Philip Kelly  
(Director, Northcote Management Services Pty Ltd)

John Richardson  
(Managing Director, The Cox Group, Architects)

Rosemary Sinclair  
(Executive Director, ATUG)

Christina Slade  
(Dean of Humanities, Macquarie University)

## INTERNATIONAL ALLIANCES

### Global Services Network

The Australian Services Roundtable is a core member of the Global Services Network (GSN). The GSN is an informal grouping of companies, associations and individuals with an interest in services. It periodically meets, including in the context of the **World Services Congress**. The GSN maintains a website and a regular email news distribution service. The Roundtable can post information, such as our Newsletters, media releases or other research material on this website. Periodically the GSN core group meets, eg in the margins of the WTO Ministerial Meeting in Cancun, Mexico, in 2003 and in March 2004 in Geneva, at which times it also held press conferences and put out other press material.

Other core members of the GSN include our counterpart organizations around the world, with which we enjoy close and regular informal contact. Representatives of both the US CSI and the ESF have attended ASR activities in Australia.

### US Coalition of Service Industries



The CSI is the leading U.S. business association representing companies across the broad

spectrum of service sectors. CSI is dedicated to reducing barriers to U.S. services exports and mobilising support for domestic U.S. policies, including tax policies, which enhance the global competitiveness of its members. CSI was formed in 1982 to ensure that U.S. trade in services would become a central goal of U.S. trade policy and trade negotiations. It played a major role in the General Agreement on Trade in Services (GATS) and in the advocacy effort leading to the 1997 World Trade Organisation (WTO) Basic Telecommunications and Financial Services Agreements. CSI's knowledge of the process of services trade negotiations, its ties to the WTO and its network of relationships with governments and industry in other countries are unmatched.

### European Services Forum



ESF is a network of representatives from the European services sector committed to promoting actively the interests of European services and the liberalisation of services markets throughout the world in connection with the GATS 2000 negotiations.

### Hong Kong Coalition of Service Industries



HKCSI was founded in 1990 by the Hong Kong General Chamber of Commerce. It is the Chamber's service policy think tank. With representatives from more than 50 service sectors, the HKCSI is the major private sector voice for Hong Kong's service industries.

### **Japan Services Network**



### **International Financial Services London**



### **International Financial Leaders Working Group**

The International Financial Leaders Group (FLG) and its Working Group (FLWG) is comprised of private financial sector representatives from Canada, the European Union, Hong Kong, Japan, Switzerland and the United States. The Leaders Group is co-chaired by Mr Stanley Fischer and Sir Leon Brittan. It was founded in 1996 to promote liberalisation of trade in financial services and played a major role in obtaining a successful conclusion to the 1997 WTO financial services negotiations.

Membership involves formal commitment to a set of principles. Following discussion with the Australian Treasury, the Roundtable became a formal member in April 2001. The Australian Bankers Association is a first point of contact for the Working

Group in Australia. The Chair of the ABA and the Chair of the Roundtable are formal points of contact for the Leaders Group.

The Roundtable and its nominated members receive regular email flow from the FLWG (largely focussed in recent years on the insurance market in China and India and on Russian Accession to the WTO). Time differences preclude engagement in their regular telephone hook ups. The Roundtable Executive Director has met in London with the FLWG staff.



Australian Services  
Roundtable

## MEMBERSHIP

Abbott Tout Solicitors  
The Allen Consulting Group  
Arup Australasia  
Australian Bankers Association  
Australian Computer Society  
Australia Council for the Arts  
Australian Electrical and  
Electronic Manufacturers  
Association  
Australian Film Commission  
Australian Insurance Group  
Australia and New Zealand  
Institute of Insurance and  
Finance  
Australian Stock Exchange  
Australian Telecommunications  
Users Group  
Australian Tourism Export  
Council  
Bovis LendLease  
Business Council of Australia  
CASSERV Pty Ltd  
CPA Australia  
Commercial Television Australia  
Corrs Chambers Westgarth  
The Cox Group, Architects  
Division of Humanities,  
Macquarie University  
Engineers Australia  
Environment Business Australia  
Freehills  
Gavin Anderson and Company  
Hassell Pty Ltd  
Hawker Britton  
IBM Australia  
IDP Education Australia  
Institute for International  
Business Economics and Law,  
University of Adelaide

International Banks and  
Securities Association  
International Chamber of  
Commerce, Australia  
The Internet Society of Australia  
Judith King  
Law Council of Australia  
Louise Cox, Architect  
Macquarie Corporate  
Telecommunications  
Mallesons Stephen Jacques  
Media, Entertainment and Arts  
Alliance  
Minter Ellison  
Northcote Management Services  
Pty Ltd  
Philippa Dee  
PricewaterhouseCoopers  
SAI Global  
School of Management,  
University of Western Sydney  
Service Providers Association  
Inc  
Standards Australia  
Trade and Environment  
Solutions Pty Ltd  
Worley Pty Ltd

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## To manage it, you have to measure it.....

The services sector accounts, at 87 percent, for the vast bulk of Australia's GDP. The services sector employs 81 percent of the Australian workforce. And Austrade estimates that 81 percent of firms that export are services firms.

Based on balance of payments data, services account for 24 percent of Australia's exports (2003-4 data), on a par with minerals and fuels (24 percent) and just ahead of manufactures at 23 percent and agriculture at 17 percent. Other goods account for 12 percent.

But trade in services is extremely difficult to measure. All around the world, trade in services is, as a consequence, notoriously under-measured. Informed guesses place world trade in services at around 33 percent of world trade, rather than the recorded 23 percent. This figure still does not take indirect embedded services into account.

For many services, moreover, a physical presence is required between supplier and customer. So many service providers find it necessary to establish a commercial presence through a foreign affiliate in countries where they wish to sell. Data on foreign affiliates' trade is only just beginning to be collected but the results are highly significant. In the case of the United States, recent data shows that sales of majority US-owned service affiliates established outside the US exceed US cross-border service exports.

The Australian Bureau of Statistics has attempted, in 2005, a first measurement of trade in services by

Australian affiliated companies established overseas. The measure only covers foreign affiliates where the Australian parent has majority ownership ie over 50 percent of equity capital. The results are nevertheless dramatic.

**They show that to date Australia has only been measuring a mere 35.4 percent of Australia's total exports of services.**

**And instead of a services deficit, Australia is shown to be providing more services to the rest of the world than it purchases.**

Clearly, for many Australian companies also, the predominant means of delivering services overseas is Mode 3, ie commercial presence or investment. By far the largest of the services exported by Australian foreign affiliates is financial and insurance services. Other important services exported by foreign affiliates are legal, accounting and management consulting services, other business services, architectural and engineering services and computing and information services.

Ongoing efforts must be made to reduce this information deficit and remap the Australian economy accordingly. Such efforts are critical to improving the policy environment for Australian services industries.

*The Australian Services Roundtable participates in the ABS User Group on International Trade in Services*