



Australian Government

Austrade

CORPORATE PLAN

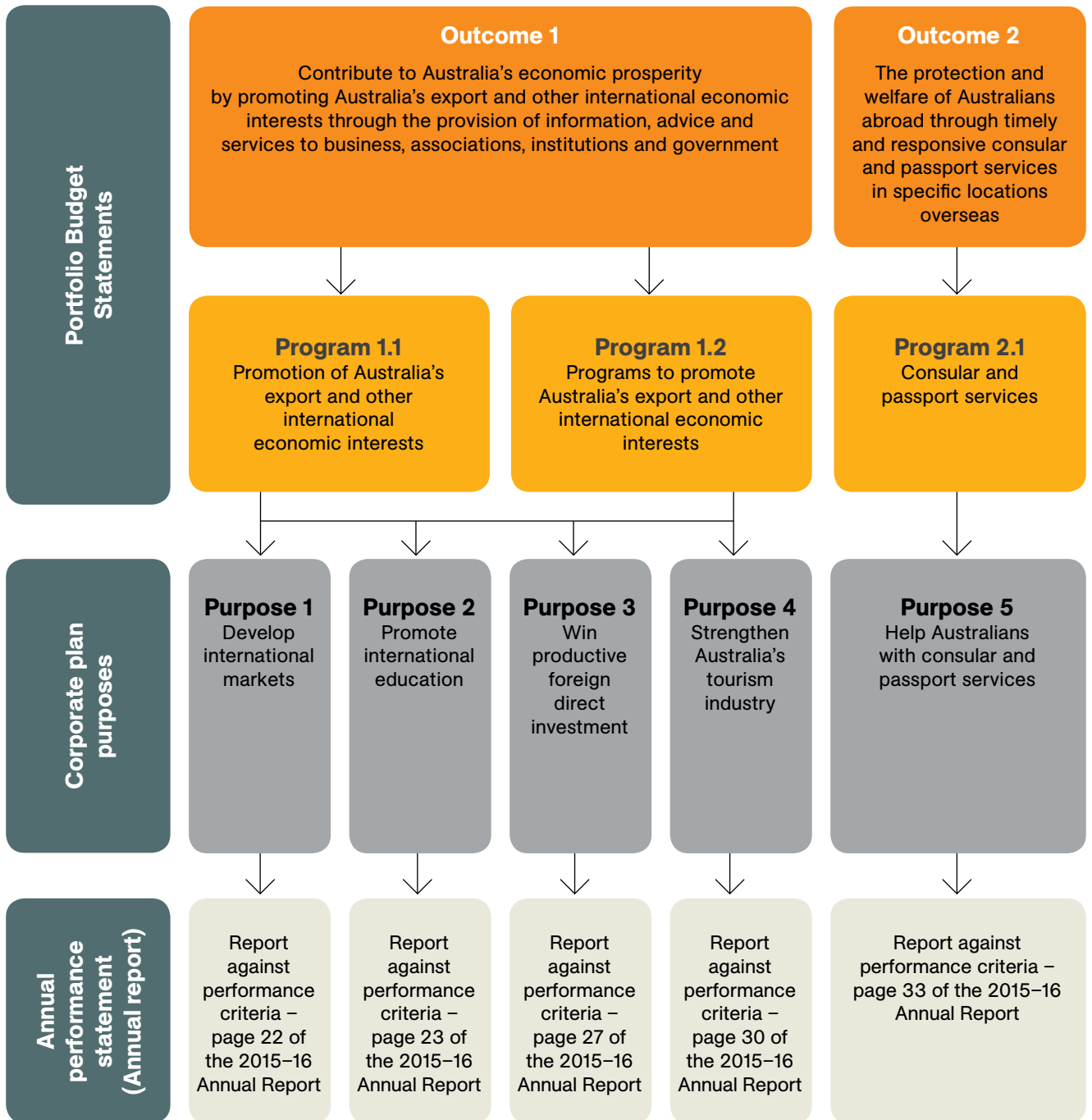
**AUSTRALIAN TRADE AND
INVESTMENT COMMISSION**

2016–17

Table 1: Summary of Austrade’s purposes and activities

Role	To contribute to Australia’s economic prosperity by helping Australian businesses, education institutions, tourism operators, and governments				
Purposes	Develop international markets	Win productive foreign direct investment	Promote international education	Strengthen Australia’s tourism industry	Help Australian citizens by providing consular and passport services
Activities	<p>Help Australian companies to grow their business in international markets by</p> <ul style="list-style-type: none"> › making meaningful connections for exporters to potential customers through an extensive global network of contacts › promoting Australian export capabilities to those potential customers › leveraging the badge of government offshore › generating market information and insight › providing quality advice and services › administering the Export Market Development Grants scheme and the TradeStart network 	<p>Provide coordinated government assistance to promote, attract and facilitate productive foreign direct investment into Australia</p>	<p>Promote the Australian education and training sector in international markets</p>	<p>Provide advice to the Australian Government on tourism-related policy development and implement programs to strengthen the tourism sector</p>	<p>Deliver Australian consular, passport and other government services in designated overseas locations</p>
	<p>Provide advice to the Australian Government on its trade, tourism, international education and training, and investment policy agendas</p>				
	<p>Through the Brand Australia program, promote awareness of contemporary Australian skills and capability to enrich Australia’s global reputation</p>				
Enabling activities	Corporate services				

Figure 1: Relationship between Portfolio Budget Statements, the corporate plan and annual performance statement



Operating environment

Economic outlook

Changing international and domestic economic conditions frame the environment in which Austrade operates, and will continue to create opportunities and challenges in the coming four-year period for Australian exporters. Shifting economic circumstances will also influence Australia's relative international competitiveness and affect the attraction of productive foreign direct investment (FDI) into Australia, as well as shape the general operating environment for Australian businesses and institutions conducting international business activities.

For much of the past decade, Australia's external economic environment has been dominated first by the China-powered resources boom and then more recently by its aftermath. The upswing phase of the boom caused high demand for Australia's mineral exports and contributed to a sharp appreciation in the Australian dollar and its real exchange rate. These shifts transformed the direction and the composition of Australia's trade, with a rise in concentration in export markets (the increasing dominance of China), and in exported products (the key role played by iron ore). At the same time, the higher exchange rate squeezed the relative international competitiveness of the non-resources export sector.

Investment flows into Australia were also reshaped by the resources boom, with FDI inflows into the mining sector peaking at more than \$50 billion in 2013. The surge in overall investment was large enough to push Australia into the top ten of FDI destinations worldwide for the four years between 2011 and 2014.¹

Subsequently, a combination of increased supply of, and slower growth in demand for, resources (the latter mainly reflecting a Chinese economy that is going through an extended period of economic rebalancing) triggered a downswing in world commodity markets and pushed several of the previous trends influencing Australia's export profile into reverse. The sharp fall in the price of key commodities including iron ore, thermal coal and coking coal has meant that the value of Australia's resource exports has fallen. Meanwhile, a fall in the Australian dollar has helped deliver a real exchange rate depreciation that in turn has generated an improvement in Australia's relative competitiveness across the non-resource export sector.²

Another important change in the international environment has been the shifting pattern of global trade flows. Not only has the *value* of world trade flows been depressed by the fall in global commodity prices, but there has also been a slowdown in the pace of *volume* growth: Before the global financial crisis, world trade volumes had been growing at roughly twice the pace of world output. But in the years following the crisis, volume growth appears to have lost much of this earlier momentum, with trade volumes now growing in line with (slower) world GDP growth.

Both the drivers and the longevity of this shift are still being debated, but a decline in the pace of emerging market growth in general and of investment in particular, along with evidence of a maturing (and, more debatably, a shortening) of global value chains are widely seen as strong potential candidates to explain the change. At the same time, there are also signs of a rebalancing in the composition of global trade flows away from goods and towards services. In 2014, for example, for the first time growth in the value of world services trade accounted for a greater share of the overall growth in world trade than did growth in goods trade.

These various developments made their influence felt in last year's Australian export numbers. The total value of our exports of goods and services in 2015 was A\$316.6 billion, which was down by more than A\$10 billion (or more than three per cent) from the 2014 outcome. That fall was driven by a general drop in the overall value of goods exports (down by more than six per cent), and by a particularly sharp drop in the value of exports of resources and fuels. The latter included a fall of more than 25 per cent in the value of iron ore exports (down from about A\$66 billion in 2014 to around A\$49 billion last year), along with smaller declines in the value of coal and gas exports.³

At the same time, however, the value of Australia's exports of services increased by around ten per cent (about A\$6 billion) last year. Key contributors included exports of education-related travel services (up more than ten per cent in value terms) and exports of personal travel services excluding education (up more than 12 per cent). Combined exports of all travel services in

¹ Based on data compiled by the United Nations Commission on Trade and Development (UNCTAD).

² In recent months, the price of iron ore in particular has rebounded following efforts by Beijing to stimulate Chinese growth, and the response of speculative investors to this move. The turn in prices had also seen some strengthening in the value of the Australian dollar – at least up until the RBA cut the cash rate by 25 basis points on 3 May.

³ Based on 2015 export data provided by the Department of Foreign Affairs and Trade.

2015 were worth more than exports of coal, previously Australia's second-largest export. The more competitive exchange rate plus strong growth in demand from Asia's emerging middle class were two of the factors driving this performance.

Parallel changes have been underway in terms of inward flows of FDI. By the end of 2015, the stock of FDI in Australia had increased to more \$735 billion, up a bit more than seven per cent relative to the 2014 figure.⁴ But the level of net investment inflows has fallen significantly over the past two years, dropping from \$59 billion in 2013 to \$43.9 billion in 2014 and to \$29.6 billion last year. Preliminary international data also show Australia falling out of the top ten hosts for FDI flows in 2015. The main cause has been a decline in investment flows into mining, with net FDI inflows falling from \$51.2 billion in 2013 to \$35.4 billion in 2014 and then down to \$15.3 billion in 2015. Still, the impact of this decline on the level of overall inflows has been partially offset by increased investment flows into other sectors, including real estate in 2014 and 2015 and a rebound in investment into the financial and insurance sector last year.

While the overall global environment for trade and capital flows remains challenging, Australia is still well-placed to take advantage of the emerging Asian consumer, now helped by a more competitive Australian dollar. At the same time, continued recovery in some developed economies should also encourage some growth in the trade and investment relationship with traditional partners such as the United States.

A recent challenge to the international economic environment has been posed by the UK's vote for 'Brexit' on 23 June 2016. At this stage, there is still a high degree of uncertainty surrounding the eventual outcomes both for the UK and for the rest of the EU, with some commentators even arguing that the former might not invoke Article 50, which is the trigger for exiting the EU.

The short-term impact of the vote has been an increase in financial market volatility and in overall economic uncertainty, which, all else equal, is unlikely to be good news for trade or investment flows. While the duration of this volatility is still unknown, the impact on Australia's exports should be limited by the fact that the UK accounts for only a relatively small share of the total (less than three per cent of all goods and services exports in 2015) and the EU as whole is only modestly larger (7.4 per cent of exports). Both the UK and the EU are much more important players in terms of FDI, however.

In the longer-term, the impact on trade and investment flows will depend on the nature of the trade and investment agreement(s) that the UK Government reaches with the rest of the EU, the impact of Brexit on the solidity of the EU and the integrity of the Single Market, and the future trade policy of the UK government post-Brexit. This uncertain environment is likely to offer Australian exporters a range of challenges but may also generate some opportunities, for example if London were to focus its trade policy attentions towards our region, or if UK businesses were more inclined to look to increase FDI further afield in markets like Australia.

Australia's internationally active businesses

International trade is a significant contributor to the Australian economy. As of the December 2015 quarter, trade in goods and services was equivalent to almost 41 per cent of nominal GDP, while the ratio of exports of goods and services to GDP stood at a little below 20 per cent.⁵ Over the year to December, Australian exports of goods and services grew by almost six per cent in volume terms, and contributed 1.2 percentage points to overall annual real GDP growth of three per cent.⁶

According to the Australian Bureau of Statistics (ABS), there were more than 51,000 exporters in Australia in 2014–15. This total included 48,681 exporters of goods and 3,557 exporters of services.⁷ The 2014–15 figures showed a jump of more than 4,000 in the number of exporters, following an increase of around 2,000 in 2013–14. The past two years marks a significant break with past experience: for the seven years between 2006–07 and 2012–13, the overall exporter count was relatively flat (although this disguised quite a lot of churn at the smaller end of the exporter size distribution). It seems likely that the improvement in international competitiveness described above is part of the reason for this recent trend.

4 Australian Bureau of Statistics, *International Investment Position, Australia: Supplementary Statistics, 2015 Cat. No. 5352.0*. 11 May 2016.

5 Australian Bureau of Statistics, *Balance of Payments and International Investment Position, Australia December 2015, Cat. No. 5302.0*. 1 March 2016.

6 Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product December Quarter 2015, Cat. No. 5206.0*. 2 March 2016.

7 Australian Bureau of Statistics, *Characteristics of Australian Exporters, 2013–14, Cat. No. 5368.0.55.006*. 23 June 2015. The ABS cautions that its total figure is a 'careful estimate' as there is no accurate methodology to calculate the overlap between goods and services exporters. In addition, the count of exporters of services only provides a breakdown by size and number for services exporters accounting for about 35 per cent of service exports by value and excludes from the count exporters of a large range of service exports including consumption by tourists and students in Australia.

Exporters can broadly be classified into three groups:

- › Large (or 'mega') exporters—which generate individual export revenues of \$50 million or more, and account for most of Australia's export value. The composition of exporters within this group is relatively stable with modest numbers of entries and exits from year to year. In 2014–15 this group comprised just 425 goods exporters which together accounted for more than 87 per cent of the value of all goods exports that year. Similarly, there were 110 exporters of services in this category, accounting for roughly three-quarters of the total value of service exports for which the ABS provided data on exporter numbers.
- › Small to medium exporters (or SMEx)—which generate individual export revenues between \$250,000 and \$50 million. This group comprised more than 9,600 goods exporters in 2014–15. As with large exporters, the composition of this group is relatively stable across each year, although there is more churn than in the mega-exporter category.⁸
- › Micro-exporters—which generate individual export revenues of less than \$250,000 and account for the majority of Australian exporters. Despite their weight of numbers, micro-exporters account for a very low share of total exports by value, and membership of this group exhibits a large amount of churn.

The fastest-growing sector of Australian export community is the service sector. Austrade places particular emphasis on the largest sub-sectors of education, tourism and financial services as well as on the opportunities arising from cyber security and the digital revolution. The Trade Division is drafting a services strategy which will guide its work in those sub-sectors.

In order to supplement the quantitative data available from the ABS on Australian exporters, Austrade, together with Efic, the Export Council of Australia and the University of Sydney, conducts an annual poll of Australia's internationally-active businesses. Australia's International Business Survey (AIBS) is one of the largest and most in-depth surveys of its kind and the third survey in the series, AIBS 2016, is scheduled for release in August 2016. AIBS 2016 captures the responses of 913 existing exporters as well as 118 aspiring exporters. Some of the highlights from this year's survey include:

- › Along with exporting goods and services, the survey confirms many respondents are involved in a wide range of other international activities including importing, making outward investments, receiving inward investments, participating in overseas government tenders, and international research and development activities.
- › Some 47 per cent of AIBS 2016 respondents use e-commerce, citing access to new or niche consumer groups, easier payments, more control over brand and easier distribution and logistics as benefits.
- › Almost one in five of respondents (18 per cent) targeted the United States as their first overseas market. The most popular reason for doing so was the perception of strong growth or profit opportunities. China was the second most popular choice for a first export market.
- › The most important markets for AIBS respondents that they find the toughest to operate in were India (cited as much more difficult than Australia by 39 per cent of relevant businesses), China (cited as such by 28 per cent) and Indonesia (25 per cent).
- › More than three-quarters of respondents are planning to do business in new markets over the next two years including (in descending order of importance) the United States, China, Indonesia, the United Kingdom and India.
- › Among the most valued assistance identified by respondents in targeting overseas markets are information on understanding market compliance and risk, access to the Export Market Development Grants (EMDG) scheme or similar grants, and general information on local customs and border procedures.
- › According to AIBS 2016, the top risks facing Australian businesses' overseas operations over the next three to five years are high domestic costs in Australia, adverse movements in the Australian dollar, increased international competition, and the risk of financial or economic crises in key overseas markets.

⁸ The 2014–15 ABS data did not provide a breakdown of exporters of services with less than A\$1 million of revenue.

Figure 2: Austrade's global network at 30 June 2016



- Austrade presence overseas
- Austrade presence overseas where the agency also provides consular services
- Austrade Landing Pad
- Austrade office in Australia

Figure 3: Austrade's Australian network at 30 June 2016



Tourism, Investment, Education, and Programs Group, headed by Jane Madden, Executive Director

This group comprises:

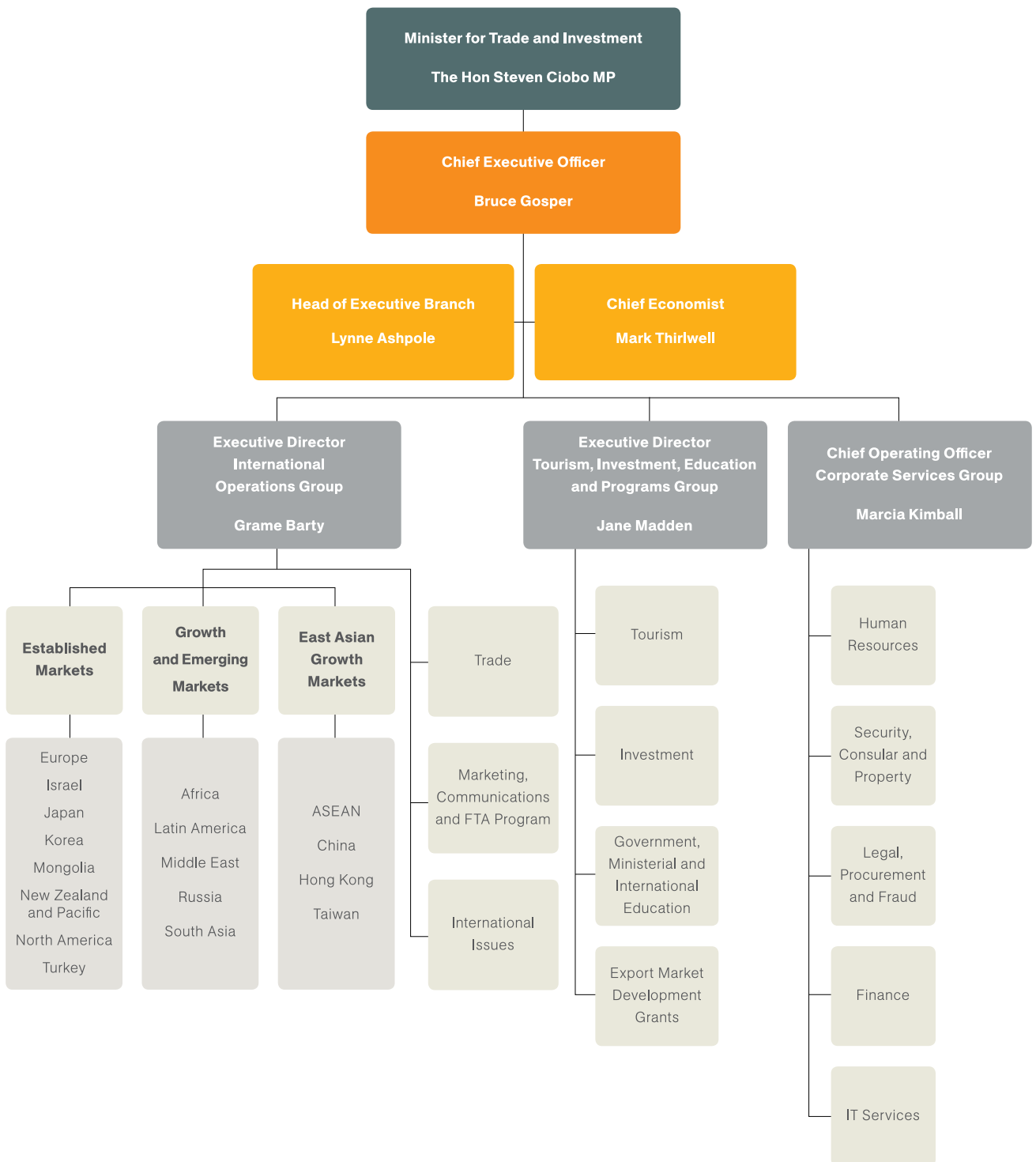
- › **Tourism Division**, which implements the Government's tourism policy, Tourism 2020, and works on tourism policy, projects, programs and research to strengthen Australia's tourism industry and grow Australia's tourism market share.
- › **Investment Division**, which leads the development and implementation of strategies to support the Government's foreign investment attraction priorities, working in partnership with the states and territories. It provides strategic and operational support to the international network's investment activities and work programs.
- › **Government, Ministerial and International Education Division**, which leads the development and implementation of international education and training strategy and priorities, including the implementation of the Australian International Education 2025 long term market development roadmap. It provides strategic and operational support to the international network's activities and work programs on education and training. It also coordinates Austrade's relationship with the Minister for Trade, Tourism and Investment, his office, other ministerial offices and the Parliament.
- › **Export Market Development Grants Division**, which administers the Australian Government's financial assistance program for aspiring and current exporters.

Corporate Services Group, headed by Marcia Kimball, Chief Operating Officer

This group comprises:

- › **Human Resources**, which works with Austrade's business areas to develop and implement workforce planning and capability development strategies and ensure that Austrade has appropriate global workplace and employment arrangements in place to meet the agency's priorities.
- › **Security, Consular and Property**, which has responsibility for managing and coordinating security, property, business continuity and insurance functions and supporting Austrade's consular network.
- › **Legal, Procurement and Fraud**, which has responsibility for providing Austrade's global network with in-house legal support and advice, including the management of freedom of information requests and external legal services. It also manages procurement processes, contracting and fraud functions.
- › **Finance Division**, which has responsibility for Austrade's financial operations by managing its finances, budgetary and finance information technology functions, together with the facilities and office management functions in Canberra, Melbourne and Sydney.
- › **Information and Technology Services**, which has responsibility for the planning, development, maintenance and management of Austrade's corporate information and communications systems.

Figure 4: Austrade's organisational structure at 30 June 2016



Based on these principles, the sectors of particular focus for Austrade include:

- › Resources and Energy
 - assisting Australian SMEs to gain access to multinational corporation value chains especially in the Mining Equipment Technology and Services (METS), oil and gas and renewables sectors
- › Food and Agribusiness
 - focused on premium food and beverage and food security
- › International Health
 - focused on intelligent health solutions and senior health and living
- › Advanced Manufacturing
 - focused on assisting Australian SMEs to access multinational corporation value chains especially in the aerospace, marine and automotive sectors
- › Infrastructure
 - focused on urban sustainable development and transport solutions
- › Services and Technology
 - focused on financial services (including fintech), cyber security and the fourth industrial revolution – the digital revolution.

Major operational activities

- › Assist Australian businesses to gain access to in-market, high-value opportunities by identifying and establishing contact with regulatory authorities, potential partners, service providers and customers, along with providing global value chain and e-commerce access advice and programs, and linking into innovation ecosystems. Austrade also provides relevant and commercially useful information and market-related services and advice. This includes tailored services advising individual exporters on the most promising markets for their business, identifying potential customers and providing market research.
- › Take the lead role in coordinating ministerial-led overseas business missions, including Australia Week events.
- › Administers Brand Australia to increase Australia's ability to attract productive FDI and to increase trade. A stronger national brand makes it easier for Australia and Australian companies to attract international customers, investors, students and visitors.
- › FTA outreach programs, delivered in partnership with DFAT, to develop greater understanding of the new opportunities for Australian businesses that arise from recently negotiated FTAs, and how they can be used.
- › Administer the EMDG scheme, a key government financial assistance program for aspiring and current exporters.
- › Assess applications for tax exemption under section 23AF of the *Income Tax Assessment Act 1936*. This frees Australians working outside Australia for at least three months from paying Australian income tax, and can enhance the competitiveness of international tender bids by Australian organisations.

While Austrade's focus is on the five national priority areas, other investment opportunities are pursued on a case-by-case basis. In general, Austrade's investment activities do not support real estate investments, acquisitions, or sales offices unless such investments demonstrate clear connection to commercial activity or future growth and development. Austrade does not provide support for hostile takeovers.

Austrade's proactive investment promotion and attraction activities will continue to be concentrated in those markets representing the largest source of foreign investment: North America, Western Europe (including the UK), Japan and greater China (including Hong Kong) as those markets represent Australia's largest sources of foreign investment. However, emerging investment source markets, including India, ASEAN countries, Gulf Cooperation Council countries and the Republic of Korea, are growing focus areas.

Austrade helps potential investors to navigate the investment environment in Australia, providing support and guidance in investors' home markets, and in their own language. Austrade understands the challenges of investing. It provides investors with the information required to make good investment decisions, and its coordinated approach with states and territories saves investors time and money.

Major operational activities

- › In alignment with the five priority areas, Austrade proactively targets potential investors, promotes Australia's economic credentials, explains the market and regulatory environment, highlights specific investment opportunities, and works with potential investors to develop business plans and to facilitate their investment in Australia.
- › Austrade's Senior Investment Specialists in Australia work with Austrade's onshore investment teams, and with states and territories, to identify specific investment opportunities in Australia, facilitate investment projects, and provide aftercare and reinvestment support.
- › On 1 July 2015, Austrade became a nominating entity for the Significant Investment Visa program, complementing state and territory government roles as nominators. Austrade is also be the sole nominating entity for the Premium Investment Visa program. All nominations are provided to the Department of Immigration and Border Protection for assessment.
- › Austrade is undertaking a number of activities to support the development of northern Australia, including the operation of a grants program to commercialise Australian research in new therapeutics and diagnostics in tropical medicine, providing business-friendly information on different land titles across northern Australia, and running the second Northern Australian Investment Forum in 2017.
- › Austrade will continue to support Australia's innovation ecosystem through promoting Australia's research and innovation capabilities to foreign investors and facilitating collaboration between foreign businesses and the Australian research sector. It will continue to attract innovative firms to support the development or transfer of new technology, skills and knowledge and will facilitate investment in early stage commercialisation (for example, early stage R&D investment or collaboration). In 2016–17 Austrade will host an Innovation Forum to position Australia as an attractive destination for investment in research and development, collaboration and entrepreneurship, and to showcase Australian research and industry capability.

Strategic focus

Austrade's objective is to support the tourism sector through implementing the national tourism strategy, Tourism 2020, and providing economic research, analysis and forecasting that underpin tourism policy development and help improve the performance of the tourism industry.

Tourism 2020 is the national, long-term strategy to improve the productive capacity of the industry. The goal of Tourism 2020 is to double overnight visitor expenditure to between \$115 billion and \$140 billion by 2020. Austrade works with state and territory governments and industry stakeholders to implement the key actions in the strategy.

Governments and industry have agreed on key reform areas included in the Tourism 2020 Implementation Plan (2015–2020):

- › increase cross portfolio collaboration within all levels of Australian Government to plan and drive reform of the visitor economy
- › improve visa arrangements to encourage more people to visit Australia, improve visitor experiences and the competitiveness of Australia
- › improve aviation capacity and customer experience to improve access and flexibility to meet demand in the tourism transport environment
- › develop a more productive labour system to better service the visitor economy
- › integrate national and state tourism plans into regional development and local government planning to generate effective infrastructure to service regional communities, provide services to the visitor economy and encourage private investment in tourism infrastructure
- › improve the efficiency and effectiveness of tourism marketing to drive demand for travel to and within Australia and grow visitation through improved conversion (that is, from a general interest to visiting).

Major operational activities

- › Work cooperatively on tourism policy matters of mutual interest with state and territory governments and industry through the Tourism Ministers' Meeting and the Australian Standing Committee on Tourism.
- › Progress the agreed Tourism 2020 priorities and six key reform areas under the Tourism 2020 Implementation Plan (2015–2020).
- › Through Tourism Research Australia, deliver a range of statistics, research and analysis to support investment decisions, policy development and marketing for the Australian tourism industry.
- › Manage and distribute funding for tourism programs which Austrade administers in accordance with agreed principles and guidelines.

Table 5: Key performance measures for strengthening Australia's tourism industry

Category	Measures	Method of assessment	Reporting period	PBS page
Tourism 2020 objectives	Double overnight visitor expenditure to between \$115 billion and \$140 billion by 2020.	Tourism Research Australia surveys data	Progress tracked quarterly	87
Tourism 2020 implementation plan	Priorities and outputs outlined in the Tourism 2020 Implementation Plan (2015–2020), progressed in accordance with agreed timeframes.	Status report	Annually	87
Tourism Research Australia users	Proportion of tourism operators which use Austrade's tourism research and information and say it helped support their marketing and business decisions.	Survey	Annually	87

