

**ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE**

**Inquiry into Manufacturing in Victoria**

Melbourne — 6 August 2009

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Mr R. James, Special Advisor, Australian Institute of Export

**The CHAIR** — I welcome Mr Roger James, special adviser, Australian Institute of Export. This parliamentary committee is hearing evidence today on the Inquiry into Manufacturing in Victoria. All evidence taken at this hearing is protected by parliamentary privilege, comments you make outside the hearing are not afforded such privilege. Could you please state your name, your position within the organisation and the address?

**Mr JAMES** — My name is Roger James. I am a former Australian trade commissioner, and I am appearing before the Committee in my capacity as Special Adviser to the Australian Institute of Export. The address of the Australian Institute of Export is 15–17 Dudley Street, West Melbourne.

**The CHAIR** — The evidence taken down today will become public evidence in due course.

**Mr JAMES** — I have prepared a written statement, which I would like to go through, and then of course we will have an opportunity for questions afterwards. Although if you need to stop me at any time during this presentation, please feel free to do so.

**The CHAIR** — Could I just check — your presentation, is that similar to what has already been provided or the same as?

**Mr JAMES** — I do not believe so, no. This is a separate presentation.

First of all, I would like to give you a little bit of background to the Australian Institute of Export and what it is and what it does. AIEx is a national not-for-profit membership organisation. It has been operating for something over 50 years and provides practical education and training and a wide range of services to exporters. It acts very much as a conduit between industry and all levels of government in relation to export issues. It organises many recognition events and operates in all states of Australia. It is a member of the International Association of Trade Training Organisations.

I would like to comment briefly on each of these roles to enable the committee to understand and appreciate the broad range of activities through which AIEx interfaces with and supports the Australian export community, particularly the manufacturing sector. In terms of education and training, AIEx provides practical, hands-on training ranging from short, intensive courses to articulated postgraduate programs. The institute also provides Australian exporters with easy access to skills development programs, which often work out as in-house training and which are uniquely designed and delivered by leading industry practitioners.

On the exporter services side, AIEx essentially acts as a catalyst to bring exporters and relevant organisations together by holding regular briefings and networking events which are held throughout Australia. In Victoria the institute is working closely with the Department of Innovation, Industry and Regional Development and other organisations such as Design Victoria to stage a series of export-related events during 2009–10. These are designed to provide exporters with current information on business opportunities and market conditions and the opportunity to network with fellow exporters, policy decision-makers and key service providers. The institute also publishes a range of reference materials including the highly regarded *Australian Export Handbook*, International Chamber of Commerce publications, a web-driven export services directory, the *Dynamic Export* magazine and the *ExFiles* monthly e-newsletter.

In terms of industry and government, through representation on key trade advisory bodies and having a close working relationship with all levels of government, AIEx provides exporters with a valuable platform to have their views expressed and heard by the makers of trade policy. AIEx has gained a high level of professional credibility among industry associations, governments and chambers of commerce. In order to help exporters receive the services which they require the institute maintains a close relationship with key service providers including banks, legal firms, insurance, and freight and logistics companies.

A key area of activity is in the awards and events area. The institute has run for a number of years the Australian Export Heroes awards which recognise those individuals — not companies but individuals — who have made a long and outstanding contribution to Australian export. It is also a strong supporter of state export award schemes, and in Victoria works closely in promoting the Governor's export awards by participating in the judging process. Nationally AIEEx works with Austrade and the Australian Chamber of Commerce and Industry in recognising Australia's most successful exporting companies.

I should also mention just two other key activities: firstly, AIEEx's role as a provider for Austrade's new exporter development program, which is known as TradeStart. In Victoria AIEEx has established and manages six TradeStart offices: two in metropolitan Melbourne and one each in Ballarat, Bendigo, Geelong and Mildura. These provide facilitation for new and also existing exporters to enter and expand their international operations in many ways, including getting them direct access to Austrade's global network. Secondly, the institute has a strong and ongoing relationship with the export consultants group, a key function of which is to help exporters access the Federal Government's Export Market Development Grants scheme. This scheme, which has now been in existence for more than 30 years, is generally regarded to have been a major influence in helping companies both to commence their export operations and to develop and maintain their international business activity. While there has been some criticism about funding issues and restrictions on the scheme in recent years, it should be recognised that the export community expects and deserves a degree of consistency and certainty in this key area.

I would now like to briefly address the key issues which AIEEx would appreciate the Committee considering in relation to the terms of reference. It is noted that the Committee's brief covers a broad range of issues, and federal and state government agencies are, we believe, best placed to respond on questions relating to investment and incentives. AIEEx focuses on export-related issues, specifically education and assistance.

AIEEx is aware of the Victorian Government's commitment to developing the State's manufacturing sector through its announcement of a \$245 million strategy, which was announced in November 2008. AIEEx believes that the key issues which are of greatest importance and concern to the manufacturing sector include the following: firstly, in relation to how decisions are made on the location of a manufacturing base, consideration must be given to the impact of free trade agreements, a number of which have been negotiated and implemented progressively in recent years. Investment decisions are now more likely to be determined by relative cost factors rather than the tariff disincentive which previously applied. This is now a global reality and will increasingly influence investment decision.

Allied to this, the move by manufacturing to establish global supply chains has meant that many businesses have chosen to restructure their operations to become competitive parts providers. Allied with this specialisation they have been obliged to develop a range of both domestic and international customers in order to spread risk and to reduce the impact of downturns in one or a number of overseas markets. In order to grow and develop their businesses, Victoria's manufacturers have had to internationalise to build larger consumer bases than exist in Australia. As I have already mentioned, schemes such as EMDG have been critically important in facilitating Victorian manufacturers to finance the entry of their products into overseas markets.

With regard to intellectual property, it is important that exporters understand the significance of IP and how they can seek to protect their designs, patents and other specific elements. In the current business environment our exporting manufacturers may find that their designs and ideas may easily be copied, and they increasingly need advice and support to protect and defend their product designs in overseas markets.

A related issue which is of concern to the institute is the relative absence of seed capital funding for our small manufacturers, which limits and restricts international expansion and often leads to the sale of the business, including its IP, to global competitors.

**The CHAIR** — Sorry, what heading did you put that under?

**Mr JAMES** — IP; I am still talking about IP. The institute believes that the future of manufacturing in Victoria must be focused, and that the internationally competitive sectors will be those which have high-tech and/or unique advantages. Examples could include marine equipment, medical supplies and health-care products. While it is evident that world trade has suffered from the global financial and economic crises, AIEEx believes that the potential growth areas for Victoria's manufacturing exports will be the emerging markets of South-East Asia, the Middle East and Latin America. It is expected that these may recover faster than traditional markets in the United States and Europe. In the case of the two major global emerging giants, China and India, their rapidly developing domestic markets should insulate their economies from the worst effects of the downturn. Opportunities for Victorian manufacturers in these markets will continue to expand.

The institute is also heavily involved in all aspects of freight forwarding and logistics, as this is a major area of interest and concern to manufacturing exporters. Exporters need help and advice to understand the process of getting their products from factory to end consumer, including documentation regarding customs clearance, cargo insurance, pricing, payment options, currency strategies and other risk management techniques. Government support for such essential training for manufacturing exporters would ensure that they become more skilled and confident, which in turn should encourage them to explore new overseas markets.

As mentioned earlier, exporter education is a key area of competence for the institute, and I would like to inform the Committee of some of the principal courses which are offered on a regular basis. These are all very much what we could call nuts and bolts education.

Firstly, there are courses in export procedures and documentation, which cover banking and finance, credit and marine insurance, export procedures, freight forwarding and export pricing. Secondly, we run a course on understanding documentary credits, which covers things such as letters of credit and Incoterms — which are the international commercial terms governing the allocation of responsibility and risk between buyers and sellers in international transactions. Thirdly, the institute runs a specific course on international trade law and intellectual property. This covers issues relating to risk management and the enforceability of rights, particularly examining what exporters can and should do to identify and protect IP and to avoid costly infringements and disputes. Fourthly, a course is run on import procedures and documentation, looking at successful import strategies and documentation, transportation and insurance. Fifthly, many of these courses are now available online, and we are able to provide both exporters and importers with opportunities to be trained and advised using sophisticated online modules and tools. Finally, the institute runs advanced diploma and graduate programs, offering students a wide range of accredited, advanced diploma and graduate programs on international business management. I will be pleased to provide the committee with more detailed information on these trade education programs, if required.

I would just like to make a couple of comments in conclusion. Firstly, it has been encouraging to note that key economic commentators, including the Australian Industry Group, have reported that manufacturing activity in Australia has risen for the third consecutive month. There is cautious optimism that the sector is at last beginning to stabilise after the dramatic downturn experienced recently. Internationally, the declines in new orders and production in Europe, Japan and the United States have apparently eased to levels last seen more than a year ago. While it is premature to state that the global recession is over, these preliminary signs are nevertheless encouraging.

The Australian Institute of Export is strongly committed to working with the manufacturing sector in Victoria to improve its competitive position in international markets. We believe this will be achieved most effectively by firstly improving skill levels and success rates through the education and training programs, and secondly by profiling achievements and successes through the event series and export awards — export heroes programs.

On behalf of the Australian Institute of Export I would like to thank the Committee for the opportunity to address you today. AIEx appreciates the support it receives from governments at all levels and looks forward to developing closer ties in the future. I will be happy to answer any questions which members of the committee may have.

**The CHAIR** — Could you give us any examples of Australian manufacturers who have increased their onshore manufacturing over the last year or two and minimised their offshore manufacturing? Alternatively, do you have examples of manufacturers who previously did almost all, if not all, their manufacturing offshore and have brought their total production back to Australia?

**Mr JAMES** — One example that comes to mind — —

**The CHAIR** — Sorry, and I should ask why they did that?

**Mr JAMES** — Of course. I mentioned the marine industry earlier in my discussion and I am aware of a Victorian company that, in spite of the economic conditions and the downturn which has been experienced, has managed to maintain its manufacturing operations in Victoria and has made a conscious decision to do that.

**The CHAIR** — Why did they do it? Are you at liberty to check with them afterwards perhaps and — —

**Mr JAMES** — I would prefer to go back and check with them, if I am given that opportunity.

**The CHAIR** — We are looking for examples of people who have come back to manufacture in Victoria and what prompted them to do it, and people who have decided to retain their manufacturing here rather than take it offshore and why.

**Mr JAMES** — This is probably broader than the remit this morning, but in my own experience the impetus to manufacture overseas has been very much driven by cost factors and by cost factors alone. Labour in many parts of the world, of course, is considerably cheaper than it is here in Victoria.

I think that by manufacturing overseas you are in danger of getting into a more complex situation — you have more complex issues to resolve in terms of labour management and so on. I am not able to give specific examples, in general discussions many companies have found it rather daunting to consider overseas manufacturing operations, and, even in spite of the economic disadvantages, have found that they are able to produce, particularly niche products, here in Victoria. I would be able to get some examples for you subsequently.

**Mr ATKINSON** — Just a very quick point of fact. There are six TradeStart offices in Victoria — —

**Mr JAMES** — Correct.

**Mr ATKINSON** — Are they also run in other states?

**Mr JAMES** — Yes. There are six in Victoria which are run by the Australian Institute of Export, and I believe there are three or four others that are run by other organisations. In addition to its six in Victoria, the institute operates one in Sutherland in New South Wales.

**Mr ATKINSON** — Exporting is obviously important for Australia. Interestingly, for most industries there has been a major focus on supply chain, as you touched on in your presentation. To what extent, apart from labour costs and other regulatory constraints, is the ‘closer to market’ aspect important to Australian exporters? In other words, if companies which have developed a product or intellectual property manufacture it here, they have transport costs to get it to market, whereas if they manufacture it overseas — closer to market — there will be cost savings and

perhaps some greater sensitivity to markets. Is that a factor or a constraint for our export industries?

**Mr JAMES** — I think it is. I think it has been a factor not only recently but for many years. My first overseas experience as a trade commissioner was in the United States. One of the arguments continually put to me there as to why Australian products would not necessarily be favoured even if they were good in terms of quality and price was, ‘What happens if it breaks down? We do not want to ring someone who is on the other side of the world who may be asleep at the time. We want to have someone close at hand who we can relate to’. I think that argument has perhaps diminished over time as the world has shrunk — through improved communications, for example. It is much easier to communicate now than it was 10 or 20 years ago. But I think that has been a factor in the past.

**Mr ATKINSON** — In terms of Australian manufacturing, and with a Victorian focus in particular, what major competitive advantages do our guys have, and what constraints do you think we have in terms of sustaining our manufacturing industry and growing it?

**Mr JAMES** — It is a broad area. It depends very much on the markets we are looking at. By and large I think — again, this is from my experience operating in overseas areas — that Australia has a good reputation as a supplier of goods and services. I would venture to say that one of the disadvantages is the fact that Australia is not well known for its capability. In the United States, in Europe and elsewhere there is a view, and it has been like this for years: ‘Nice place, beaches, sunshine, kangaroos — what else?’ Part of my previous job, before I joined the Institute of Export, was to raise consciousness as to what Australia can produce and what Australia does produce.

**The CHAIR** — How important are the overseas missions in doing that?

**Mr JAMES** — You mean specific missions, going to — —

**The CHAIR** — With the manufacturers going overseas to trade fairs. I know the federal and state governments take missions overseas to highlight a particular area of manufacturing.

**Mr JAMES** — I believe that trade fairs have been and continue to be a very, very important forum or important marketplace where Australian producers can show their wares, if you like. I was based in Chicago for a number of years, which is the trade fair hub of the United States, if not the world. One great advantage of bringing Australian companies into Chicago at that time was that if you were talking about the restaurant industry or the marine trades industry, all of the buyers not only from the United States but from around the world would descend on that particular city, so you had access to them. If these missions are well-targeted, well-led, and the companies on them know what they can expect and what they cannot expect, I think they can play a very valuable part in our activity.

**The CHAIR** — You made the point that the expertise that Australians have is not internationally recognised. Is a trade fair one of the best ways of highlighting that, or is it really just a day or two or three of travelling and displaying your goods and hoping that something resonates? Or do we follow it up later?

**Mr JAMES** — I think trade fairs are just one leg, if you like, or one part of this activity. As I have mentioned, the big advantage of a trade fair is that, if you are looking at the United States instead of you having to visit everywhere from California to New York to Florida, all of the important people in that industry will descend on that city for the three, four or five days of the show. If an Australian company, or a group of companies preferably, is there, they can be seen by those influential buyers and decision-makers throughout that particular industry. But I think that a trade fair is only one part of it.

**The CHAIR** — That is what I am getting at. Do we have to follow it up a lot more than we are doing? And how do we do that currently?

**Mr JAMES** — The follow-up really has to come from the individual companies. I have to say that in my experience one of the ways that Australian companies have not tended to sell themselves as well as they could have in the past is that there has been a lack of follow-up. As a trade commissioner I would see companies come into a particular market, develop good contacts, good connections, get to learn about the market, and 5 minutes later they had disappeared; we never saw them again.

**The CHAIR** — So that is up to them.

**Mr JAMES** — It is consistency, it is follow-up. I would have to say this follow-up has to come from the highest levels within the company. I will give you an example without naming the company, if I may. My last overseas posting was in Europe and I worked very closely with a Victorian company that was looking to develop a market that we had identified and was perceived to exist. We worked for this company over six or nine months, I suppose. It would have spent a six-figure sum on promotion and marketing work. One day it received a message to say that the board here in Victoria had said, 'No, we are not doing it any further'. It was just cut off, just like that. That puts not only the company, I think, but perhaps other Australian companies in a relatively poor light as far as the buyers are concerned, if they cannot seek consistency and if they cannot see reliability in the follow-up.

**Mr ATKINSON** — What industry was that in?

**Mr JAMES** — It was in food processing. This was 10 years ago.

**Mr ATKINSON** — I am particularly interested in commercialisation of our intellectual property. I am a shareholder in Ventracor, which has had two major technological products — one, a hyperbaric chamber; the other one, an artificial heart — and in both cases tried to break into the American market. It had superior technology to anything else that was available at the time in its fields. It had all sorts of constraints — regulatory — —

**Mr JAMES** — Yes.

**Mr ATKINSON** — Blockages. One might actually be forgiven for thinking that the Americans had a vested interest in the failure of that company to the advantage of some competitors that were home-grown. Australian companies seem to have some really good ideas and are developing intellectual property but frequently seem to have difficulty commercialising that. I am interested in your observations as to whether or not that is because of those market barriers — not necessarily direct trade tariffs or suchlike — internationally, and, linked to that perhaps, the perceptions or the preparedness of financiers to support the commercialisation of Australian products or Victorian products.

**Mr JAMES** — Certainly I see where you are coming from in terms of the United States and some of those perceived barriers. Tariffs are easy to see — they are there, they are obvious, they are evident — but there are a number of other areas, as you are well aware, where life can be made particularly difficult. If we look at the electronics sector, for example, there is the Underwriters Laboratories — there are hoops that companies have to go through to get their products certified for the United States. In relation to the financial side, I think it is fairly obvious things have become considerably more difficult in that overall area over the past 12 to 18 months. However, I would like to defer on that particular question and give it a little more thought, if I could, and come back to you.

**Mr ATKINSON** — I would be happy to have a response back to us.

**Mr JAMES** — If I could do that, thank you.

**Mr ATKINSON** — That would be fine. You touched on a couple of programs that both federal and state governments have invested in — support to try to encourage. Some of it has been

the recognition programs, some of it has been the advice and education programs, through to finding opportunities. In your view what are the most effective programs that have been run in terms of encouraging manufacturers to look at export markets and perhaps to increase even their domestic capacity as a component of that, because I guess the two go hand in hand? What are other things that governments could do to actually support the manufacturing industry and underpin further growth?

**Mr JAMES** — There is a whole suite of issues, I think, related to that. One of the hardest things is to get companies initially to start thinking internationally, that there are markets out there. There are large markets out there that, if developed with thought and developed carefully, can be quite profitable. If we look at Australia, we have a market here of 20 million people. The global market is enormous in relation to that. So it is really getting those companies to the first stage, I suppose. This is why the organisations such as the institute of export, firstly through its education programs, can teach companies about the nuts and bolts of exporting, if you like, because it can be quite daunting for a company which is used to selling its product locally and even interstate to actually take that step and move overseas where it is going to be faced with different cultures, it is going to be faced with currency issues and all of the complexities that exporting involves.

There are the education programs, first of all. I think schemes such as TradeStart are also very valuable, because they can almost fast-track companies. If the companies are identified as having that potential, they can, as I mentioned, by linking closely to Austrade's overseas network, get market information and get advice on opportunities back to those companies very, very quickly. I think really there is a whole suite of things. The institute is involved to a greater or lesser extent in each of those areas when it comes to export promotion.

**Mr ATKINSON** — What extra can government do, though? Do you have any comment on regulatory or taxation constraints as part of that?

**Mr JAMES** — In terms of what government can do, government — and I am talking federal and state governments; both areas — can continue to promote exporting in a general sense but also more specifically continue to build on the work that has been done over the years in terms of providing information, advice and education to the potential export sector, if you like.

**Mr DAVIS** — Can I just pick up on an interesting comment you made before about the perception of Australia's and Victoria's capabilities? The major inputs in terms of broad perceptions overseas are often our tourism campaigns which, especially at a national level, have a particular focus perhaps on kangaroos and rocks and reefs and beaches. They are all worthy in their own right, but does this tend to colour the perception of the country and make it harder for our non-tourism exports to position themselves overseas?

**Mr JAMES** — I do not think it makes it any harder. The work that is being done by the tourism authorities, of course, has a legitimate objective.

**Mr DAVIS** — Sometimes it might be at cross-purposes, perhaps?

**Mr JAMES** — When you are sitting in an office in Chicago or in Moscow or wherever, the impression that you gain from the outside world is unfortunately a high degree of ignorance about where Australia is and what it does. This surprised me, particularly in the United States. As I mentioned earlier, I was based in Chicago, which has a very insular mentality anyway, and on a number of occasions I was congratulated on how well I spoke English, and not for the first time I was confused with the Austrian trade commissioner.

The degree of — I hate to say it — ignorance in certain parts of the world is amazing. In America you perhaps would not expect it but it exists, and it certainly exists in other parts of the world. Our role as a trade commission was, of course, very much to increase the awareness of what Australia can do economically in terms of being a manufacturer or exporter of goods and services. That was



one of our principal roles and functions, but I think that almost any publicity is good publicity. Anything that raises the awareness among the international community — —

**Mr DAVIS** — You do not think that in some cases it is putting a bush image perhaps or a beach image that does not necessarily strengthen your case to export high-tech goods, for example?

**Mr JAMES** — Maybe there is scope for a more integrated promotional campaign related not just to tourism but related in a more broad sense to what Australia and to what Victoria does and is and can produce.

**Mr ATKINSON** — Victoria has a very strong reputation as an events capital, and some major events such as the Grand Prix and the Australian Open, and to some extent the Melbourne Cup, the cricket and so forth, sometimes capture world attention or key market attention at different times during the year. To what extent do you believe that we actually capture the opportunities associated with those major events to promote our export markets and to actually tease out some of our capability in other areas? Are we using those major events effectively?

You might be aware, for instance, that at the Commonwealth Games there was a business tent or a business program that was arranged as part of the Commonwealth Games. Are we doing enough in that area? Is that an opportunity, when we have people's attention, for further scope?

**Mr JAMES** — I think we as a country are certainly doing more than we used to. Again in terms of the Institute of Export this is perhaps outside our particular area, but if you think of what Austrade, for example, has been doing since the year 2000, you can see it. In the year 2000, at the Sydney Olympics, it established Business Club Australia, and that has gone on and become, I understand, a very successful forum and venue. It was used at the Rugby World Cup and the Commonwealth Games, and it is used at all of the major sporting events to my knowledge. This is the Business Club Australia run by Austrade.

**The CHAIR** — I thought that was a very good question from Mr Atkinson. It is something that would not necessarily cost the government a lot of money but it would be an opportunity that could work. Can we just tease this out a little more? If, for example, there were an international organisation of marine markets or furniture trades associations or the medical specialties, how difficult would it be for manufacturers in Victoria to club together to host events for potential overseas markets during the Australian Open or the Grand Prix? They could work collaboratively with Tourism Victoria to say, 'We will try to put together a business package for some of these major events'. There is also the Melbourne Football Club, when it wins two games in a row — I am sure that the rest of the world would really be interested to hear about that — —

**Mr JAMES** — With all due respect, I am not sure how well that would play in China, but — —

**The CHAIR** — I think we have to look at things laterally!

**Mr ATKINSON** — I think we are doing all right in China. We are actually exporting to China.

**Mr JAMES** — I think this is already happening to a certain extent. For example, outside Business Club Australia there have been a number of activities generated, particularly with the United Kingdom, to bring people out here in January or February for the cricket. They have used cricket as an enticement, and it is not difficult to encourage someone to come out from the United Kingdom in January or February.

**The CHAIR** — No, not at \$20 a ticket.

**Mr JAMES** — Not only that but also the fact that it is about 40 degrees warmer here than it is over there; I think there is hope for more of this to be done, certainly.

**Mr ATKINSON** — In terms of these programs, I guess one of the real questions that we have to ask — and it is provocative — is: are these programs Sydney-centric? Does Victoria get sufficient exposure, particularly given the strength of our manufacturing base compared to the rest of Australia? Do we get sufficient exposure, or do we need to muscle up on those programs or augment those programs to ensure that we get a better result?

**Mr JAMES** — I certainly think it would not hurt to augment those programs. There are certain things, of course, like the Grand Prix which are Victorian or Melbourne events at this point in time, and the Commonwealth Games, of course, also brought a lot of business activity into this state at that time. But there is certainly scope for more to be done relating specifically to those events which are held in this state.

**Mr ATKINSON** — So do we get a good enough shake at the moment out of the Business Club, for instance? There is a real concern about Sydney-centric programs in a lot of these areas. What is your perception of this?

**Mr JAMES** — There may be a perception, I suppose. It would depend very much on where the particular events are being held, of course. A number of these are held in Sydney but an equal number are held in Melbourne, Adelaide and so on. Maybe there is a need for greater cooperation or lobbying to ensure that Victoria shares or gets an equal part of the benefits that accrue from these programs.

**The CHAIR** — With the US market, is there a particular sporting event or other possible event that would attract the US market? I take it that most of your work was in the US in your previous life?

**Mr JAMES** — No, it was not. My early work was in the US but subsequent to that I was in China and the Soviet Union.

**The CHAIR** — Okay. Could we run through — —

**Mr JAMES** — I am talking outside my role with the Institute now. We are moving much beyond that.

**The CHAIR** — We are trying to address the issues in relation to our inquiry into manufacturing and those terms of reference, and we have to think as laterally as possible to come up with ideas that will enhance our manufacturing industry here in Victoria. I thought Bruce had hit on a pretty good idea there in relation to marketing. I know that within the United Kingdom to try and get tickets to Wimbledon or Lords is nigh on impossible and very expensive, whereas coming here you can get to the cricket or to the Australian Open for pretty close to \$20. I am keen to see how we can piggyback on those major events to highlight our manufacturing and draw on your expertise.

**Mr JAMES** — I talked of it in terms of the Business Club Australia, which is the model developed by Austrade, but I would suggest that there is no reason why Victoria as a state could not develop its own scheme, call it what you will, to relate to each of these majors. It does not necessarily have to be just sporting events; there may be other events that are being held.

**The CHAIR** — The Melbourne Winter Masterpieces, for example.

**Mr JAMES** — Those sorts of things, exactly; it can certainly go beyond sport.

**The CHAIR** — What would attract, say, a Chinese market? Would there be a particular event here in Victoria that would be particularly highlighted and appeal to them?

**Mr JAMES** — I think I would have to take that on notice. It would need some research.

**Mr ATKINSON** — In terms of China, you mentioned manufacturing companies opening up export sales into China. Can you nominate some companies that have a strong continuing business in China for their manufactured product?

**Mr JAMES** — I could not off the top of my head.

**Mr ATKINSON** — No, most people cannot.

**Mr JAMES** — My time in China was 20 years ago.

**Mr ATKINSON** — The problem with China seems to be that it is a one-off sale. You make the initial sale and from there on they are very good at reproducing.

**Mr JAMES** — Exactly, and I think I touched on that point during my presentation. China is not an easy market; it never has been. When I was there in the 1980s it was particularly difficult because they were only just emerging from the ravages of the cultural revolution. In terms of manufacturing — again, I would need to refer to people who are actually on the ground there at the moment — there appear to be Australian companies, I could not say whether they are Victorian or not, that do have sales on a consistent basis, beyond the ones that we all know about: the iron ore and so on, the commodities.

**Mr ATKINSON** — Yes, but commodities are different. It is manufactured goods — —

**Mr JAMES** — I do not think there is any doubt that China was, is and will probably continue to be a very difficult market.

**Mr DAVIS** — Do you think it has been made any worse by the recent events with Rio Tinto?

**Mr JAMES** — It will not have helped. We are going through a very touchy part of the relationship. One thing in my experience with China was, until recently anyway, that we — we, Australia, if you like — did not carry the baggage that a number of other countries, the United States and European countries in particular, had in China. We did not have that baggage. There are a number of irritating, perhaps, issues going on at the moment. I think the relationship will be big enough to handle those, but I think they will have a negative effect on the way that business evolves, in the short term perhaps.

**Mr ATKINSON** — Can you provide us with any of those examples of manufacturing companies?

**Mr JAMES** — Yes.

**Mr ATKINSON** — Can I just ask a final question. We skipped a bit over constraints or challenges for manufacturers here in Victoria. Can you nominate the major hurdles that you see for the Victorian manufacturing industry in terms of both sustaining itself here and growing? What are the major hurdles that you hear of from manufacturers in those areas?

**Mr JAMES** — In terms of their maintaining an overseas — —

**Mr ATKINSON** — No. What are the things that give the CEO a headache every day or every month as he ponders over the trading results of the company?

**The CHAIR** — Or she.

**Mr ATKINSON** — Or she.

**Mr JAMES** — Or she.

**Mr ATKINSON** — What are the things that make them say, ‘This is all making it hard for us’?

**Mr JAMES** — The issue that one hears is finance and credit, I think, at the present time, or it has been for the past 12 months or so. It is the tightening of the credit and the financial situation.

**Mr ATKINSON** — That will certainly have jumped up the scale, and that is interesting.

**Mr JAMES** — Yes.

**Mr ATKINSON** — And it is significant that you nominate that.

**Mr JAMES** — Yes.

**Mr ATKINSON** — Others?

**Mr JAMES** — Labour is easing, so I do not think that is the constraint that it may have been 18 months or two years ago.

**Mr ATKINSON** — Labour in terms of costs or skills?

**Mr JAMES** — Both, perhaps. I do think finance is the principal issue.

**Mr ATKINSON** — Any others? Government regulation?

**Mr JAMES** — Not specifically. There are ongoing market access issues, I suppose, which we touched on earlier in terms of regulating not only trade barriers but also the non-tariff barriers.

**Mr ATKINSON** — Raw materials or component parts?

**Mr JAMES** — I have not heard of anything specific in that area.

**Mr ATKINSON** — Thank you.

**The CHAIR** — Thank you very much, Mr James. You will be given a copy of the transcript in about a fortnight. As you would know, you are free to make corrections of a typographical nature but not of substance. Thank you very much, and good morning.

**Mr JAMES** — Thank you.

Witness withdrew.