



**Sharon Grierson MP
Federal Member for Newcastle**

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SERVICING OUR FUTURE REPORT

Ms GRIERSON (Newcastle) (4.24 pm)—I also rise to speak on the report *Servicing our future* presented to the parliament by the Standing Committee on Economics, Finance and Public Administration. This report was undertaken as part of our inquiry into the current status and future directions of two major industry exports sectors—services and manufacturing. While the manufacturing report is to be tabled in the next parliamentary sitting, our emphasis in both sectors was on looking ahead and preparing for the economic times post the resources boom.

As it has in most economies, the size of the service sector in Australia has increased over time. In 2005, the proportion of employment services was 75 per cent, up from 58 per cent in 1973. The parts of the services sector employing the most people are retail trade; property and business services; health and community services and construction. Gross value added by the services sector is likely to amount to around \$800 billion of Australia's trillion-dollar economy in 2006-07. My electorate of Newcastle reflects the changing nature of our economy. Between the 1981 and 2001 censuses, the proportion of people employed in the following service industries grew rapidly: wholesale and retail trade; health, education and community services; finance, property and business services and recreational personal services - with health, hospitality, retail and higher education our largest employers.

The committee, though, in looking at the different members of the service sector, found it was very difficult to measure the amount and nature of trade in services. There was a consensus view amongst those who appeared before the committee that services export statistics did need to be improved. This view was shared by the private sector, government departments and the Australian Bureau of Statistics itself. The committee feels that, while the ABS is measuring services exports consistent with international practice, there are areas in which improvements are needed, and the ABS has identified those. Thus, in recommendation 6, we recommended that more resources be made available to the ABS to improve its collection of data on the international trade in services.

In my electorate the nature of the service sector includes many very small or microbusinesses - SMEs who are exporting, for instance, medical services. Voice map training systems is one service being successfully exported to the UK. Quality IVF control systems are exported to countries around the world. Another successful small business service has been setting up training colleges in Pakistan, and an IT service provider is exporting those services to countries around the world.

It is very difficult, obviously, to measure those very small businesses and the aggregated contribution they make. But the report also concluded that there is considerable scope for increasing the export effort and outcomes from the services sector, particularly with the opportunities in Asia. Submissions from the industry noted several issues limiting progress in this regard. These included non-tariff trade barriers, which are insufficiently addressed and acknowledged by our export agencies. It is easy to quantify and assist the export of goods and the manufacturing of goods, but perhaps not so easy to influence and support those in the people based service sector. So there was also attention given in the report to the need for standards, attention to regulation and overregulation in this sector, and the need for some very separate approaches.

Skills shortages were seen as another key barrier for our services export industry. That is generally recognised as an issue for Australian businesses across the board. However, in the services sector, being people based and a labour-intensive industry, it is a particular problem. For example, the ABS tells us that in accommodation, restaurants and cafés, it takes 24 workers a year to produce \$1 million in output. In mining, for example, the same output takes just two workers in that one year.

Speaking of the mining sector, the boom in that sector is one of the reasons put forward in many submissions for skills and labour shortages in the services sector. It is interesting to note that many service industry people are attached to or are related to that mining boom, particularly engineering and consultancy services. It has been argued that the big wages being paid in the mining sector are pulling people as diverse as chefs, bus drivers and mechanics out of sectors like tourism and into other sectors.

The report also made 14 recommendations and I acknowledge a previous speaker on this report, the member for Rankin, who has absolutely been ahead of the government. In recommendation 2, the report recommends the setting up of a minister for the services sector. Of course our shadow minister for the service economy, small business and independent contractors was greatly helpful to us in our work on our committee.

The report also recommended research into innovation and pointed out how innovation in the services sector can increase productivity. Given productivity rates in this country, it is one of those areas we found overlooked a great deal in the service economy. Recommendation 3 suggested that a permanent migration program was needed to address shortages, particularly in lower skilled positions—for example, hospitality and tourism. While we acknowledge that the 457 visa approach is being used, I noted today the differences in the positions of Helen Clark and the Prime Minister regarding using lower skilled workers in our region. I think specific and permanent migration programs need to be considered.

Recommendation 5, to initiate a Brand Australia Council, is a way to give oversight and coordination to all the agencies and export authorities that do look at Australian products. Their branding and approach has always been on goods rather than services. The Council will look to the quality and importance of standards and the increased success of the services sector. But to do that of course we also need to take on rogue operators who can do great damage, particularly in tourism, although I think hospitality

and education services were also areas where we saw rogue operators that had the potential to damage the brand of Australian services quite remarkably. Recommendations 7 to 11 particularly look at the need for assistance to the tourism service sector. We also saw a greater role for the ACCC, and we recommended that they have additional resources to actively seek out and prosecute alleged rogue operators in the tourism sector. We did suggest that there should be increased funding by both state and federal governments to the Inbound Tourism Compliance Taskforce and acknowledged that there is a need for some national coordination on this issue.

In terms of education services, recommendation 12 went to assessing the overall competitiveness of Australian student visa requirements. Is it easy to come here and access those education services or is it easier to go somewhere else? Recommendation 13 recommended a performance audit, by the ANAO of DEST compliance and enforcement action, of alleged breaches of the Education Services for Overseas Students Act and its national codes. I think all of us in our electorates are hearing about more problems emerging from that field. Recommendation 14 encourages Tourism Australia and Australian Education International to work together to see what they can do to protect standards, recognising that there is an overlap.

There were some general areas that needed a little more attention - and certainly there is not time in each report or each inquiry to cover them all. But, in my view, there was a need for some much more flexible approaches to training. With a mobile population, when you get a boom, people are drawn to and from all over the country. I know flexible delivery is something that education institutions are working very hard on, but I think it needs some new focus and support. An emphasis on entrepreneurship is also probably missing from our overall education approaches, and we cannot help but see that SMEs that are delivering services are totally dependent on high-speed and wide-bandwidth broadband. Particularly in regional Australia and electorates like mine, without those broadband capabilities they cannot fully take advantage of the export opportunities in a global economy.

Finally, I would like to also add my thanks to the secretariat for their efforts. These sorts of inquiries require a great deal of coordination and a lot of travel around the country, and we were able to sample widely from different service sectors and from different places in regional and metropolitan Australia. I would also thank the chairman. He does run a very productive, congenial and certainly nonpartisan committee. I acknowledge the nonpartisan contributions of all the committee members and their willingness to support this inquiry. I recommend the report *Servicing our future* to the House. I know it will be well received by the service sector in general.