



THE AMERICAN CHAMBER OF COMMERCE IN AUSTRALIA

Submission to Review of Export Policies and Programs

1.0 Introduction:

Amcham welcomes the Government's decision to conduct a broad ranging review of current programs for promoting Australian exports and overseas investment as well as possible impediments to trade and investment that may impact on overall performance. As a national organisation with a large number of members operating across all sectors, Amcham's perspective is necessarily broad. In this submission, we would like to focus on the following topics, which we believe are of considerable importance:

- Improving mechanisms for export and investment promotion;
- Approaches to future trade liberalization initiatives;
- Increasing intellectual property export performance and;
- Identifying and addressing "behind the border" impediments to trade and investment

In addition to the major topics we have provided comments on taxation and visa issues as they impact on international business. We believe strongly in the need to recognise that when addressing trade and investment opportunities companies have regard to the entire business environment.

A good government initiative in the trade area will not be optimally exploited if other issues like taxation and immigration are not also addressed.

We have also provided comment on Intellectual Property (IP) Exports. This is an area in which Australia has not traditionally promoted. The potential for Australia to expand exports in this area is obvious. The case for building an environment supportive of IP exports we believe is compelling. We have provided an outline of a possible approach and in an appendix more detailed explanation of an approach and mechanisms that could form a basis for policy formulation.

We have used where appropriate the identification numbering system used in the Review background papers. In Part C – Topics for Input and Comment eg. C1 and C2 etc

2.0 GENERAL (C1)

Supply chain security is a critical issue in international trade. The events of 9/11 resulted in the USA promoting its Customs-Trade Partnership Against Terrorism (C-TPAT) in 2002. In 2005, the World Customs Organisation published its Framework of Standards to Secure and Facilitate Global Trade (the SAFE Standards). Most WCO members have committed to adopting Authorised Economic Operator programs to implement the standards. AEO programs will henceforth characterise the regulatory framework in which international trade is

conducted. While DOTARS has made significant progress in developing an AEO program for the aviation industry, the sea transport equivalent being developed by the Australian Customs Service is still awaited. Most exporters are unaware of the existence, much less the details, of AEO programs operated by Australia's trading partners.

Political support and adequate resources should be given to Customs to quickly complete and implement Australia's AEO program. An education campaign should be developed to advise exporters of the AEO programs they will face when exporting to particular foreign markets.

3.0 STRUCTURAL & SUPPLY SIDE ISSUES (C2)

The National Food Innovation Strategy provides a salutary lesson. The NFIS created a truly fresh approach to encouraging Australian food exporters to be innovative in their product development and market access strategies. It was delivered in part through a web-based portal and contained, amongst other things, toolkits for market access. It is a model which could be adopted and adapted by other industry sectors. Regrettably, Federal Government funding for the NFIS was discontinued in 2007 and it languishes for want of sponsorship by a government agency or industry.

4.0 TRADE NEGOTIATIONS & MARKET ACCESS ISSUES (C3)

Amcham fully endorses the Government's commitment to a successful conclusion of the WTO's Doha Development Round and reiterates its long-held view that the multilateral trade negotiation system under the aegis of the WTO is the preferred and most effective route to a more efficient global trading regime which optimises Australia's export potential.

At the same time, in view of the slow progress of the Doha Round, Amcham supports the Government's active pursuit of plurilateral and bilateral preferential trade agreements which deliver substantive benefits to Australia's exporters in respect of Australia's key existing and developing export markets.

Amcham applauds the Austrade work on market analysis, market access and business matching in export markets. However, there is considerable scope for Austrade to more effectively "complete the circle". Many Australian companies have succeeded at exporting, many have failed. The Government's efforts in encouraging new generations of exporters are welcome – but each new generation of exporters would benefit from learning from the experiences of those exporters who have gone before them – the successful and the unsuccessful. Austrade should find innovative ways to capture those experiences and make them accessible to each new generation of exporters.

In international trade, costs are driven up by differences in regulations between export markets. Uniformity and harmonisation of regulatory standards improve the efficiency with which companies' trade. Australia should take the lead in promoting uniformity and harmonisation in all international for affecting international trade.

Rules of origin under bilateral and plurilateral Free Trade Agreements vary widely and, in some FTAs such as the AUSFTA, are excessively detailed and product-specific. This "noodle bowl" effect seriously undermines the intended benefits of FTAs by requiring extensive effort to prove compliance and, in some cases, discouraging importers from even claiming the preferential duty rates. Negotiators need to develop simpler rules of origin which achieve the

administrative objectives but which do not create commercial disincentives to compliance. Australia should galvanise multilateral efforts towards the adoption of a common international approach to rules of origin.

5.0 INTERNATIONAL BUSINESS DEVELOPMENT (C4)

Australia's export profile relies heavily on the resources, agriculture, services and elaborately transformed manufactures sectors. Protection of the environment and enhancing the sustainability of industries is now a key political and economic driver around the globe. Australia has tremendous expertise and creativity in the development of environmentally friendly goods, services and technologies, though often at the SME level. Special focus should be given to supporting product development and market access for this burgeoning sector.

6.0 IMPROVING MECHANISMS FOR EXPORT AND INVESTMENT PROMOTION: (C7)

6.1 Measures to Promote Readiness

Australia has a well-developed set of programs designed to promote exports from Australia, at both the federal and state levels. From a user's perspective, there appears to be considerable expertise across a broad range of disciplines. The network of Austrade offices around the world is increasingly comprehensive. There appears also to be no shortage of hard working, well intentioned staff around Australia in both Austrade and counterpart state organizations keen to assist local companies in developing and implementing an export program. The emphasis on small to mid-sized companies in recent years appears to have paid dividends in terms of the number of companies now actively seeking to export goods, services and intellectual property.

Existing programs and mechanisms could nonetheless be enhanced in various ways. Following are some suggestions on how current mechanisms and resources might be better focused and thus made even more effective.

First, the roles and responsibilities between federal and state bodies could be better coordinated especially for prospective users. It can be unclear which office has principal responsibility or the more useful resources for any particular client and project. Consideration should be given to developing ways of coordinating the roles, responsibilities and resources of the various offices seeking to help prospective exporters and overseas investors.

In this regard, we would suggest a general stock take be conducted of expertise and programs offered not only by federal and state government but also by universities, institutes and private organisations. Our sense is that there are a variety of offerings to would-be exporters and investors that are not always coordinated. These include not only programs on "nuts and bolts" issues such as adapting your product or securing financing, but also periodic sessions on such topics as developing proper management approaches to running overseas businesses, preparing business plans suitable for overseas ventures, etc. A mechanism for coordinating these various pockets of expertise would benefit Australian businesses seeking to expand internationally in various ways including by helping to ensure a greater overall level of readiness (see below).

Once the various areas of expertise and resources are better understood and coordinated, approaches could be adopted to achieve what should be the objective of all programs in this

area—to help Australian companies better prepare for new export and investment projects. A frequent observation in the United States, for example, has been that Australian companies often lack sufficient resources, advance knowledge or preparation to succeed in that market. There is no doubt that there are some notable Australian success stories in the United States. However, smaller companies are often under prepared for the challenges that complex market poses.

One useful approach to address this might be to focus resources on developing comprehensive programs designed to cover the essentials of all aspects of doing business overseas, including many of the “intangibles” often missed by companies new to export or overseas investment. This could involve sessions addressing such issues as:

- speaking in the terminology of local businesses
- meeting the requirements of the local business environment
- scaling up to the expectations of local prospective customers and business partners
- planning adequately and effectively for a new market venture
- understanding best practices in the target industry sector
- lining up the resources to sustain the effort to develop a market presence in the target market.

Such background training should be “required reading” for any company seeking to sell into or set up in a complex market like the United States.

6.2 Other Potentially Useful Measures

Any effort to further promote overseas sales and investment (which often go hand in hand), must of course begin with an understanding of existing strengths and weaknesses. This includes understanding current levels of performance. It is well recognised that goods exports typically are tracked more effectively than other types of exports, such as services and technology transfers. Similarly, overseas investment is almost certainly under reported especially since tracking of overseas investments among small to mid-sized firms is apparently anecdotal. It is our impression that the value of exports and overseas investment in these areas is not well understood. A priority going forward should be to develop mechanisms to track the level and exact nature of these activities. This could involve more active follow up measures with clients of federal and state export promotion offices. This could include the use of periodic questionnaires with these and other companies known to be involved in some sort of overseas activity. Tracking more closely where Australian companies are active, and where they are not, would be highly useful to the state and federal governments in deciding where to allocate resources and focus.

An anecdotal example helps illustrate the point. From all indications, it appears that Australian services firms (whether it be large financial services companies, or smaller training, educational, or professional services firms) focus their efforts for the most part on those countries where English is the predominant language and where the legal system is similar to that of Australia. These list of destinations is relatively small—the United Kingdom, the United States, New Zealand, Canada and for the more adventurous some countries in Western Europe. Understanding this, and why it is so, may help export promotion bodies to develop programs designed to assist companies in broadening their focus to include less familiar and more challenging markets. Such programs could bring together experienced presenters on such topics as doing business and investing in civil law jurisdictions, countries

still developing transparent legal systems, and countries in which English is not the predominant language.

There are other ways in which the Australian Government might help, notably in trade and investment liberalisation. Again, drawing on the example of services exports and establishment/investment overseas in services sectors, there may be various ways to address the apparent lack of activity in all but a small number of target countries.

At the multilateral level, the objective of including services in any Doha Round outcome is potentially very useful to services companies seeking to export to new as well as established markets. A future and ongoing goal should be to seek liberalising commitments in those sectors in which there is most likely to be opportunities for Australian companies. Obviously, a stock take of current capabilities and activities, as suggested above, would be an essential element in setting negotiating priorities.

Similarly, a strategy of continuing to push for new, and meaningful free trade agreements (“FTAs”) and other types of liberalising arrangements could assist and encourage would-be and existing exporters and investors to explore new markets especially if the focus included those countries of greatest potential promise to services and technology exporters and investors (see below).

Finally, the Australian Government should consider whether to pursue an investment-focused agenda with select destination countries. The collapse of multilateral efforts to achieve liberalisation through a multilateral agreement on investment has left countries to address impediments to investment through alternative arrangements. FTAs, and other comprehensive arrangements, if properly focused can play an important role as previously suggested. The Australian Government might also wish to consider the possibility of seeking to negotiate Bilateral Investment Treaty-type of arrangements, focused on investment protection, with countries presenting attractive potential opportunities for Australian companies.

The United States and many other countries have an array of BITs with important host countries. (There are approximately 2,500 currently in effect around the world.) The U.S. has entered into a number of BITs particularly with nations that are not English speaking, not common-law based and where the rule of law is arguably less well-established. According to the USTR website, “[t]he U.S. bilateral investment treaty (BIT) program helps protect private investment, develop market-oriented policies in partner countries, and promote U.S. exports.” Such arrangements could be highly useful with potentially attractive investment destination countries, as a mechanism for encouraging a broader range of overseas investment and export activities (especially in the services and technology sectors). The common BIT provisions relating to national treatment, minimum standards of treatment, standards for nationalisation and expropriation, prohibition on impediments to transfers, no performance requirements, transparency of laws and dispute resolution could provide new incentive for prospective investors in heretofore difficult destinations. This is likely to be of ever increasing importance as the Australian economy continues to grow and diversify and as successful Australian companies continue to globalise.

6.3 COMMENTS ON FUTURE LIBERALISATION STRATEGIES

As is widely agreed, Australia needs to remain committed to achieving ever increasing liberalisation for trade and investment through the World Trade Organization. A major focus

must continue to be to expand upon the results achieved in prior rounds to new sectors such as agriculture and services and among the large developing economies.

Australia should also remain committed to its existing policy of supplementing multilateral efforts with other types of liberalising arrangements with key trading partners. FTAs are an important aspect of this. Australia should also continue to consider other types of arrangements that achieve at least some liberalisation with partners unable or unwilling to commit to an FTA. APEC should continue to be a priority focus for Australia.

The merits of these types of supplement efforts are difficult to dispute. They can help raise the overall level of awareness and commitment to trade and investment liberalisation when multilateral efforts may be bogging down. In a kind of rising tide lifts all boats comparison, the more that the world's economies engage in some form or other of liberalisation the greater the overall level of awareness and commitment among nations to keeping pace with the globalisation of the world economy.

Equally important, relatively easier to negotiate FTAs and other measures can often go where the multilateral system cannot, especially into uncharted waters not addressed at the WTO level.

Having said that, we believe there would considerable benefit in a review of the Australian Government's FTA priorities going forward. An important aspect of this would be to review the criteria for deploying scarce resources to negotiate a trade deal.

An important criterion going forward should be to focus on negotiating arrangements with emerging and already important markets like China where meaningful liberalisation commitments would almost certainly be of benefit to a large number of Australian companies.

A second criterion should be to try to negotiate deals that are achievable. The prevailing circumstances in key markets might be such that a WTO-conforming FTA affecting substantially all trade is not achievable. In those circumstances, resources might be better deployed on other types of more informal or less comprehensive arrangements.

A third criterion should be to focus on trying to achieve FTAs or other deals with trade partners showing the best potential match up with Australian capabilities in difficult sectors such as services and technologies. These may be areas in which an FTA for example is most needed and most potentially useful because of existing impediments. As previously discussed, a stock take of current activity and concerns among companies in these sectors could be invaluable as an aid to setting negotiating priorities. Large developing countries like Brazil and South Africa could emerge as new candidates for FTA negotiations based on this type of review.

6.4 BILATERAL TAX TREATIES AND OTHER AGREEMENTS

It is important not to see trade and investment policies as independent of other government policies and approaches to international relations.

Business relies on integrated decisions and total outcomes. A particular business proposal may look attractive but not succeed because of impediments to the deal. These impediments can be diverse, high on the list is tax and the ability to move human resources. Security of assets is also important.

There is a very strong argument for seeing a tax treaty as a necessary measure to ensure the success of trade and investment policy initiatives.

Other areas in need of consideration include: travel, visa and immigration arrangements.

6.5 IMMIGRATION AND VISA ISSUES

This is a major source of massive frustration for Australian and global business. To successfully develop business, it is necessary to be able to relocate human resources quickly and with minimum costs. Few countries have user-friendly immigration procedures. We appreciate the need to ensure immigration recognises security concerns. However Australia's procedures seem unnecessarily complex with a huge proliferation of visa classes. Understanding the system is difficult - using it is more difficult.

This limits the ability to move people for training and management assignments. While outside the scope of the review, we urge consideration of a review, simplification and streamlining of Australia's immigration visa system and processing. This would allow Australia to encourage our major economic partners to adopt a similar approach. It will also assist in promoting in bound investment.

7.0 INTELLECTUAL PROPERTY (IP)

7.1 WHY INTELLECTUAL PROPERTY IS THE ONLY REAL WAY FORWARD TO IMPROVE AUSTRALIA'S EXPORT PERFORMANCE

Currently, Australia is benefiting from a commodity cycle boom. This is likely to continue, but there will inevitably be a supply response to current strong demand. This may see real prices level off or decline over time. There is a limit to the extent to which Australia should rely on bulk commodity exports – this is dictated by national interest and strategic considerations. Agriculture is another traditional area of exports. There are physical and climatic limits to the up side potential for this area.

Australian Governments have traditionally sought to promote manufactured exports. The growth potential is limited by Australia's geographical location (high freight costs) high wage costs and small domestic market which limits the size of the domestic manufacturing base.

If Australia is to exploit global markets it must be with products that can be easily transported and are easily scaled and don't suffer disadvantages of high shipping costs.

Products which meet these criteria are based on intellectual property.

When Australia signed the FTA agreement with the USA, we implicitly adopted the IP protection regime of the USA. This adoption needs to be explicitly recognized and factored into government industry and trade policies.

To date this has not been done effectively.

It is also noted to illustrate this point that US trade policy is integrated with US government policy for the development, protection and exploitation of US owned IP.

Australia should review the integration of these policies, learning from US experience.

In Appendix 1 (Intellectual Property: Export Potential), we have made frank comments on existing policy and provided suggestions for developing and promoting a policy for faster commercialisation of IP.

If Australia is to break a dependence on bulk commodity exports and exploit global markets with the products of a knowledge based economy, new and ground breaking policy approaches are required.

A recycling or repackaging of IP policies and approaches of the past will not work.

The opportunity exists to set a new direction.

There is considerable scope in many industries to develop export markets for Australian IP based exports.

The industries in which Australia has enjoyed traditional export success, agriculture and mining, have developed secondary products and services that have large potential markets overseas.

In future trade negotiations AmCham recommends that the attention and priority be attached to access and protection issues that relate to IP. Additionally, the potential significance of IP exports and potential revenue streams should be recognised in the negotiation of tax treaties.

It is also appropriate to review trade promotion policy and measures to ensure they recognise both the potential of and the special nature of IP exports.

While it is easy to identify with physical exports like bulk commodities, manufactured goods and agricultural commodities, the intangible nature of many IP products makes it hard to visualise and therefore recognise.

Australia has the opportunity to achieve great success in this area. The potential benefits flow beyond the export sector and will benefit the entire economy.

For IP to become an engine of the economy, policy will have to foster the development, capture, production, exploitation and promotion of IP. This is a major and complex task. It is beyond the scope of this submission to traverse all the issues and policies that need review. We have in Appendix 1 provided more details which could provide the basis of a review of government policy on IP, and in particular, those areas relating to export.

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Intellectual Property: Export Review

A.1.0 A POSSIBLE APPROACH TO INTELLECTUAL PROPERTY SUPPORTIVE POLICY

It is our view that any consideration given towards increasing intellectual property export performance should give due consideration to leveraging the vast amount of intellectual property within Australia in three contexts:

- Incremental Improvement;
- Evolutionary Improvement
- Revolutionary Improvement.

A.1.1 INCREMENTAL IMPROVEMENT

Under the banner of 'incremental improvement' it may be prudent for the Review to consider how best it can streamline the evaluation process (ie. paper work, administrative process, time and 'red tape' etc.) that Australian entrepreneurs and SMEs have to endure in order to apply for and then receive benefits under government programs. Quite often, Australian entrepreneurs and SMEs are presented with useful programs from government, but the timeline for realizing the gain becomes un-commercial for the entrepreneur or SME when they consider compliance costs (time and money) and, as a result, the take up rate of these programs is not what it should be.

Entrepreneurs and SMEs are quite frequently compelled to make a decision between:

- Spending valuable time in their competitive, high pressure growth businesses and industries (including R&D, product/service development/implementation and customer relationship management); and
- Compliance paperwork and perceived 'red tape' (ie. tender applications, tender reviews, KPI progress meetings, repetitive reporting obligations etc.) related to government grants and resource programs.

Intellectual property exports from Australia stand a better chance of increasing where there are efficient processes in place for supporting entrepreneurs and SMEs by granting government resource assistance in a timely manner (money, R&D capabilities, industry linkages, trade shows etc.), that makes owners of intellectual property more competitive.

Under the premise of growing intellectual property exports and keeping things simple for our entrepreneurs and SMEs, the following may be activities the Review wishes to consider when advising the Commonwealth government on options for cutting the 'red tape' which is commonly perceived as a deterrent to entrepreneurs and SMEs participating in government export programs:

A1.1.1 INTELLECTUAL PROPERTY EXPORTER PASS PROGRAM

The creation of a rolling 4 year IP Exporter Pass program, under which entrepreneurs and SMEs would be registered and recognized by all government programs (current and future)

as exporters of intellectual property. (All demographic and business information normally required of an entrepreneur or SME when they apply for government programs is logged and a unique identification number given to each registered entrepreneur and SME, to be used on all Commonwealth grants and government programs). The IP Exporter Pass would need to be supported by a ONE APPLICATION ONE PROCESS policy for Commonwealth grants and government programs (which would require a significant culling of hundreds, if not thousands, of different application formats and procedures). Once an entrepreneur or SME holds an IP Exporter Pass, he or she would be able to by-pass the general application process for any government grant or program during the effective period of the IP Exporter Pass (as the IP Exporter Pass program would require the acceptance and adherence to a standard charter, which could include ONE SET OF STANDARD TERMS AND CONDITIONS that are reasonable and commercial, which only need to be reviewed and agreed to at the time the IP Exporter Pass application is lodged online). After applying, an entrepreneur or SME would be presented with an IP Fast Track Grant program (see number 2 below) each time it sought to participate in a government grant or resource program, rather than being presented with the standard grant and government applications that non-IP Exporter Pass holders would complete.

The IP Exporter Pass is the equivalent of applying to get into university. You apply once for a particular university, and once you are accepted you do not have to re-apply each year during a 4 year degree, no matter how many individual courses and programs you participate in during the course of your university tenure. Currently, if an entrepreneur or SME applies for 5 programs or grants, they run a 100% chance of dealing with 5 different applications, procedures, processes, decision timelines and ongoing reporting requirements; all of which add compliance costs and risk of lost opportunities for entrepreneurs and SMEs who could be using their time to grow their product and service offering and their bottom line.

This 'red tape' reality is quite a deterrent for entrepreneurs and SMEs to take up government grants and programs. The implementation of an IP Exporter Pass program would significantly reduce the actual paper work involved for entrepreneurs and SMEs and make the government processing of its own grant and resource programs much more efficient, so, that entrepreneurs and SMEs can get on with business.

eg. **“FEEDBACK FROM THE COAL FACE”**

Business and industry service providers all relay very similar experiences in seeking government funding. Most have applied for an AusIndustry Commercial Ready Grant, an Austrade Export Market Development Grant (EMDG) and also types of government tender, for the delivery of products and services, some specifically refer to AusTender, published by the Department of Finance.

Each of the people we spoke to felt there was no natural link between programs in the data sharing, application, evaluation and project management (ie. They felt like the first cab off the rank each time, irrespective of what programs they had applied for in government). All felt the red-tape could be and should be cut significantly as some mentioned “the cost/benefit for all the pain is not that compelling given the odds of success”.

In addition to time and process savings, significant ancillary effects of an IP Exporter Pass program include:

- The facilitation of a Commonwealth government database of IP exporters;

- A grant and resource program model for which state governments could potentially leverage for state based entrepreneurs; and
- A platform from which the government could identify and conduct further analysis of exporter commercial, R&D and research needs.

A1.1.2 INTELLECTUAL PROPERTY. FAST TRACK GRANT PROGRAM

Establish an IP Fast Track Grant program and process (for which only IP Exporter Pass holders would be eligible) which draws a clear line (likely at a dollar figure) between small and large grants and government programs and those exporters who choose to not be enrolled in the IP Exporter Pass program.

By way of example, assume the lines of demarcation are drawn at \$5,000, \$25,000 and \$100,000, the following government procedures would be implemented to promote and facilitate greater IP export activity:

- If a grant or resource program delivered less than a \$5,000 benefit to an entrepreneur or SME (either in cash or other resources), the IP Fast Track Grant process would be approved instantly by online application. There would be minimal to nil reporting and KPI expectations for grant holders and resource users; if reporting requirements and KPIs did exist they would be online and would only focus on the production of receipts regarding the spending of the resource and narrative summaries of the exporting activity that was generated as a result of the entrepreneur or SME using the resources (to be used as future case studies);
- If a grant or resource program delivered more than \$5,000 but less than a \$25,000 benefit to an entrepreneur or SME (either in cash or other resources), the IP Fast Track Grant process would be approved within 5 days of an online application. There would be a standard set of reporting obligations and KPIs across all grants and programs expectations for grant holders and resource users, which could be managed online; and
- If a grant or resource program delivered more than \$25,000 but less than a \$100,000 benefit to an entrepreneur or SME (either in cash or other resources), the IP Fast Track Grant online application process would be supported by a one interview policy (telephone or in person), which would occur within 14 days of the application being made, and decision on the application would be made within 7 days of the interview being conducted.

A1.1.3 FOCUS GOVERNMENT PROGRAMS ON INTELLECTUAL PROPERTY

All government departments and entities delivering programs on behalf of the government would, as a condition of their funding and engagement, be required to implement and deliver (against a defined internal set of KPIs) both the IP Exporter Pass program and the IP Fast Track Grant program. This would ensure that all stakeholders were focused on and dedicated to achieving the desired outcomes of these programs.

The adoption of both the IP Exporter Pass program and the IP Fast Track Grant program will make government programs more attractive to entrepreneurs and SMEs, increase IP exports from Australia and combat three critically important forces that currently are influencing a lower than expected success rate of government grant and resource programs and stagnant export performance; they are:

- Entrepreneurs and SMEs not participating in government grant and resource programs because the programs are 'riddled' with 'red tape' and add compliance costs to doing business, which is already fast paced and hard enough without the headaches of compliance costs;
- Entrepreneurs and SMEs are facing global competition and accelerated product and service development timelines and turnover rates in customers, and simply have less time than their colleagues of 15 years past; however, the government programs seem to operate under the same structure, timeline and lack of urgency of 15 years past; and
- Entrepreneurs and SMEs have a growing desire to take their show on the road to jurisdictions that seem to be 'welcoming' and 'sympathetic' to their cause, such as Singapore, Hong Kong and Malaysia, with very tempting tax breaks, R&D grants and fast track business investment visas.

A.1.2 **EVOLUTIONARY IMPROVEMENT**

Increasing intellectual property exports requires a permeation of IP exporting culture.

In order to promote an IP exporter culture within Australia, government needs to go beyond process improvements mentioned above to consider how Australia and Australian intellectual property owners will compete on a global landscape. In considering globalization and all its intricacies, it is critical that the Review consider Australia's capability in identifying Australia's:

- 'Superior IP competitive advantages' and exploiting those first through the facilitation of targeted IP exporting initiatives;
- 'Competitive IP advantages'; and
- 'Industry activity' where Australia is perceived 'not to have a competitive advantage' but, should have one.

Once the Review has made such an assessment, all government programs and grants should be placed into one of these three categories, and the IP Exporter Pass program and the IP Fast Track Grant program should be rolled out in that order.

A 'Superior IP competitive advantage' can be a recognized area of expertise within Australia (recognized by industry within Australia and other countries) that few countries possess.

Arguably, Australia punches above its weight in many industry sectors, but it cannot be refuted that the following are clear superior competitive advantages' for Australia:

- Project management capability (software and services) around Mining and Resources Sector; and

- Superannuation process and management.

Other categories of 'Superior IP competitive advantage' may be:

- Financial services technology (software and security technology);
- Food processing technology;
- Sports and recreational technology, products and services capability; and
- Major project management (sport, entertainment and construction).

These defined areas of 'Superior IP competitive advantage' need to quickly translate into exporting runs on the board for Australia. As such, there is no need for a long term advertising campaign around these capabilities. These capabilities exist within Australia. The Review may consider the appointment of working groups in each of the defined 6 areas, with the following brief:

- Within the first 30 days of forming, identify and approach 50 to 100 entrepreneurs, SMEs and/or large companies in their defined category;
- Within the first 120 days of forming, produce at least 10 to 20 new exporting deals within their defined category; and
- For each 120 days thereafter, identify and approach at least 100 entrepreneurs, SMEs and/or large companies, and produce at least 25 new exporting deals within their defined category.

Working groups should have only two capabilities:

- Commercial deal making capability (ie. the ability to generate deals and the skills to negotiate them to signature and implementation); and
- Industry participants'/stakeholders' experience and perspective.

The working groups should not be reduced to a mere academic exercise. Many people from the academic world could contribute significant advantages to the working groups when combined with real life 'deal makers' and the right approach and exporting KPIs.

Australia doesn't have the time (the world is globalizing itself too quickly), and entrepreneurs and SMEs would rather be out there competing globally. Working group participants should be compensated for results on commercial gain-share models (ie. if the group produces real results the group is rewarded, if the group doesn't, they receive minimal time and materials compensation).

A1.3 REVOLUTIONARY IMPROVEMENT

Finally, the Review needs to consider revolutionary improvements that will make Australia (and Australian entrepreneurs and SMEs) a leading IP exporting nation.

The following recommendations are short in form, but, significant ‘disruptors’ to the status quo. These recommendations are focused on leading to game changing results where Australia becomes synonymous with intellectual property commercialization (like Switzerland is with Swiss Bank Accounts and China is with manufacturing):

- The establishment of a Cooperative Research Centre (CRC) for IP Commercialisation (HQ in AUS and Satellite offices in USA and Europe) (“CRC for IP”) that sits along side all other CRCs. The CRC for IP will have shadow responsibility for turning all CRCs into commercial deal engines where the licensing of their respective portfolio intellectual property becomes just as important as the R&D that they are conducting. The Review needs to consider that the business results performance of CRCs has been inconsistent over the years.

It is our contention that great R&D does not equal great deal making. Australia has to have a defined deal making capability to punch above its weight, just as Australia has tremendous globally respected R&D capability today. The CRC for IP should be run by commercial deal makers and scientists together with clearly defined exporting volume expectations and business timelines for delivering deals;

- The establishment of an IP Visa, whereby entrepreneurs and businesses around the world view Australia as the first destination in which to register their IP and use Australia as the business hub for licensing that IP around the world. The IP Visa would be equivalent to an investor visa (and the E 3 Visa for the USA), and a process and procedure would be developed to fast track the process similar to our suggestions regarding the IP Exporter Pass (see above). The IP Visa holder would experience a special tax rate for the first 3 years of establishment in Australia of an IP holding and licensing company (similar to Singapore’s recent reduction in tax rates); and
- Australian entrepreneurs and SMEs receive tax incentives on a newly created scale rate where the measures for tax reduction are tied to objective proof of exporting achievement as well as establishment of jobs in Australia. The new tax rates could also be applied to Australian companies that decided to bring offshore operations back home to Australia.

These revolutionary improvements are needed to keep Australia ahead of other nations that are becoming the first point of call for establishing businesses and off-shoring.
