



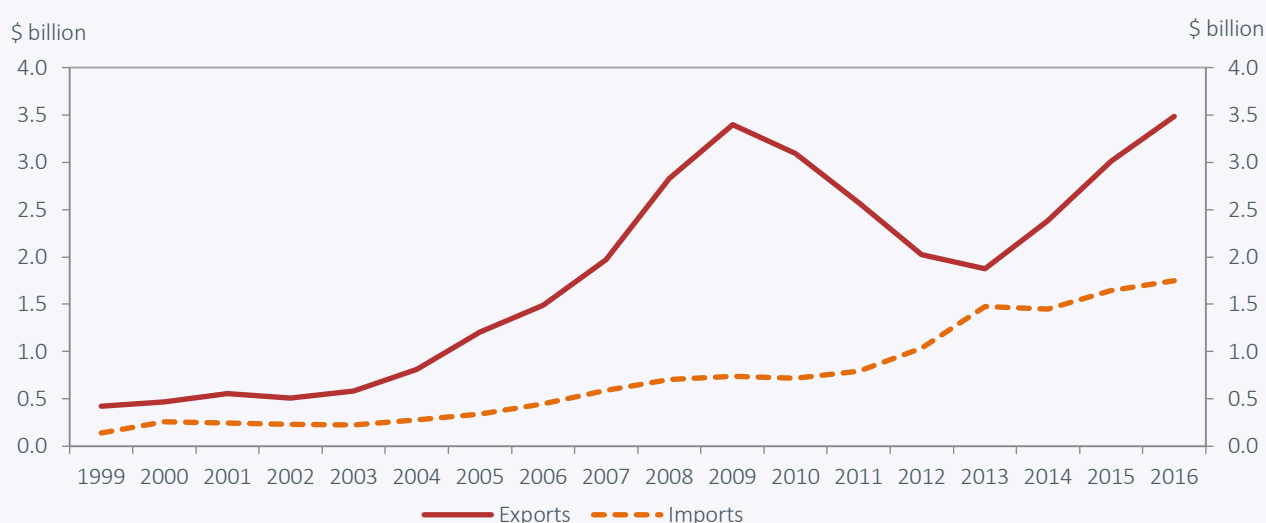
AUSTRALIA'S TRADE IN SERVICES WITH INDIA

India was Australia's seventh largest two-way trade in services partner in 2016. Australia's two-way trade in services with India was valued at \$5.2 billion and accounted for one quarter of Australia's total trade in goods and services with India. Two-way trade in services has grown by an average 6.5 per cent per annum over the past ten years, above the average for Australia's total services trade with the world of 4.6 per cent per annum. Growth in services has been dominated by growth in travel services, particularly exports of education services. India was Australia's sixth largest services exports market (third largest market in Asia after China and Singapore) in 2016 and Australia's 13th largest source of services imports.

Long term trends in trade in services with India

Australia's exports of services to India increased by an average 13.6 per cent per annum since 1999¹ to be valued at \$3.5 billion in 2016 (*Chart 1*). However the export growth rate has not been consistent over this period. Export growth was virtually flat between 1999 and 2004 before growing strongly from 2004 to 2009, driven by Indian students studying in Australia in significant numbers. Exports declined between 2009 and 2013 to just \$1.9 billion, as the number of Indian students fell due to a range of issues, including concerns with the quality of some vocational education institutions, student visa changes, higher exchange rates and concerns for the personal security of Indian students in Australia. This trend has since reversed with exports growing to a new peak in 2016 based largely on the return of Indian students studying in Australia.

Chart 1: Australia's trade in services with India



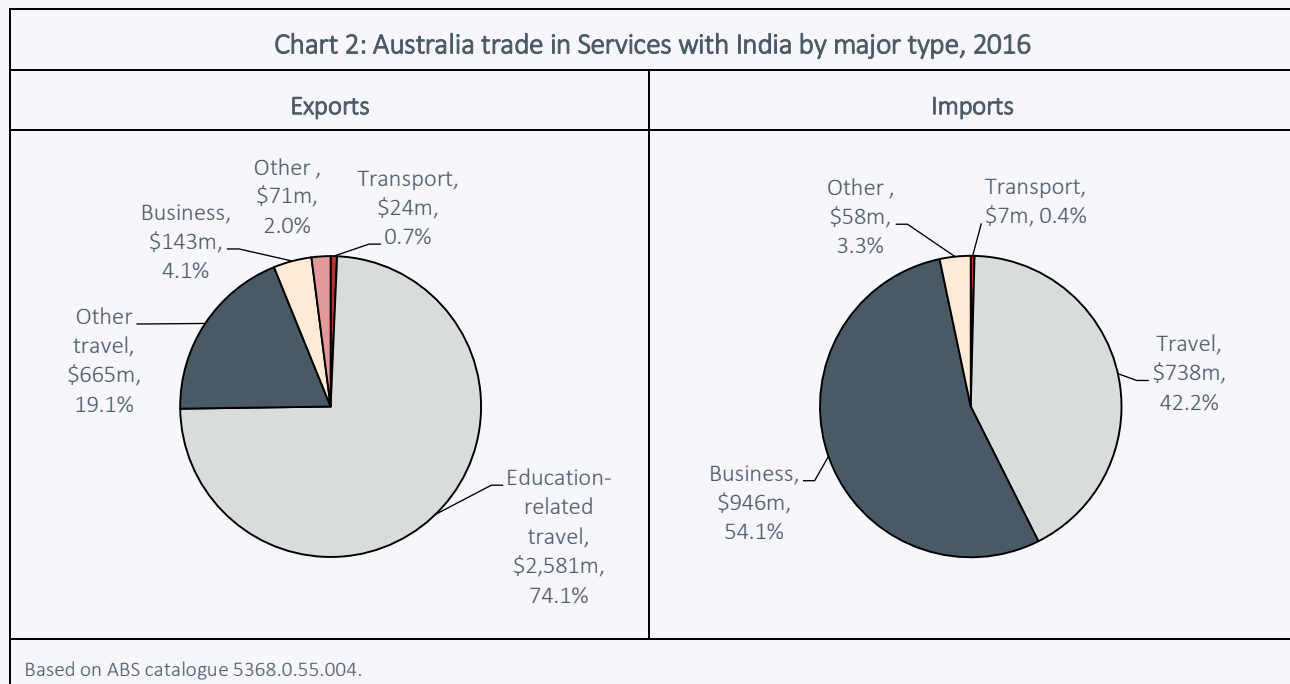
Based on ABS catalogue 5368.0.55.004.

¹ The Australian Bureau of Statistics (ABS) only started reporting services trade with India from 1999.

Australia's imports of services from India increased by an average 15.6 per cent per annum since 1999 to be valued at \$1.7 billion in 2016. Unlike exports, growth has been fairly consistent over the period, though the growth rates did accelerate between 2010 and 2013. The major reason for the growth has been due to increased imports of *Travel services* (mainly due to a growth in the number of Australians visiting India to visit family and holiday purposes), *Telecommunication, computer & information services* and *Professional services*.

Major services sectors

Australia's exports of services with India was dominated by *Education-related travel services* (which covers the education fee and living expenditure of Indian students in Australia) which accounted for 74.1 per cent of Australia's exports of services with India in 2016. The other significant export sectors was *Business travel* and *Other personal travel services*. Imports of services from India were dominated by *Business services*² which accounted for 54.1 per cent, and *Travel services* accounted for 42.2 per cent of total services imports (*Chart 2*).



Travel services

Travel services dominated Australia's trade in services with India. Australia's exports of *Travel services* to India were valued at \$3.2 billion in 2016 and have increased by an average 4.2 per cent per annum over the past ten years (*Chart 3*). *Travel services* exports accounted for 93.2 per cent of total services exports to India in 2016. Over this period the number of short-term visitor arrivals from India increased from 80,700 to 259,900 in 2016 (*Chart 4*).

Australia's *Travel services* exports to India in 2016 comprised *Business travel services* valued at \$268 million, *Education-related travel services* valued at \$2.6 billion and *Other personal travel services* (mainly recreational travel) valued at \$397 million.

² *Business services* includes: *Construction services; Financial & insurance services; Charges for the use of intellectual property; Telecommunication, computer & information services and Other business services.*

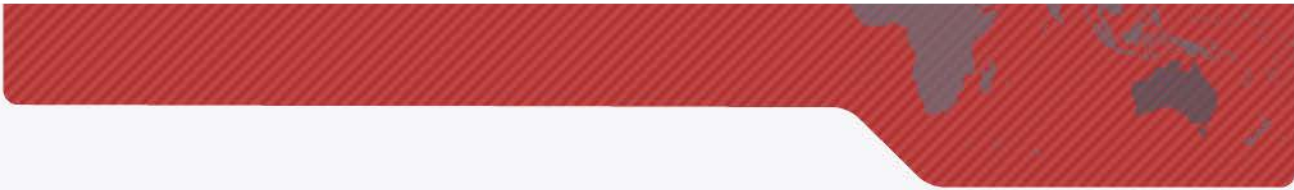
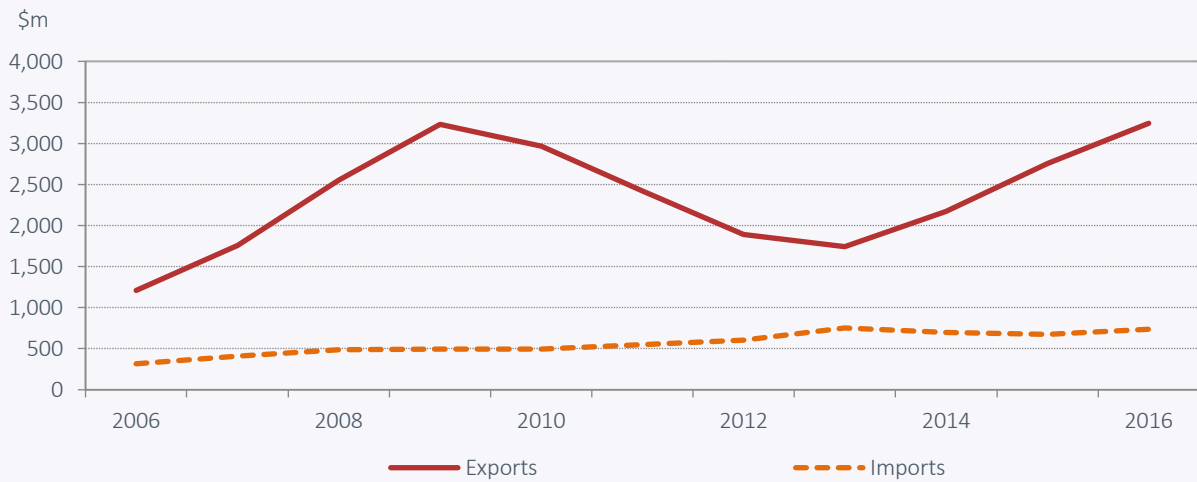


Chart 4: Australia's trade in Travel services with India

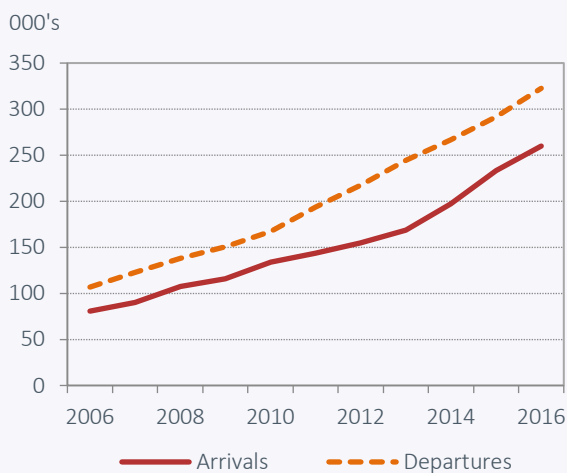


Source: DIBP overseas arrivals and departure statistics.

Education-related travel services exports

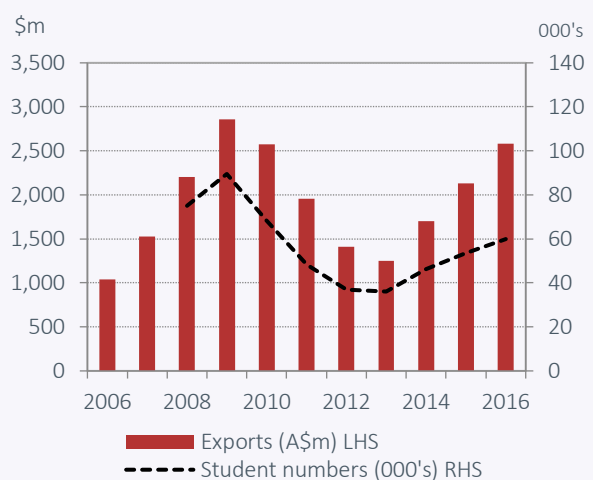
Education-related travel services are the most important Australian services export to India and accounted for 74.1 per cent of total services exports in 2016 (Chart 5). India is Australia's second largest market for these services behind China. However, growth in exports has not been consistent over this period. Strong growth in Education-related travel services occurred between 2006 and 2009, up from \$1.0 billion to a record \$2.9 billion in 2009, with 89,505 Indian students studying in Australia. Both exports and student numbers declined between 2009 and 2013 with exports in 2013 valued at just \$1.2 billion and student numbers falling to 36,071.

Chart 4: Short-term Indian visitors and Australian resident departures



Based on ABS catalogue 3401.0.

Chart 5: Exports of Education-related travel services



Student numbers only available from 2008 onwards. Based on ABS catalogue 5368.0.55.004 & Department of Education & Training.

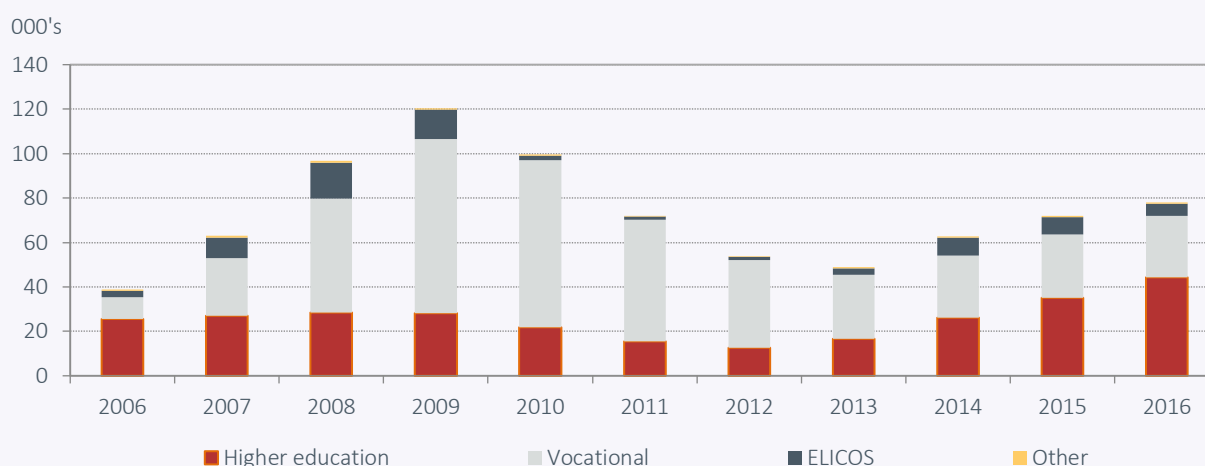
This fall was due to a range of issues, including concerns with the quality of some vocational education institutions in Australia, changes to student visa criteria, the high exchange rate for Australia dollar (making the cost of education in Australia more expensive) and concerns for the personal security of Indian students in Australia.

Since 2013 *Education-related travel services* has rebounded quickly with exports growing from \$1.2 billion to \$2.6 billion in 2016 with most of the concerns that drove the fall having abated or been addressed. However, student numbers, though increasing from 36,071 to 60,013 have not grown as quickly as export values.

The divergence in the growth rates between export values and student numbers can be explained by a shift in the type of courses being studied by Indian students pre-2009 vs post-2009. Pre-2009 most Indian students were studying in the lower export value vocational education sector with 65 per cent of Indian students enrolled in these programs in 2009. Post-2009 there has been a shift away from the vocational sector (down to just 35 per cent of total enrolments in 2016) to the higher education sector with nearly 57 per cent of Indian students enrolled in these higher valued courses in 2016 (*Chart 6*).

Student visa statistics show that this trend is continuing into 2017. Student visa grants for Indians in the first six months of 2016-17 show that nearly 90 per cent of grants over this period were in the higher education sector and only 9 per cent in the vocational sector³.

Chart 6: Indian student enrolments by sector



ELICOS – English Language Intensive Courses for Overseas Students.

Source: Department of Education & Training - International student enrolment data.

Business travel and Other personal travel services exports

Exports of the other travel services components to India has also grown over the period 2006 to 2016 on the back of the strong rise in the number of Indians visiting Australia. Exports of *Business travel services* has grown from \$72 million in 2006 to \$268 million in 2016, while exports of *Other personal travel services* (mainly recreational travel) increased from \$95 million to \$397 million. Together these components accounted for 19.1 per cent of total services exports to India in 2016.

Travel services exports are expected to continue to grow strongly over the next ten years. Tourism Research Australia has forecast growth of 8.2 per cent per annum on average for visitors from India to 488,000 by

³ Source: Department of Immigration and Border Protection - Student visa and Temporary Graduate visa programme bi-annual report ending at 31 December 2016

2024-25⁴. Indian business travellers will grow by 4.7 per cent per annum on average while Indian visitors here for holiday or visiting family and relatives will increase by 9.0 per cent per annum.

Travel services imports

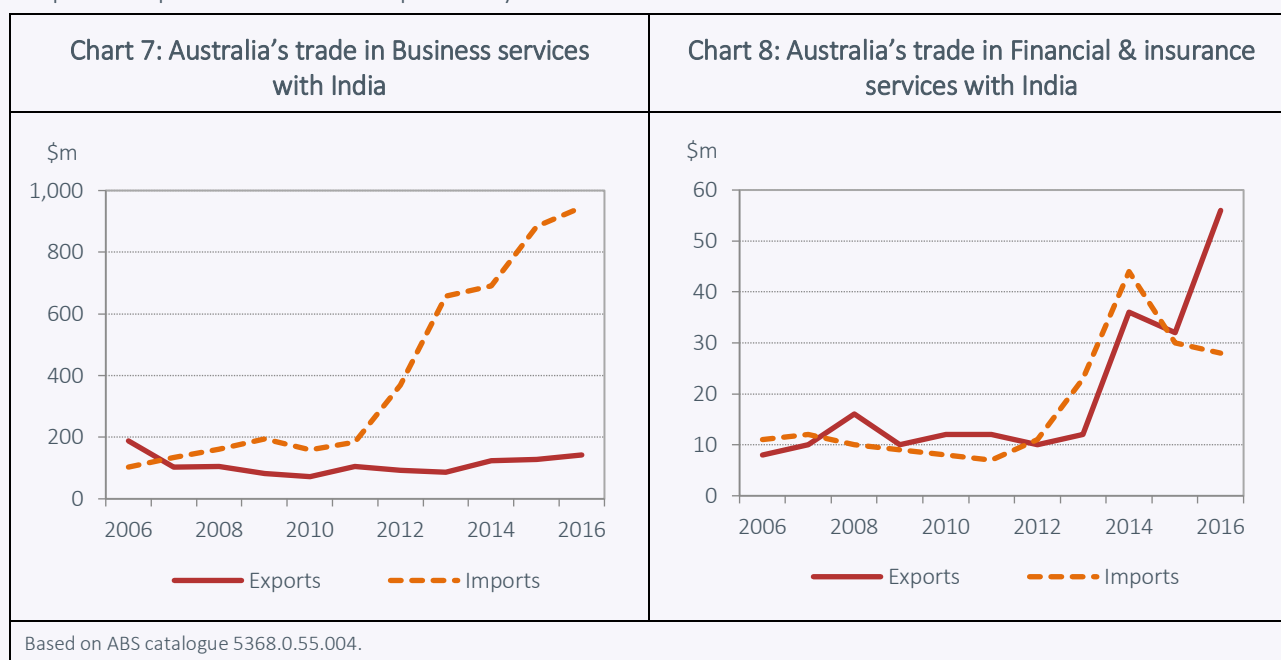
Australia's imports of *Travel services* from India increased by an average 7.9 per cent per annum over the past ten years to be valued at \$738 million in 2016. *Travel services* imports accounted for 42.2 per cent of Australia's imports of services from India. Over this period the number of short-term Australian resident departures to India increased from 106,800 to 322,600 in 2016.

Australia's *Travel services* imports from India in 2016 comprised *Business travel services* valued at \$96 million, *Education-related travel services* valued at \$26 million and *Other personal travel services* (mainly recreational travel) valued at \$616 million.

Other personal travel services dominated imports of *Travel services* from India (accounting for 83.5 per cent of total *Travel services* imports). This series has grown by an average 9.5 per over the past ten years.

Business services⁵

Australia's exports of *Business services* to India were valued at \$143 million in 2016 and accounted for just 4.1 per cent of total service exports to India (*Chart 7*). Exports of *Business services* rose by an average 0.4 per cent per annum over the past ten years.



Imports of *Business services* from India were valued at \$946 million and accounted for over half (54.1 per cent) of total service imports from India in 2016. Imports of *Business services* have increased by an average 27.0 per cent per annum over the past ten years. Within *Business services* the major services were:

Financial & Insurance services

Exports of *Financial & Insurance services* to India increased by an average 16.7 per cent per annum over the past ten years to be valued at \$56 million in 2016. *Chart 8* shows that these services rose strongly from 2013 to 2016, up from \$12 million to \$56 million, mainly due to *Financial services* (up from \$7 million in 2013 to

⁴ Source: Tourism Research Australia - Tourism Forecasts 2016.

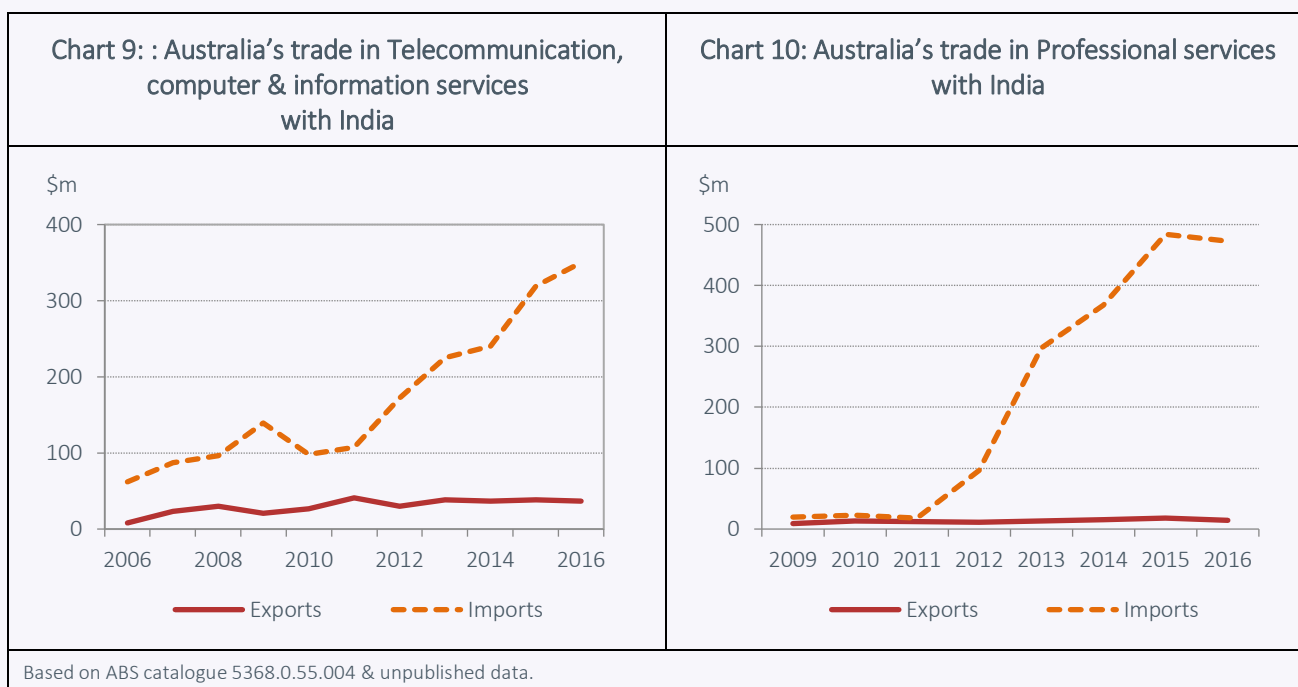
⁵ *Business services* includes: *Construction services; Financial & insurance services; Charges for the use of intellectual property nie; Telecommunication, computer & information services and Other business services.*

\$51 million in 2016). Imports of *Financial & Insurance services* from India also follow a similar growth pattern. Imports grew strongly from 2012 to 2016, up from \$11 million to \$28 million.

Telecommunication, computer & information services

Australia was a net importer of *Telecommunication, computer & information services* from India over the last decade. Exports to India have grown from a low base of \$8 million to \$37 million in 2016 (**Chart 9**).

Telecommunication services were valued at \$5 million, while *Computer & information services* were valued at \$32 million. The major export was *Hardware & software consultancy services* and *Data processing services* valued at \$29 million in 2016.



Australia's imports of *Telecommunication, computer & information services* from India have risen by an average 17.9 per cent over the past ten years to be valued at \$350 million in 2016. India was Australia's second largest source for these imports after the United States in 2016. *Telecommunication services* were valued at \$36 million, while *Computer & information services* imports were valued at \$314 million in 2016. The major imports within *Computer & information services* were *Hardware & software consultancy services* valued at \$213 million and *Database services* valued at \$60 million.

Professional services⁶

Australia was also a net importer of *Professional services* from India over the last decade. Australia's exports of *Professional services* to India have grown from \$9 million in 2009 to \$14 million in 2016. (**Chart 10**).

Imports of *Professional services* from India have grown from \$20 million in 2009 to \$473 million in 2016. *Professional services* was Australia's second largest service import from India in 2016. The major *Professional services* imported from India in 2016 were *Management fees⁷* and *Other professional services* valued at \$424 million (due in part to the significant increase in Indian investment in Australia in recent years, with

⁶ Data for Professional services is only available from 2009 to 2016.

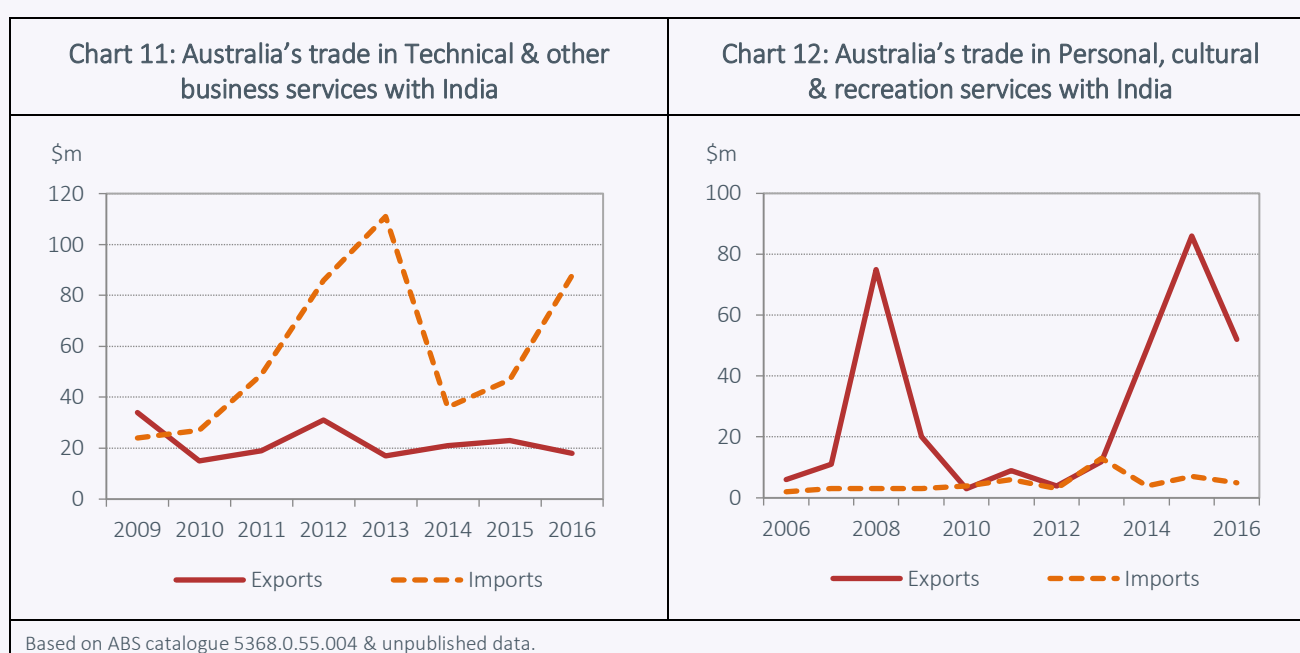
⁷ Management fees are charges between related enterprises representing a contribution to general management costs such as corporate computer systems, and accounting that cannot be split to a specific service category.

Indian businesses in Australia using head office corporate services), *Accounting services* valued at \$34 million and *Advertising services* valued at \$13 million.

Technical & other business services⁸

Australia's exports of *Technical & other business services* to India have fallen from \$34 million in 2009 to \$18 million in 2016 (**Chart 11**). The major component was *Engineering services* and *Surveying services* which have risen from \$11 million in 2009 to \$16 million in 2016.

Imports of *Technical & other business services* from India have increased from \$24 million in 2009 to \$88 million in 2016. However the level of imports has been fairly volatile over the period, with a peak of \$111 million in 2013. The major component was *Engineering services* valued at \$35 million and *Scientific & other technical services* valued at \$28 million.



Personal, cultural & recreation services

Exports of *Personal, cultural & recreation services* to India (**Chart 12**) was valued at \$52 million in 2016 up from \$6 million in 2006. The major components are education, television and sporting services. This series tends to be fairly volatile with particular sporting events, such as the Cricket World Cup held in Australia in 2015, causing large spikes in the series.

Imports of *Personal, cultural & recreation services* from India were fairly small valued at just \$5 million in 2016. The largest component was imports of *education services*.

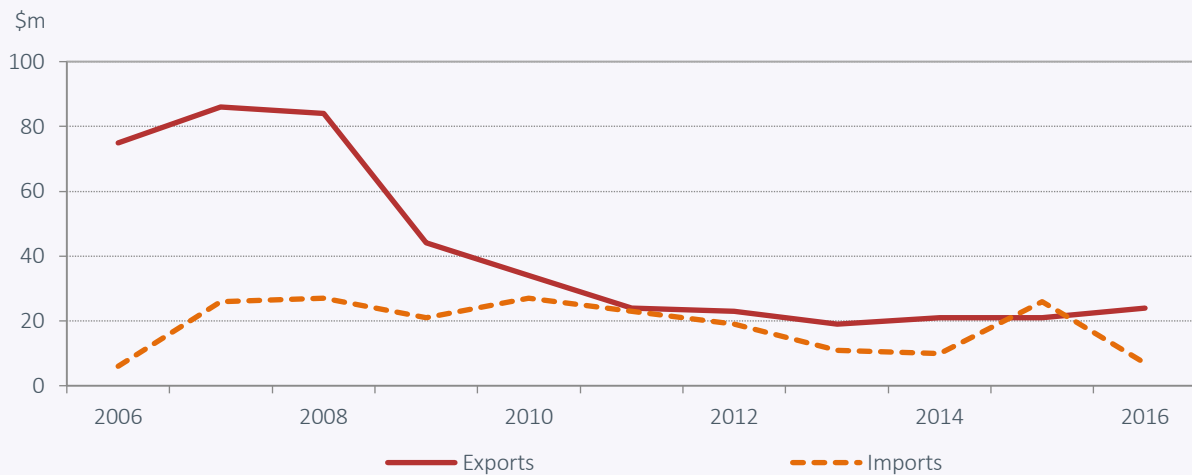
Transport services

Trade in *Transport services* between Australia and India are fairly minimal. Australia's exports of *Transport services* to India decreased from \$75 million in 2006 to \$24 million in 2016 (**Chart 13**). Exports of *Transport services* accounted for just 0.7 per cent of Australia's total services exports to India.

⁸ Data for Technical & Other business services is only available from 2009 to 2016.

Australia's imports of *Transport services* from India fell 3.4 per cent per annum on average over the past ten years to be valued at just \$7 million in 2016 and accounted for 0.4 per cent of Australia's total imports of services. The main import was *Freight transport services* valued at \$5 million in 2016.

Chart 13: Australia trade in Transport services with India



Based on ABS catalogue 5368.0.55.004.

Conclusion

India is an important services trading partner for Australia and trade has grown from \$1.9 billion in 2006 to \$5.2 billion in 2016.

Australia's export profile has been dominated by *Education-related travel services* which accounted for nearly 75 per cent of all services exports to India in 2016. The profile of Indian students has changed over the past ten years with the higher education sector now accounting for more Indian student enrolments than the vocational sector. The number of students and visitors from India are forecast to continue increasing strongly over the next decade.

Business services exports, though growing, remained small in value terms. Growth and the widening in the base of these services could be facilitated by reducing barriers faced by Australian services suppliers in India and by increasing regulatory transparency.

In terms of imports, *Business services* accounted for more than half of all services imported from India in 2016, with India being a major import source for Australia of *Professional services* and *Telecommunication, computer & information services*. *Travel services* continue to be a growing import sector.

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ATTACHMENT A

AUSTRALIA'S SERVICES EXPORTS TO INDIA BY TYPE OF ACTIVITY (a) (A\$ million)

Services - Type of activity	2009	2011	2013	2015	2016
Manufacturing services on physical inputs owned by others	0	0	0	0	0
Maintenance & repair services nie	0	0	1	0	0
Transport services	44	24	19	21	24
<i>Passenger (b)</i>	np	np	np	np	np
<i>Freight</i>	np	np	np	np	np
<i>Other transport</i>	np	np	np	np	np
<i>Postal & courier (c)</i>	np	np	np	np	np
Travel services	3,235	2,424	1,741	2,754	3,246
<i>Business</i>	172	213	210	234	268
<i>Personal</i>	3,063	2,210	1,531	2,520	2,978
Education-related	2,855	1,956	1,248	2,131	2,581
Other personal travel (d)	208	254	283	389	397
Construction services	0	1	0	0	0
Insurance & pension services	8	8	5	5	5
<i>Direct insurance</i>	8	8	5	5	5
Freight	8	8	5	5	5
Life	0	0	0	0	0
Other direct	0	0	0	0	0
<i>Reinsurance</i>	0	0	0	0	0
<i>Auxiliary</i>	0	0	0	0	0
<i>Pension</i>	0	0	0	0	0
<i>Standardised guarantee</i>	0	0	0	0	0
Financial services	2	4	7	27	51
Charges for the use of intellectual property nie	8	19	7	15	17
<i>Licences to reproduce and/or distribute computer services</i>	7	np	7	np	np
Software	7	np	6	np	np
Hardware & design	0	np	0	np	np
<i>Licences to produce and/or distribute audiovisual & related services</i>	0	0	0	0	0
<i>Outcomes of research & development</i>	0	np	0	np	np
<i>Franchise & trademarks licensing fees</i>	0	0	0	0	0
<i>Other charges</i>	0	1	0	np	np
Royalties on education services	0	1	0	0	0
Royalties on telecommunication services	0	0	0	0	0
Music	0	0	0	np	np
Other charges nie	0	0	0	np	np

AUSTRALIA'S SERVICES EXPORTS TO INDIA
BY TYPE OF ACTIVITY (a) (cont'd)
(A\$ million)

Services - Type of activity	2009	2011	2013	2015	2016
Telecommunications, computer & information services	21	41	38	38	37
<i>Telecommunication</i>	4	3	2	6	5
Telephone	4	3	2	3	np
Other telecommunication	0	0	0	4	np
<i>Computer & information</i>	18	38	37	32	32
Computer	15	34	34	29	29
Hardware & software consultancy	10	27	28	12	np
Data processing	6	8	7	18	np
Information services	2	1	0	0	0
Database services	2	0	0	0	0
News agency subscription	0	1	0	0	0
Other computer & information	1	3	3	2	2
Other business services	44	32	30	42	33
<i>Research & development</i>	1	0	0	2	1
<i>Professional & management consulting</i>	9	12	13	18	14
Legal, accounting, management consulting, public relations	9	10	13	17	13
Legal	0	1	1	2	2
Accounting auditing	2	4	6	np	0
Business & management consultancy	0	0	2	6	4
Other professional	7	4	1	np	7
Management fees nie	1	0	3	0	1
Advertising, market research & public opinion polling	0	3	0	1	1
<i>Technical, trade-related & other business</i>	34	19	17	23	18
Architectural, engineering & other technical	18	15	16	19	18
Architectural	3	2	2	0	0
Engineering	11	10	11	np	np
Surveying	0	2	1	0	np
Scientific & other technical	4	1	3	np	1
Waste treatment & de-pollution, agricultural & mining	np	3	1	0	0
Waste treatment & depollution	0	0	0	0	0
Services incidental to agriculture, forestry & fishing	0	0	0	0	0
Services incidental to mining, and oil & gas extraction	np	3	1	0	0
Other on-site processing	np	0	0	0	0

AUSTRALIA'S SERVICES EXPORTS TO INDIA
BY TYPE OF ACTIVITY (a) (cont'd)
(A\$ million)

Services - Type of activity	2009	2011	2013	2015	2016
Operational leasing	np	0	0	1	0
Air operational leasing	0	0	0	0	0
Sea operational leasing	np	0	0	1	0
Other operational leasing	np	0	0	0	0
Trade-related services	0	0	0	1	0
Other business services nie	1	1	0	2	1
Personal, cultural & recreational services	20	9	12	86	52
<i>Audiovisual & related services</i>	0	0	0	np	np
Royalties on film, television, home entertainment & other audiovisual	0	0	0	np	np
Film	0	0	0	0	0
Television	0	0	0	np	0
Home entertainment	0	0	0	0	0
Other audiovisual	0	0	0	0	0
Other film, TV and multimedia	0	0	0	np	np
Other audiovisual nie	0	0	0	0	np
<i>Other personal, cultural & recreational services</i>	19	9	12	np	np
Health	0	0	0	0	1
Education	19	np	2	np	np
Consultancy	np	np	1	np	np
Correspondence courses	0	0	0	0	0
Services through educational institutions	0	0	1	14	4
Other educational services	np	np	1	np	np
Other recreational	0	np	9	np	np
Sporting & entertainment	0	np	9	np	np
Off-shore gambling	0	0	0	0	0
Other recreational nie	0	np	0	np	np
Government services nie	12	14	14	19	20
Total services exports	3,395	2,574	1,874	3,008	3,484

(a) Cells in this table may have been perturbed to protect confidentiality. (b) *Passenger services* includes *Agency fees* and *Commissions for air transport*. (c) *Postal & courier services* includes *Indirect sea transport*.

Source: ABS catalogue 5368.0.55.004 and unpublished data.

ATTACHMENT B

AUSTRALIA'S SERVICES IMPORTS FROM INDIA BY TYPE OF ACTIVITY (a) (A\$ million)

Services - Type of activity	2009	2011	2013	2015	2016
Manufacturing services on physical inputs owned by others	0	0	0	0	0
Maintenance & repair services nie	0	0	0	0	0
Transport services	21	23	11	26	7
<i>Passenger (b)</i>	1	0	0	np	np
<i>Freight</i>	14	19	11	24	5
<i>Other transportation</i>	np	np	0	0	0
<i>Postal & courier (c)</i>	np	np	0	np	np
Travel services	496	547	753	678	738
<i>Business</i>	85	53	63	81	96
<i>Personal</i>	411	495	691	597	642
Education-related	14	18	16	19	26
Other personal travel (d)	397	476	674	578	616
Construction services	0	0	0	0	0
Insurance & pension services	9	7	8	9	8
<i>Direct insurance</i>	1	1	1	2	2
<i>Freight</i>	1	1	1	2	2
<i>Life</i>	0	0	0	0	0
<i>Other direct</i>	0	0	0	0	0
<i>Reinsurance</i>	0	0	0	0	0
<i>Auxiliary</i>	0	0	0	0	0
<i>Pension</i>	8	6	7	7	6
<i>Standardised guarantee</i>	0	0	0	0	0
Financial services	0	0	15	21	20
Charges for the use of intellectual property nie	1	0	0	1	0
<i>Licences to reproduce and/or distribute computer services</i>	0	0	0	1	0
Software	0	0	0	0	0
Hardware & design	0	0	0	0	0
<i>Licences to produce and/or distribute audiovisual & related services</i>	0	0	0	0	0
<i>Outcomes of research & development</i>	1	0	0	0	0
<i>Franchise & trademarks licensing fees</i>	0	0	0	0	0
<i>Other charges</i>	0	0	0	0	0
Royalties on education services	0	0	0	0	0
Royalties on telecommunication services	0	0	0	0	0
Music	0	0	0	0	0
Other charges nie	0	0	0	0	0

AUSTRALIA'S SERVICES IMPORTS FROM INDIA
BY TYPE OF ACTIVITY (a) (cont'd)
(A\$ million)

Services - Type of activity	2009	2011	2013	2015	2016
Telecommunications, computer & information services	139	107	225	319	350
<i>Telecommunication</i>	13	20	26	31	36
Telephone	13	20	26	24	28
Other telecommunication	0	0	0	8	9
<i>Computer & information</i>	126	87	200	288	314
Computer	118	59	152	194	220
Hardware & software consultancy	116	55	145	185	213
Data processing	2	4	7	9	8
Information services	0	11	34	44	60
Database services	0	11	34	44	60
News agency subscription	0	0	0	0	0
Other computer & information	8	18	14	51	34
Other business services	46	69	410	534	568
<i>Research & development</i>	2	2	3	3	7
<i>Professional & management consulting</i>	20	18	297	484	473
Legal, accounting, management consulting, public relations	18	15	291	472	459
Legal	0	0	0	2	1
Accounting auditing	8	8	27	22	34
Business & management consultancy	5	1	2	1	1
Other professional	5	4	np	np	np
Management fees nie	1	3	np	np	np
Advertising, market research & public opinion polling	2	3	6	12	13
<i>Technical, trade-related & other business</i>	24	49	111	47	88
Architectural, engineering & other technical	17	16	29	35	67
Architectural	0	0	0	0	0
Engineering	17	16	28	31	35
Surveying	0	0	0	1	5
Scientific & other technical	0	0	1	3	28
Waste treatment & de-pollution, agricultural & mining	0	0	3	0	0
Waste treatment & depollution	0	0	0	0	0
Services incidental to agriculture, forestry & fishing	0	0	0	0	0
Services incidental to mining, and oil & gas extraction	0	0	2	0	0
Other on-site processing	0	0	0	0	0

AUSTRALIA'S SERVICES IMPORTS FROM INDIA
BY TYPE OF ACTIVITY (a) (cont'd)
(A\$ million)

Services - Type of activity	2009	2011	2013	2015	2016
Operational leasing	0	0	0	0	0
Air operational leasing	0	0	0	0	0
Sea operational leasing	0	0	0	0	0
Other operational leasing	0	0	0	0	0
Trade-related services	1	2	1	2	11
Other business services nie	5	31	77	10	10
Personal, cultural & recreational services	3	6	13	7	5
<i>Audiovisual & related services</i>	0	0	np	np	np
Royalties on film, television, home entertainment & other audiovisual	0	0	np	np	np
Film	0	0	0	0	0
Television	0	0	np	np	np
Home entertainment	0	0	0	0	0
Other audiovisual	0	0	0	0	0
Other film, TV and multimedia	0	0	0	0	0
Other audiovisual nie	0	0	0	0	0
<i>Other personal, cultural & recreational services</i>	3	6	np	np	np
Health	0	0	0	0	0
Education	3	6	np	np	np
Consultancy	1	4	0	np	np
Correspondence courses	0	0	0	0	0
Services through educational institutions	0	0	0	3	1
Other educational services	2	2	3	np	np
Other recreational	0	0	np	np	np
Sporting & entertainment	0	0	0	0	0
Off-shore gambling	0	0	0	0	0
Other recreational nie	0	0	np	np	np
Government services nie	22	34	39	49	53
Total services imports	737	794	1,474	1,644	1,749

(a) Cells in this table may have been perturbed to protect confidentiality. (b) *Passenger services* includes *Agency fees* and *Commissions for air transport*. (c) *Postal & courier services* includes *Indirect sea transport*.

Source: ABS catalogue 5368.0.55.004 and unpublished data.