

LEGISLATIVE COUNCIL BUDGET AND FINANCE COMMITTEE

Plaza Room

Monday 10 September 2007 at 10.35 a.m.

[OFFICIAL HANSARD REPORT]
BY AUTHORITY OF THE LEGISLATIVE COUNCIL

MEMBERS:

Hon. R.I. Lucas MLC (Chairperson)
Hon. D.G.E. Hood MLC
Hon. C.V. Schaefer MLC
Hon. R.P. Wortley MLC

ALSO PRESENT:

Hon. B.V. Finnigan MLC

WITNESSES:

RAYMOND GARRAND, Chief Executive Officer,
PETER POLYCHRONOPOULOS, Chief Finance Officer, and
ANGELA ALLISON, Director, Corporate Services,

all of

Department of Trade and Economic Development,
Level 10, 178 North Terrace, Adelaide
5000,

called and examined:

~~~~~*EXTRACT*~~~~~

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**612 THE HON. D.G.E. HOOD:** Mr Garrand, you mentioned earlier that one of the objectives in expanding the export amount for South Australian exports overseas was to increase the number of companies exporting, if I heard you correctly. Two questions: is there a focus on the quantity being exported or the value of the items being exported, for example? Where is the emphasis put?

My second question would be with respect to your staff: are there any incentives in any way to focus on specific areas? Is the export of a coat hanger the same value as exporting a car, as far as they are concerned?

MR GARRAND: That's a good question, and it's a dilemma that we actually have. If you look at Austrade, for instance, most of the KPIs relate to the number of companies exporting, so they have very specific targets to double the number of exports. Our target is actually a quantum target, which is trying to reach a \$25 billion target in a few years' time. So, to be honest, we try to balance both. We have KPIs which—definitely in terms of our TradeStart people who work with us, who go out and try to work with the smaller businesses and get them into exporting and increase the number of companies exporting, because we see that as important, but, likewise, we're also trying to focus on the quantum in terms of trying to address some of those bigger issues, I suppose, which can actually grow exports by value.

We're putting a lot of focus, say, on service exports, which includes education, engineering services and those other areas, largely because that's where we see significant growth coming in the future in terms of the quantum, and significant opportunities for not just Australia but in particular South Australia in terms of service exports. So, we try to balance it.

Definitely our Trade Start people, the ones we work with Austrade on, have specific targets in terms of the number of companies. One of the problems that we find with Austrade, and I think we have worked with them in terms of changing that, is when you just have a focus on getting a company exporting the important thing is that that's sustainable. So, you might get a KPI one year but they don't export the next year and so you get another company.

Austrade now has shifted that, I think, in terms of sustainable exports, to actually make sure that companies are not just exporting one year but are sustainable long term. From our point of view, we are focusing on both—definitely at the small to medium size companies through our market access program, which is a grant program that really comes in underneath the Austrade grant program. That is very much designed and targeted at smaller companies and, where we can, to really help some of those smaller companies enter markets, say, for the first time, etc. By the same token, we are also working with larger companies, working on infrastructure issues, port deepening and other issues, to try and make sure that the foundations are there to try and help some of the larger companies export as well.

So, it is a mixed set of KPIs that we have for each of our overseas offices, and their KPIs are actually broader than most, in a sense, because we also have investment KPIs and migration KPIs as well, so it is a fairly broad brief we try to get them to cover.

**613 THE HON. D.G.E. HOOD: Are there any incentives provided for staff to specifically focus on high value-add areas, for example?**

MR GARRAND: Yes. That's another good question. Austrade actually has performance bonuses factored into their arrangements with their staff. The state government here has a policy of not paying performance bonuses, so it's very hard for us to offer any actual monetary incentives in terms of dealing with reaching particular targets. But as best we can do, we set and work with them each year in setting targets which we think are realistic and achievable, preferably stretch targets, and aim at trying to reach those targets, as opposed to offering incentives per se. That said, we will do regular salary reviews and we need to do that in terms of keeping the staff in the market. Those salary reviews will take into account their performance across a broad range of areas, but it won't be linked to particular individual targets.

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**618 THE HON. D.G.E. HOOD: It seems as if you are being asked to do a lot with a little, at some level; certainly, there have been a number of cutbacks over the years. It may be difficult for you to answer this question (and if you do not want to that's fine), but is what is being asked of you reasonable?**

MR GARRAND: I think it has really required us to change the way we do business. Fundamentally, as I said, we are a lean agency with a fairly modest budget so in order for us to achieve what is a pretty broad brief we need to work a lot more with industry associations and partner with them in terms of carrying out activities. So a lot of the work we do overseas is in partnership with industry associations and a lot of it is direct with business, where we can. I suppose that fiscal discipline forces us to look at different ways of achieving the same outcome, or even better outcomes—in many cases it is really just a matter of looking at alternative ways of bringing about the outcomes. The classic case would be that we will run a major conference at the end of this year on major projects, and we've been able to secure substantial sponsorship for that conference so that, effectively, it will be cost-neutral for the government; industry has been very happy to come on board with sponsorship, in part with the government, in terms of doing that.

However, that said, I think it is no different to any other government agency; everyone has fairly tight fiscal discipline and the challenge—the challenge the Treasurer puts on all of us, I think—is to look at ways of re-prioritising within the agency in terms of doing various initiatives. A lot of that has happened; new initiatives will come up and, rather than bring on extra people, we will re-prioritise and move people from one division into another (which may be a totally different division) to support the new priority.

**619 THE HON. D.G.E. HOOD: I would like to ask what I think is an important question. I have a print from the South Australian Competitiveness Council website, and you may be familiar with that. The government made an announcement a little while ago that they have a goal of reducing red tape in business by 25 per cent by the middle of 2008—in fact, it is quite prominent on the page. It is very easy for governments to make those claims—it is attractive and 25 per cent is a nice number on the end. How in the world would that be measured; how would we know we have achieved 25 per cent and not 24 per cent, or 21 per cent, or 18.7 per cent (whatever it might be)? Secondly, if it can be measured with any degree of accuracy whatsoever, what is the plan to make that happen and are you on track to achieve it?**

MR GARRAND: Good question. It would be fair to say that we face the same dilemma in terms of trying to measure the 25 per cent. The UK, New Zealand and other countries have gone down this track and have spent many years trying to baseline what the red tape was in the economy, then setting that baseline and reducing it by a certain percentage. I suppose we took the approach that we could spend a lot of time and money trying to baseline where we were at, but a better approach was to just get on with the job and try to pick a target. Victoria did a lot of work in trying to baseline their economy in terms of red-tape reduction, so we used a lot of the work they had done in terms of saying they were going to cut red tape by (and I'm not quite sure what their percentage was), and extrapolate that for South Australia. Out of that we came up with a target of about \$150

million, so effectively we set a target of \$150 million by June next year and we are in the process of breaking down that target down. So, we have a red-tape reduction campaign in each department, and there is a Competitiveness Council that the government has set up and each agency presents their red-tape reduction target. We are also in the process of allocating a proportion of that target to each agency, and each agency has developed a red-tape reduction plan, which is their contribution to reducing red tape within the agency and within their client base. So, our approach has been very much trying to set a target, as opposed to concentrating solely on the 25 per cent. By reaching that \$150 million, our estimate is that, based on the work Victoria has done, that will equate to roughly around the 25 per cent. However, we have not gone to the enormous effort of actually trying to set the baseline.

**620 THE HON. D.G.E. HOOD: I am not being critical of the department, but you would agree that it would be very difficult to quantify the number.**

MR GARRAND: To quantify it exactly would require a lot of work; you would need to baseline it extensively. In discussions with the government and the Competitiveness Council, and with Business SA as well, the approach was very much let's come up with a measure and work towards that measure rather than focusing so much on quantifying it. We think it is a far better approach to give everyone a very clear target to work towards. Each agency, as part of its red tape reduction plans, is making a contribution to that target. We have done a number of industry reviews. Once again, rather than writing huge reports on this, we chose to pick a number of industry sectors and to work with those industry sectors and say, 'Well, what is it government can do in your industry sector to reduce red tape?' We have done cafes and restaurants, the building industry, fishing and aquaculture, and manufacturing. Each of those is a fairly short report, which picks out a number of key issues that are important to them in terms of red tape reduction. We then have the challenge of seeing whether we can address those issues as they are raised. Where we can, we will implement them within our agencies, or we will take that back to cabinet and cabinet will make decisions on some of those red tape reductions. As to where we are at the moment, our estimate is that probably in the order of a \$30 million or \$40 million reduction in red tape cost to business has been achieved so far out of the various initiatives. We think we are on track for the \$150 million, but, obviously, it is going to be a significant challenge going forward because, ultimately, that will be a net target.

What we are saying is that there may be regulations that will be introduced, but this \$150 million will be a net target, and the approach is very much that each agency will take ownership of that. We will probably take it to the next step, and I imagine that will get rolled up into various performance agreements with agencies, etc. in terms of being responsible for achieving that target.

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**690 THE HON. D.G.E. HOOD: No, change the subject. Actually, it is a semi-related subject under the heading of consultants and international market development. I noticed that there was a \$242 000 amount allocated in 2005-06. Nothing was budgeted in 2006-07, as I understand it, but there was some \$80 000 spent. In 2007-08, the budget jumped to \$330 000. I wondered whether you would like to comment on that because it seems to be quite variable. There is obviously some reason for that; I am interested in what that might be. It is on page 216.**

MR GARRAND: Going back to \$242 000 in 2005-06, a number of those consultancies related to specific market strategies that we were doing, so there is one on the India market strategy. I think that the Export Council had done some work as well. There is a series of smaller consultancies that add up to \$242 000. In 2006-07, as you pointed out, there was nothing there. In 2007-08, the main work was some consultancies we were doing with Adelaide University and the impact of free trade agreements, in particular the China free trade agreement.

**691 THE HON. D.G.E. HOOD: Was a decision made after 2005-06, for example, with roughly \$250 000 spent that there was only limited value in that and that no money was allocated for the following year?**

MR GARRAND: It is very much on an as needs basis, so it is as we work through our work program going forward we come to some assessment. Each manager will come to some assessment about what they would need in terms of consultancies. Given that a lot of the operations of the department in terms of strategy were being developed in 2005-06, we needed some assistance in terms of doing that and, in 2006-07, the assessment was that there was not a major need for consultancies.

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**740 THE HON. D.G.E. HOOD: I do believe the department is asked to do a lot, and I think it is an incredibly important department for our state in terms of our image and economic success both here and abroad. If one thing could be allocated to you or that would make life substantially easier and give you greater opportunity, what would that be? What can we lobby for? What can I talk to the ministers about?**

MR GARRAND: More time; work/life balance.

**741 THE HON. D.G.E. HOOD: It is a function of resources, is that the bottom line?**

MR GARRAND: As I said, we have had to look at working within those resources. Our establishment now is about right in terms of where we are at. We are extremely lucky in the department to have some excellent staff, and they do work extremely hard. At the end of the day, as with everyone, we all work within our resource constraints. You can always do with more resources, but that is just not possible, it is just not a reality, in the current budget environment.

**742 THE HON. D.G.E. HOOD: What about the issue of performance bonuses you mentioned before? You said that it is not government policy to have the availability of performance bonuses. If I am an employee of the department, what do I care if I promote the export of coat hangers or \$60 000 motor cars, for example? What is in it for me?**

MR GARRAND: One of the unique things about this department, probably out of all government agencies, is that most of the people who work there because they really want to work there. They have a real commitment to making a contribution and getting results. Most of the people in the department—in fact, a lot of them—could get far more money working elsewhere, but they get the job satisfaction of working on trade issues or other issues. The only thing that we can offer people is rewarding and exciting jobs and careers and being able to make a contribution. If they are there for the money, they are probably better off working in the private sector, because they will get more money there.

**743 THE HON. D.G.E. HOOD: Yes, but it is nice to be recognised. It is nice to get a cheque at the end of something and to hear, 'You did a great job with this.'**

MR GARRAND: It is interesting work. We did a survey across the department about what staff want, in terms of recognition, and salary was right down the list; money was right down the bottom.

**744 THE HON. D.G.E. HOOD: Did you ask them if they would come to work if you stopped paying them?**

MR GARRAND: No, they would definitely like to get paid and feed their kids. The interesting thing about that survey was that it was issues such as job satisfaction. It is issues like you said—about being recognised; their managers and executive team recognising the work contribution they have made.

**745 THE HON. D.G.E. HOOD: So, to answer my question, you do not think that performance bonuses would be of any value to you?**

MR GARRAND: I would not be a strong advocate for performance bonuses. I think they might work in specific instances, where you have people on very specific contracts and very clearly defined KPIs. However, across the department, I think we would not be strong advocates for them. In the Public Service, one of the challenges is to look at ways of making it an attractive place to work. So, we have a whole lot of arrangements in terms of flexible work arrangements, where we allow staff to compress weeks or to job share, and what have you. There are a lot of benefits which are not necessarily available in the private sector, but which make it a rewarding place to work.

746 THE CHAIRPERSON: I have a number of further questions. I will start with some quick ones. Can you tell us the number of cars that you have on issue to staff and the number that are privately plated?

MR GARRAND: Yes. We have six government plated cars, which are all kept within the car park in the department, and 17 private plated vehicles.

747 THE CHAIRPERSON: So, a total of 23?

MR GARRAND: Correct.

**748 THE HON. D.G.E. HOOD: How many of those would not be manufactured in South Australia?**

MR GARRAND: They are all manufactured here. They are all Mitsubishi or Holdens. We could probably do with a few more Mitsubishi than that.