



GOING GLOBAL **EXPORTING TO AUSTRALIA**

A guide for clients



Capital
Canberra



GDP growth 2017
2.8%³



Currency
Australian dollar



Unemployment
rate (Feb. 2018)
5.5%⁴



Population
24.8m¹



Enterprise Ireland
client exports to
Australia (2016)

€256m

increase of 14% on the year prior



GDP per capita
€43,577²



Predicted GDP
growth 2018
3.0%⁵



WHY EXPORT TO AUSTRALIA?



Australia has one of the strongest, most competitive and open economies in the world. Historically seen as suffering from its remoteness from Europe, today Australia benefits from its strategic location at the doorstep to Asia. This strategic proximity matched with world-class infrastructure and an excellent quality of life, underpin Australia's impressive economic record, making the country an attractive place to do business.

The Australian economy is mature, stable and highly developed. Its location on the doorstep of Asia has enabled it to take advantage of the region's rapid economic development. Today, the Australian economy is the 13th largest in the world at €870bn⁶ and has enjoyed 26 years of uninterrupted growth⁷.

The country has a strong tradition of international trade, supplying energy and mineral resources to the fast-growing Asian economies. The country is the world's largest producer of iron ore, gold and uranium and the second largest producer of LNG. The country also produces a significant amount of coal.

As Australia's economy has developed, it has put a greater emphasis on professional services and technology. Telecoms, financial services, education and scientific and technical services all constitute an increasing share of the Australian economy. The country's open trade policies and skilled workforce have helped facilitate a vibrant internal economy.

Reasons to consider Australia in your export strategy

- The Australian economy this year enters its 27th year of consecutive annual economic growth, the only developed economy in the world to achieve this.
- The economy is estimated at €870bn in 2017, making it the world's 13th largest economy by nominal GDP.
- Strategic location allows Australia to serve as a beachhead for companies looking to enter the Asia Pacific market.
- Australia is one of the easiest places in the world to do business, ranking 14th out of 190 economies⁸.
- Australia has been a pioneer of free trade and the agreements signed with China and ASEAN Areas provide Irish companies operating from Australia

with unprecedented access to some of the largest and fastest growing regions in the world. Australia and the EU have also agreed to begin negotiations on an EU-Australia FTA.

- Australia is the world's 5th most economically free economy in the world⁹, making it one of the most favourable in which to do business.
- One of the world's most highly educated and multilingual economies, Australia has a high-quality workforce that can help companies do business in Asia.

Sectoral successes

- Australia has some of the world's largest mineral reserves and is a strategic supplier to rapidly developing Asian economies like China.
- Australia has one of the world's largest, most sophisticated financial services sectors. The country has deep and liquid financial markets, with over a trillion euro of fund assets under management¹⁰.
- Australia is the third most popular destination in the world for foreign students enrolled in higher education. Australia has the third highest number of universities in the world's top 100¹¹.
- Australia is the world's 10th largest international tourism market¹².
- Significant infrastructural investments in telecommunications and transport infrastructure are underway by state and federal government such as the Westconnex motorway system in Sydney and the National Broadband Network.
- High tech healthcare system with significant investment in new hospital and healthcare facilities such as the Royal Adelaide Hospital.

GET READY TO DO BUSINESS IN AUSTRALIA

English speaking and free trading, the Australian economy has long been built on trade and Australian business has shown a willingness to adopt the best of international innovations.

Travelling and geography

Australia commands a vast expanse of territory and with fewer than 25 million people it is one of the least densely populated countries on earth. Yet it is also highly urbanised with most of the population living in its main cities. Sydney and Melbourne are the twin economic powerhouses of Australia accounting for two thirds of Australian GDP growth in 2016-2017¹³. Brisbane, Perth and Adelaide also have significant, albeit smaller, populations.

Depending on the time of year, there is between a two- and three-hour time zone difference between Perth and Sydney. With a 9-hour difference in summer and 11 in winter, the vast time difference between Dublin and Sydney can make servicing the market from Ireland a challenge. Irish companies, however, have taken advantage of this time difference to employ a follow-the-sun approach to servicing their global customer bases, with an Australian office allowing for a near 24-hour service offering.

Business culture

In the main, Irish businesses should have little difficulty traversing cultural barriers in Australia. Australian companies need to see a commitment from your organisation in servicing the Australian market. Servicing Australia from abroad is not a sustainable strategy in most cases.

Avoid visits to market from mid-December to the end of January as these are prime holiday times. Be aware the Australian financial year runs from 1 July to 30 June and therefore many key decisions are made between mid-May and mid-July.

The Australian egalitarian approach to life is reflected in its business culture and can be seen in both corporate structures and communication style. Australians can be quite direct and matter of fact in their tone and prefer it if this approach is reciprocated.

Routes to Market

- **DIRECT SALES:** Australia's English speaking, open economy means that many Irish companies have, in their early stages of market entry, utilised a direct sales approach to win their first customers and assess the opportunity. Following a company's first significant win in the market, the learnings can then be used to build a more comprehensive market plan for partner selection or local set up if required.

- **STRATEGIC PARTNERSHIP:** Partnering with an Australian based company can often be a successful strategy to win sales. Partnerships can come in many forms depending on the nature of the business such as agents, joint ventures, distributors and wholesalers.

Companies should identify their criteria for their partner and perform all necessary due diligence and assessment. Australia's vast size means many potential partners will only operate in certain geographic areas for example. Some Irish companies have found themselves locked into exclusivity agreements with regionally based distributors, inhibiting their growth nationally. The ideal partner will have an intimate knowledge of your target market, an established network, a proven track record and will be aligned to your market strategy.

- **LOCAL OFFICE:** Traditionally, Irish companies who have established a direct presence on the ground have enjoyed the fastest and most sustainable growth. International companies establishing a corporate entity must choose between a subsidiary or branch (see setting up a company). A local hire demonstrates company's long-term commitment to the market and offers a dedicated resource to build leads, support customers and drive sales. An Australian local office can also give companies the ability to service the wider Asia Pacific region.

Servicing the market

One of the biggest challenges for Irish companies is how to service customers 15,000 km away. In most cases a local presence should be established, or partner secured, as directly servicing the market from Ireland is close to impossible in most industries. Companies should be prepared to invest time to come to market to meet with possible partners before selecting a company which is the best fit.

Hiring someone with industry knowledge can be an excellent way to build a presence. Companies should take a hands-on approach to onboarding and supporting their hire as the time difference can leave them isolated from the wider organisation.

Depending on the type of market, logistics can be a challenge. Companies should confirm what areas of the country a partner will service as smaller agents tend to operate only in regional markets.

Regulation, Visa, Customs

Visa

While the Australian legal system is like Ireland's in many respects, Irish business should be aware of the Australian legal requirements across industries and the states. Before entering the market, review the customs requirements and regulatory controls around your product or service. Depending on the product, tariffs may also be applicable, and a license maybe required to export your product. To surmount many of these barriers it is advisable for companies to work closely with local experts who can best help them to navigate the intricacies of the market.

Setting up a company

The world bank rates Australia as the seventh easiest process for setting up a business in the developed world.¹⁴ Irish firms should first establish themselves as a corporate entity in Australia either as a branch or as an Australian subsidiary company. A branch structure will apply for an ARBN and a subsidiary must apply for an ACN/ABN. Commercial factors and Irish taxation issues will determine which structure or subsidiary structure you adopt in Australia. To assist with your company set up we recommend speaking with reputable local legal and tax specialists. Important considerations include the requirements of directorships, local bank accounts and transfer pricing.

For the most part, the Australian and NZ governments support free trade and generally oppose protectionism, hence their low tariff rates (mostly between zero and 10%) and high import quotas for products.

In addition to import tariffs, other non-tariff barriers can also pose obstacles to importing and exporting products.

Examples of Non-Tariff Barriers to Trade

Strict & Complex Regulations

Stringent Australian & NZ Specific Import, Sanitation, Biosecurity, Food Safety, Product Testing & Labelling Requirements; Costly & Bureaucratic Licences, Permits & Registrations (i.e. TGA); Laws Governing Data Retention & Cloud Computing; Decentralised State Regulations (i.e. Tenders, Taxes); etc.

Restrictions on the flow of Financial, Intellectual & Human Capital

Limited sources of local investment, funding and financial capital; Restricted flow of skilled human capital due strict Visa Restrictions; Threat of common law precedents over trade marks, designs, patents & copyright; High labour costs & higher company taxes (30% at time of writing).

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KEY GROWTH OPPORTUNITIES IN AUSTRALIA

The Australian economy is projected to continue growing at a robust pace in the coming years, extending its 26-years of uninterrupted growth.¹⁵ Recovering commodity exports and high levels of private consumption and infrastructural investment have buoyed growth, making Australia consistently one of the top performing industrialised economies. The Reserve Bank of Australia is projecting growth of 3% until 2020.¹⁶

Commodity exports have long been the bedrock of the Australian economy with China's rapid industrialisation in recent years driving demand. Iron ore, the largest element in Australia's mineral exports, enjoyed a sharp rise in prices between 2008 and 2014. While prices have come off their peaks, exports have grown consistently year-on-year. Exports to China, which purchases over 80% of Australia's iron ore shipments,¹⁷ are expected to continue to grow over the years ahead, as are shipments of coking coal to India, another significant export market.¹⁸

Australia's domestic service sector has also performed strongly and accounts for a growing share of the country's exports.¹⁹ Education and tourism exports are expected to grow about 6 to 7% over the next decade.²⁰ Australia also boasts a growing start-up ecosystem.

Below are introductions to sectors which are growing fast in Australia and provide business opportunities for Irish companies:

Healthcare and Life Sciences

State and Federal government have invested heavily in health infrastructure in recent years through such projects as the Victorian Comprehensive Cancer Centre and the newly opened Royal Adelaide Hospital in South Australia. Australia's many private hospitals have been receptive to technological innovations in recent times and IT for health market is expected to grow at a compound annual rate of 12.3 per cent between 2013 and 2020, reaching an estimated market value of €1.4 billion by 2020.²¹

Like most developed economies, Australia has an aging population. The federal government has reformed its home care support based on a consumer directed care model to give consumers control of how their funds are spent.²² This consumer-focused approach is also evident in the new National Disability Insurance Scheme (NDIS) currently being rolled out across Australia. These initiatives are causing significant upheaval in the market and offer opportunities for new entrants targeting these niche sectors.²³

Australia's vast geographic size has led it to be a pioneer of telehealth technologies used to deliver healthcare to remote communities, including access to specialists. New technologies in IT for health such as cloud-based applications and data sharing are driving new initiatives in e-health, such as the roll out of a national electronic health record.

Digital Tech/HR Tech and e-Learning

Australia's highly skilled workforce and business friendly policies have led to a growing tech ecosystem in Australia. Between 2014 and 2020, the contribution of digital technologies to Australia's economy is forecast to grow 75 per cent to €87 billion.²⁴

Education is a significant industry in Australia driving over €14 billion in exports to the country. Australia is also the third most popular destination for international students in the world.²⁵ Australia's education market includes some 10,000 schools, 660 vocational training institutions and 39 universities. With its large size and low density of population, Australia has traditionally been a leader in distance education facilities. The development of the internet has greatly facilitated the provision of education in remote locations. There are more than 1,100 online education providers in Australia, generating approximately €3.4 billion in revenue. With student demand expected to surge further, industry revenue is forecast to increase by an annualized 4.5% over the next five years to €4.2 billion.²⁶ Today Australia is a leading pioneer of data analytics and alternative platforms and the Edtech market is expected to grow to €1.1 bn by 2020.

FinTech

The Asia Pacific Region is the fastest growing region in the world for financial technology with Sydney and Melbourne acting as financial hubs for the wider Asian Pacific region. The state mandated retirement scheme has lead the growth of a significant investment funds sector and Australia has the 6th largest managed fund assets under management, valued at roughly €1.3tn.²⁷

Australia is currently rolling out its New Payments Platform (NPP). This will transform the way payments are made in Australia, speeding up transfers and reducing collection costs through real time clearing and settlements. The new platform will have implications across peer-to-peer payments, e-commerce and is expected to facilitate future innovation in the Australian FinTech sector.

Telco

The telecoms sector has experienced some of the fastest growth of any industry in Australia, enjoying a compound rate of 5.2% a year between 1991 and 2016.²⁸ The market is dominated by Telstra, Optus and Vodafone.

The Australian government is currently rolling out the National Broadband Network (NBN), a fibre-optic, fixed wireless and satellite infrastructure to replace the existing broadband infrastructure across the country. The NBN is the largest infrastructural project in Australian history²⁹ and will lay the foundations for greater digital innovation in the years ahead.

Construction / Oil and Gas

The Australian construction sector navigated through a mining slowdown in recent years, while strong residential property prices have driven growth in the construction sector, although these are thought to be approaching a peak. Population growth, coupled with continued Chinese investment in the Australian property sector, will continue to drive new starts, particularly in Melbourne and Sydney.

Engineering construction will remain robust, boosted by infrastructure projects like the NBN and Badgerys Creek airport in Sydney. Continued investment in public sector infrastructure by state and federal government will support this growth. Large infrastructure projects in the pipeline include a second international airport and new light rail system for Sydney and a new metro rail project for Melbourne. Other planned projects include the new Canberra University Hospital and Sydney's second north-south road tunnel for Sydney harbour.

While mining investment has fallen from the highs of 2013, when it accounted for over 8% of Australian GDP, the mineral sector remains a key component of Australian exports. Liquified natural gas production is booming, too, with Australia projected to become the world's largest exporter of LNG by 2019.

HELPING YOU WIN IN AUSTRALIA

Unlike many of Ireland's main export destinations, the Australian economy is anchored to the rapidly growing Asian market which allowed it to avoid most of the fallout from the global financial crisis. The country's strategic location has allowed Irish companies to gain a foothold in the fastest growing region in the world. Similar legal systems and business cultures have allowed many Irish companies to enter and scale quickly. Mary Kinnane, Director of Enterprise Ireland Australia has remarked that 'the ANZ region remains highly receptive to Irish technologies, particularly where there is already an embedded track record of success and recognition of the calibre of solutions available'.

Before you go...

The Market Landscape - What is the size of your target market? Is it dominated by a few strong players or fragmented with many small competitors?

Market Trends - What are the current market trends for the sectors you will be targeting? If there is an obvious gap in the market, find out why: it may exist for a reason.

Target Market - How does your target market make buying decisions? Who are the relevant decision makers - what are their job title and responsibilities?

Market Segmentation - Who are your most probable customers, where are they located, how and what else do they currently buy, who are their influencers and what 'need' are you fulfilling?

Market Competition - Who are your rivals in the market and how do their offerings compare with and differ from yours?

Market Research Resources - Being abreast of local market trends, especially in your sector, will help enormously when it comes to building your knowledge about the Australian market.

Enterprise Ireland's Market Research Centre offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets.

See www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre/ for more information on the market research facilities available.

Australia's cultural, legal and regulatory similarities matched with a multi-lingual population and free trading mindset make it the **ideal launchpad for Irish businesses looking to enter the Asia-Pacific Region**. Speak to our Australia team to find the route to growth for your business down under.



HELPING YOU SUCCEED

Enterprise Ireland assists clients entering new markets with:

Pre-visit support

- Sector overview
- Validation of the opportunity for your product or service
- Evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary

In-market support

- Introductions to buyers and decision makers
- Identification of potential partners
- Facilitating buyer visits to Ireland
- Assistance with product launches and workshops
- Securing reference sites

International trade events

- Inward buyers' missions to Ireland
- Group stands at international trade fairs
- Overseas trade missions
- Market study visits
- Client knowledge seminars
- Networking events with market contacts

Additional supports

Introductions to specialists in all areas, including legal, recruitment, PR and taxation.

Access to mentors

Enterprise Ireland has built up an excellent network of individuals in these markets who are available to work with Irish client companies looking to develop their business. This includes market and sector specialists, business accelerators and members of Irish business associations.

Connections into key organisations

- Embassy of Ireland, Australia
(www.dfa.ie/irish-embassy/australia)
- Irish Australian Chamber of Commerce
(www.irishchamber.com.au)
- The Lansdowne Club
(www.lansdowneclub.com.au)
- Ireland Western Australia Forum
(www.irelandwaforum.org)

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For further information on the services of Enterprise Ireland overseas, please go to

www.enterprise-ireland.com/en/Export-Assistance/

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