

## Austria Connect – Australia / New Zealand

Sydney, March 22-23, 2018

### Policy Recommendations

Austrian Businesses invested in Australia and New Zealand fully support a **Free Trade Agreement** between Australia and the EU, in order to facilitate commercial exchanges and FDI in both directions. Besides the elimination of taxes, the harmonization of standards and their mutual recognition, the comprehensive opening of public markets on all levels of government and provisions regarding the free flow of data between the Australia and the EU are considered essential.

The following points / areas are of particular concern:

**Public Procurement:** despite long-term criticism public tenders, in particular for infrastructure projects in Australia, are still comparatively onerous and keep also major Austrian firms away from relevant market segments, which would otherwise engage in public tenders, transfer state-of-the-art technology and help bring down costs for Australian tax payers.

**State and local procurement** regulations are opaque and an impediment to free trade, particularly for subsidiaries of overseas firms, which invest in and bring technology to Australia on the assumption that Australia is a reasonably integrated and open market. In recent times, some Austrian technology leaders have experienced direct restrictions and barriers in addition to already existing duties on their products. The companies experienced their tender submissions to various states being subject to additional penalty weighting of its price being solely based on as “out of state” and/or “not a local content”. As a result, quite a few subsidiaries of Austrian firms cannot compete in a fair manner and Australians cannot take advantage of the best technology available globally at competitive prices and miss out on further international investments in their region, for instance in service and maintenance operations.

Increasingly **State specific rules and regulations** are having a negative impact on investor sentiments, in particular if they lead to new administrative and technical barriers such as the container deposit recycling schemes for drink containers adopted in differing ways in some States, and not at all in others. For the investment community, harmonized (or at least broadly equivalent) State rules and regulations are highly desirable. Diverging State regulations are also a concern in the engineering, construction and energy sector.

**Taxation:** SGEs (Significant Global Entities) from Austria and in fact of many other EU countries are often not multinational conglomerates with well-known brands, but rather family owned companies with wide ranging international sales, which are pursuing a long-term strategy. FDI into Australia therefore is initially very often small and then eventually scaled up, if successful. To apply rules related to SGE's to these initial investments from day one as stipulated by Australian tax law since 2015, is therefore creating a heavy administrative burden for the local subsidiary and for its HQ. We therefore propose that Australia might consider excluding such subsidiaries with a total annual sales of less than AUD 5 million for a period of up to five years from the SGE rules, in order to encourage such investment and make Australia more attractive and less costly for larger Austrian businesses seeking to enter the market.

In order to transfer know-how quickly and comprehensively the 457 visa stream was increasingly considered inadequate, and the visa reforms introduced in March 2018, will have to be judged on their merits and also in terms of speed of visa issuance. Months of processing time have created insecurity which is harming business decisions and operations.

**Project Visa:** to implement projects according to contractual obligations, the conference suggests the introduction of a project visa, which would be granted for the duration of a project and not for a fixed, once renewable period of time. In light of the envisaged FTA between Australia and Europe an adjustment of this part of Australia's visa regime would contribute in a meaningful manner to the success of the free trade agreement.