

The Auditor-General
Audit Report No.9 2005–06
Performance Audit

**Provision of Export Assistance to
Rural and Regional Australia through
the TradeStart Program**

Australian Trade Commission (Austrade)

Australian National Audit Office

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of Australia 2005

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Canberra ACT
6 September 2005

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in Austrade in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Provision of Export Assistance to Rural and Regional Australia through the TradeStart Program*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned below the text 'Yours sincerely'.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

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Abbreviations

ABN	Australian Business Number
ANAO	Australian National Audit Office
APS	Australian Public Service
Austrade	Australian Trade Commission
CBS	Core Business System
CRM	Client Relationship Management
CSIS	Client Satisfaction Improvement Survey
DFAT	Department of Foreign Affairs and Trade
EI	Export Impact
GLDP	Global Learning and Development Plan
JCPAA	Joint Committee of Public Accounts and Audit
KPIs	Key Performance Indicators
LEAN	Local Export Adviser Network
MOU	Memorandum of Understanding
NEDP	New Exporter Development Program
PBS	Portfolio Budget Statements
QMA	Quick Market Assessment
RFP	Request for Proposal
SMEs	Small-to-Medium Enterprises

Glossary

Ally	Service provider contracted by Austrade to employ TradeStart export adviser(s).
Client	An approved participant in Austrade's New Exporter Development Program (NEDP).
Client target	The number of clients that each export adviser is expected to recruit in a financial year.
Export Access	An export assistance program that operated from 1991 to 2002, when it was rolled into the new TradeStart program.
Export capability	A business is export capable if assessed by Austrade to have a product/service/patented intellectual property with clear export potential; management commitment to develop; and ability to assign a budget for export.
Export conversion	The process by which NEDP clients are 'converted' into exporters by making an export sale. A TradeStart export adviser's export conversion rate is calculated by dividing the number of export sales made by the export adviser's clients in one year by the client target for that year.
Export Impact	This occurs when an Austrade client makes an export sale of \$A5 000 or more and rates Austrade's assistance in achieving that deal as 'positive' or better. Export Impact includes an export sale or a contract for the export of goods, rights to intellectual property, licences to software or provision of services.
Export readiness	A business is considered to be export-ready if it can respond to an overseas opportunity, because it has supply capability; some export knowledge; strong export commitment; and resources.
New Exporter Development Program	This provides a package of free Austrade services to potential exporters. The aims of the NEDP are to double the number of exporters by 2006 and to maximise the number of new and irregular exporters who develop a sustainable exporting business.
Post	An Austrade office that is located in a foreign country and provides services to Australian companies seeking to enter that market. Austrade has 117 posts located in 58 countries.
TradeStart	Network of export advisers employed by TradeStart allies who provide export coaching services to approved NEDP clients. There was a previous TradeStart program that was rolled into the current program in 2002.

Summary and Recommendations

Summary

1. The exporting of goods and services makes a significant contribution to the Australian economy. Australia exports around 70 per cent of its agricultural produce, around 80 per cent of resources production and just over 18 per cent of manufactured goods. Exporting also makes a significant contribution to employment, especially so for the rural sector:

Exports make a particularly significant contribution to the economy of rural and regional Australia, with one in four regional jobs relying on Australia's ability to export.¹

2. The Australian and State and Territory Governments have agreed to work co-operatively towards achieving an Australian Government target of doubling the number of exporters by 2006, to 50 000.² The Australian Trade Commission (Austrade) has the role of lead Australian Government agency for this initiative.

3. The TradeStart program aims to assist Small-to-Medium Enterprises (SMEs) to commence exporting on a sustainable basis and to convert irregular exporters to regular sustained exporting. In addition, the program considers the particular needs of regional Australia and industries that have high potential for export growth. The program also aims to enhance the coordination of public and private sector export facilitation assistance to small and medium new exporters.

4. TradeStart, which is part of the New Exporter Development Program (NEDP), principally targets regional and outer metropolitan areas. It is delivered through a network of export advisers, employed under outsourced service delivery arrangements between Austrade and service providers. The service providers are referred to as 'allies' and include, inter alia, State Government organisations.

5. The export advisers provide a package of free export coaching services. This includes initial information and advice about exporting, along with more detailed services such as mentoring; and information about export opportunities in overseas markets. There is also access to assistance from Austrade posts in-market.

¹ Department of Foreign Affairs and Trade (DFAT) and the Australian Trade Commission (Austrade), *Trade 2005*, Commonwealth of Australia, Canberra, 2005, p. 3.

² National Trade Consultations Ministerial meeting, Memorandum of Understanding on Cooperation Towards a National Doubling of the Number of Australian Exporters, 4 April 2002.

6. TradeStart was launched in its current form in the 2002-03 Budget, when funding of \$21.5m over four years was announced, to commence on 1 July 2002.

This audit

7. The objective of this audit was to assess the provision of export assistance and support to new and irregular exporters in rural and regional Australia through the TradeStart program.

8. The focus on rural and regional Australia reflects the priority given by the Government to providing effective business and trade assistance to small businesses and rural and regional businesses. However, broader aspects of TradeStart management, such as contract and risk management, have been assessed across the program as a whole.

Key findings

Contractual and management arrangements (Chapter 2)

9. The process employed for selecting allies for TradeStart, to commence on 1 July 2002, was a request for proposal (RFP) sent to selected organisations. Austrade did not use systematic selection criteria to choose organisations to participate in the RFP. Austrade has subsequently recognised that fully open processes allow broader canvassing of possible new solutions and used these to select TradeStart providers for additional locations in 2002 and 2005.

10. The RFP method of procurement is generally used when the solution that is chosen depends on what the market can provide. The use of an RFP, rather than a request for tender, therefore reflected Austrade's aim to have flexibility in solutions offered (for example, in terms of coverage of service, types of skills and facilities available).

11. The ANAO found that, overall the process for selecting providers had rules that were clear, open, and applied equally to all parties in the process. There was sign-off by a probity auditor, and value-for-money for the selected group was addressed in assessment of proposals.

12. The ANAO also found that the evaluation report was not accepted by the Austrade delegate and the applications were re-evaluated. However, the reason for this decision was not recorded in detail. Critical decisions such as this involving changes to competitive selection processes, particularly those leading to altered outcomes, as occurred in this case, warrant more transparency. At the least, this requires recording and filing of decisions and their reasons, as a fundamental aspect of accountability.

13. In 2002, Austrade considered the location of TradeStart offices and their catchment areas, in the context of the RFP. Since then, Austrade has sought to establish additional locations in other areas of identified need. In addition, it has considered the suitability of existing locations as part of the consideration of the performance of individual export advisers.

14. It would be consistent with good program management to determine the extent to which locations in the overall TradeStart network align with assessed need and priorities. Austrade has advised that it intends to assess office locations at the expiry of the current contracts, in 2006, if the Government extends the program.

15. The TradeStart contracts are performance-based, with basic payments accounting for less than 40 per cent of the maximum amounts payable under the contract. This arrangement provides a degree of risk sharing between the Australian Government and allies. Other payments depend upon the number of potential exporters recruited and clients' success in exporting.

16. All contracts examined by the ANAO had been appropriately signed and executed.

17. Austrade has not had a risk management plan specifically for TradeStart; it has relied on risks identified in a broader plan for the NEDP. Austrade has now established a risk management plan for TradeStart to address this omission.

Managing the TradeStart export advisers (Chapter 3)

18. TradeStart allies deliver export coaching services through export advisers. These are employed directly by the ally with whom Austrade has a contract. The contracts provide for Austrade to approve these appointments. The ANAO found that Austrade has appropriate processes to approve the appointment by allies of these advisers, in line with its contractual requirements.

19. Austrade has a structured approach to training TradeStart export advisers, which is linked to strategic priorities. This includes induction training and coaching for newly appointed export advisers. There is also regular ongoing training and a range of online training modules. The ANAO found that the training is relevant to job requirements; is monitored by Austrade; and is generally well regarded by export advisers.

20. Contracts require that Austrade network managers supervise TradeStart export advisers in their export coaching responsibilities. The ANAO found that export advisers in rural and regional Australia were satisfied with the support and assistance provided, and considered the working relationship with network managers to be effective.

21. However, many of the interactions between the network managers and export advisers are not recorded. There was also variable practice and quality in documentation by export advisers of client information. This increases the risk that Austrade will not be able to defend the validity of some decisions or provide sufficient support to export advisers.

22. Austrade has recently sought to address some of these limitations, introducing a requirement for documentation of decisions made in the assessment and management of clients. This has been supported by improving access to the key management information system and the implementation of an additional client information database.

23. Austrade has well-established contract monitoring processes, based upon biannual review of ally performance. Allies were generally satisfied with the review process, and the ANAO found that they were appropriately informed of any performance concerns.

24. TradeStart export advisers advised, however, that there was limited feedback from Austrade network managers in relation to their regular reporting to Austrade, as well as on the results of the biannual reviews with their ally employers. Austrade has now sought to address this by requiring network managers to provide regular and structured coaching and feedback to TradeStart export advisers.

Identifying and recruiting potential exporters (Chapter 4)

25. One important role for TradeStart export advisers is to find potential clients and assess their suitability, and the correct timing, for participation in the NEDP. The ANAO found that the approaches used by export advisers for targeting companies were generally well-considered and innovative, and adapted to local conditions. The mobility of the export advisers and access to local networks enables them to identify potential clients in rural and regional locations remote from TradeStart offices.

26. Export advisers have individual targets for the recruitment of clients to the program, with part of contract performance payments depending on achievement of the targets. Overall, they perform well in meeting these targets.

27. Eligibility for inclusion in the program includes both minimum requirements and an element of subjective judgement, reflecting the difficulty of quantifying the attributes of a successful exporter. To assist these judgments of export capability and readiness, Austrade has developed checklists. However, export advisers are not required to complete the checklist. This increases the risk of inconsistency and disputes about decision-making where the export adviser decides not to proceed with a prospective client.

28. Where an export adviser does decide to recommend a potential client for inclusion in the program, the company completes an application form. The ANAO found that this is accompanied by appropriate information and documentation addressing program criteria, including an assessment by the export adviser of the applicant's export readiness.

29. Applications are determined by the Austrade State Manager following review by the network manager. For the applications examined by the ANAO, Austrade's decisions were appropriate and consistent with eligibility criteria.

30. Austrade's timeliness standard for processing applications is five working days from receipt of all the required information. However, it does not monitor performance against this standard, which would be consistent with good performance management of client service. The ANAO estimated that the standard was met for 92 per cent of applications examined.

31. TradeStart export advisers work closely with local communities. Circumstances may arise therefore where the export adviser has a perceived interest in, or close association with, the principals of a business that has applied to join the program. Austrade advised that it relies on a code of ethics in its contract with allies to manage such issues. However, procedures and guidance for export advisers do not explicitly address how to manage the potential for perceived conflicts of interest, nor establish a mechanism to address such situations. The implementation of more structured procedures would provide assurance that key elements of conflict of interest are addressed in a consistent manner and protect all parties.

Assisting clients to export (Chapter 5)

32. Assistance to TradeStart clients initially involves identifying areas where the client requires more detailed coaching and advisory services. The ANAO found that TradeStart export advisers provide a range of initial assessment and preparatory services to clients that are consistent with Austrade requirements, sometimes drawing on other government advisory services. Discussion of financial considerations—a key criterion for export success—has improved.

33. Companies have been expected to develop an export plan during the next stage of assistance. However, this often did not occur. Austrade has now concluded that a less formal articulation of key export directions will be sufficient in future.

34. The export adviser can seek the assistance of the relevant overseas post to provide an assessment of the prospects for the product or service in that market. However, this process has not always operated effectively. Export advisers frequently did not use the designated Austrade channel and

framework for requests, and the content of the post responses was considered by the export advisers to be of varying quality, and untimely. Austrade is testing different arrangements for obtaining this information.

35. About 45 per cent of TradeStart clients visit the selected market to assess suitable opportunities with the assistance of the post. Such visits are effective in achieving export sales.

36. Where clients are unable to visit posts, there are electronic options for contact between TradeStart clients and potential buyers and post staff, such as teleconferencing facilities. TradeStart clients can also engage with the market through the visits of post staff to Australia.

37. The ANAO also found that export advisers provide further coaching and follow-through after market contact, which is one of the intended features of the program.

38. Austrade has not monitored TradeStart export advisers' observance of, and performance against, its client service standards. Austrade has advised that it will do so later this year.

TradeStart performance (Chapter 6)

39. Austrade has performance criteria for TradeStart, which enable it to assess performance against the overall objective of the program.

40. While Austrade assesses the performance of the individual rural and regional offices, it does not publish a report for this part of the network. It would aid accountability if such a report were provided. In addition, Austrade could also seek ally views on TradeStart impact in its target areas.

41. An Austrade client survey indicated that 82 per cent of TradeStart clients in 2003-04 rated satisfaction with service as good or better, which was equal to its target for the year. Satisfaction exceeded that for Austrade's Local Export Adviser Network (LEAN) service.

42. The program is quite successful at achieving exports by the target SMEs. The rate at which clients converted to exporters in 2003-04 equates to 48 per cent of the number recruited that year for rural and regional Australia. In 2004-05, the rate was 41 per cent. These rates of export conversion compare favourably with averages for the program as a whole.

43. Many clients interviewed by the ANAO advised that they would not have achieved an export sale without the assistance of Austrade through the TradeStart program. This suggests that the program has considerable impact in rural and regional Australia, at least to assist companies to commence exporting.

44. Half of export sales in 2003-04 were for amounts under \$20 000, reflecting the program's targeting of SMEs. This compares with an average program cost for each export sale of around \$20 000. The high relative cost reflects, in part, the model for TradeStart, which is generally resource-intensive, as well as the nature of the target group.

45. The relative cost of achieving export sales underlines the importance of sustaining exports after these initial sales. Austrade data show that, of clients who graduated from the program 12-24 months ago, 18 per cent have had a subsequent sale using Austrade's assistance. However, a large number of clients do not continue to use Austrade's services, therefore sales are not recorded, and are not counted in the 18 per cent. An Austrade survey indicates that 72 per cent of former NEDP clients achieve further sales after exiting the program. However, these survey data do not disaggregate the performance of TradeStart clients.

46. The ANAO found that Austrade has also implemented a series of initiatives to encourage sustainable exporting by TradeStart and other clients. These include a project to identify the characteristics of sustainable exporters and the contribution Austrade can make towards developing these attributes.

Overall audit conclusion

47. The ANAO concluded that Austrade's management of TradeStart provides potential new and irregular exporters in rural and regional Australia with accessible and well-managed export coaching services.

48. Austrade has generally sound contractual and management arrangements for TradeStart. The contract payment structure provides a strong performance focus, providing a degree of risk sharing between the Australian Government and contracted allies. Export advisers are appropriately selected and trained, and contractual performance is reviewed biannually.

49. There is good communication with, and supervision of, export advisers by Austrade. However, there have been limitations in recording of some valuable client management information and in performance feedback to individual export advisers. Recent developments by Austrade seek in part to improve these areas, to enhance effectiveness of the TradeStart network.

50. The extent to which existing locations of export advisers align with needs and priorities warrants assessment in any future development of TradeStart, for greater effectiveness. Any future tendering processes also require greater transparency in key decision-making, for improved accountability.

51. TradeStart provides the flexibility to identify and support potential exporters in rural and regional Australia. Export advisers travel extensively and use local networks to identify potential clients in rural and regional Australia. They are generally successful at meeting or exceeding their targets for recruitment.

52. Austrade's processes for accepting applicants provide reasonable assurance that decisions are appropriate and consistent with eligibility criteria. However, transparency and accountability would be strengthened by more standardised use of assessment checklists, and structured processes for managing potential for conflict of interest.

53. Overall, TradeStart export advisers provide an appropriate range of coaching services to approved clients, which enable them to make worthwhile overseas contacts. The one-on-one export coaching is valued by SMEs, many of whom advised the ANAO that they would not have achieved an export sale without this assistance.

54. However, initial assessments by posts of market conditions have had weaknesses in process and interactions. Austrade is considering better ways to provide this information.

55. Performance criteria for TradeStart facilitate the assessment of performance against the overall objective of the TradeStart program but not in rural and regional Australia, which is a secondary objective.

56. The program is successful at assisting rural and regional small-to-medium sized businesses commence exporting. It assists businesses that consider they would not otherwise have exported. However, relatively few entrants to TradeStart have been recorded as sustaining exporting in the medium-term. Other Austrade data indicate that new and irregular exporters (including TradeStart clients) in fact perform well with regard to sustainability of exporting. As well, Austrade has several initiatives underway aimed at improving sustainability.

Recommendations and Austrade's response

57. The ANAO made six recommendations aimed at improving Austrade's provision of export assistance to rural and regional Australia.

58. Austrade's summary response to the ANAO's report is as follows:

Austrade agrees with the findings of the ANAO report. In particular we welcome the ANAO's conclusions that "TradeStart provides potential new exporters in rural and regional Australia with accessible and well-managed export coaching services", and that "Austrade has generally sound contractual and management arrangements" with the contract payment structure

providing a “strong performance focus”. Austrade supports the specific recommendations in the report.

In creating the TradeStart program to assist new exporters, Austrade has directly involved a wide range of program partners from the Private and Public sectors. Drawn from State Governments, Industry Associations, Local Governments and Regional Development Bodies, the program partners extend and supplement Austrade’s services and provide improved services for business.

This coalition across all levels of government and the private sector is a new and creative approach, which enables the evolving needs of small business to be met in their local communities. TradeStart utilises the service delivery infrastructure of local agencies that have a growing interest in export assistance. Austrade has developed new management protocols that can be equally effective and efficient in both the private and public sectors. Austrade believes that it has been successful in developing these approaches and considers that the findings of this ANAO Performance Audit support this view.

Austrade is committed to continuous development of its service delivery methods, and as these methods develop, a parallel continuous incremental improvement in management systems is required. Some of the issues covered by the ANAO are matters that Austrade has committed considerable resources to resolving, having the ANAO support this development work is very positive. Some other matters are recommendations and suggestions to the detail of the management of the program, which are helpful additions.

Recommendations

Recommendation No.1
Para. 2.24

The ANAO recommends that, to support proposals put forward and demonstrate reasons for decisions, Austrade document all key decisions during intermediate stages of competitive selection processes.

Austrade response: Agreed.

Recommendation No. 2
Para. 2.35

The ANAO recommends that, when the opportunity presents itself, possibly with the move to new contractual arrangements, Austrade determine the extent to which TradeStart office locations align with assessed needs and priorities.

Austrade response: Agreed.

Recommendation No. 3
Para. 4.21

The ANAO recommends that Austrade strengthen the transparency of decision-making on applications to join the New Exporter Development Program, and accountability for these decisions, by requiring TradeStart export advisers to complete, and file, the initial client needs assessment checklist for each applicant.

Austrade response: Agreed.

Recommendation No. 4
Para. 4.40

The ANAO recommends that Austrade implement more structured procedures to manage the potential for conflicts of interest arising from the TradeStart export advisers' responsibilities.

Austrade response: Agreed.

Recommendation No. 5
Para. 5.26

The ANAO recommends that Austrade identify and implement appropriate mechanisms for timely and informative preliminary market intelligence about the suitability of potential market(s) for TradeStart clients' products or services.

Austrade response: Agreed.

**Recommendation
No. 6
Para. 6.7**

The ANAO recommends that Austrade expand the TradeStart performance framework with targets for rural and regional Australia, and reporting on them. The data gathered by this means could be included in Austrade's regular internal reporting. Relevant information includes:

- the number of TradeStart clients recruited by TradeStart export advisers working primarily in rural and regional Australia; and
- the number and value of export sales achieved by these clients.

Austrade response: Agreed.

Audit Findings and Conclusions

1. Introduction

This Chapter provides background to the audit.

Introduction

1.1 The exporting of goods and services makes a significant contribution to the Australian economy. Australia exports around 70 per cent of its agricultural produce, around 80 per cent of resources production and just over 18 per cent of manufactured goods. Exporting also makes a significant contribution to employment. The Government has stated with regard to rural and regional Australia that:

Exports make a particularly significant contribution to the economy of rural and regional Australia, with one in four regional jobs relying on Australia's ability to export.³

1.2 The Australian Trade Commission (Austrade) is responsible for assisting actual and potential exporters. Its role is to help Australian companies win overseas business for their products and services by reducing the time, cost and risk involved in selecting, entering and developing international markets.⁴

1.3 Austrade is a statutory authority for the purposes of the *Commonwealth Authorities and Companies Act 1997*, operating within the Foreign Affairs and Trade portfolio. Austrade is governed by a Board, with membership drawn from industry and government. The Board reports to the Minister for Trade.

Increasing the number of Australian exporters

1.4 The Australian and State and Territory Governments have agreed to work co-operatively towards an Australian Government target to double the number of exporters by 2006, to 50 000.⁵ The Memorandum of Understanding (MOU) also provided a framework for agencies at Federal, State and Territory level to jointly develop programs to achieve this target.⁶ Figure 1.1 illustrates performance to date.

³ Department of Foreign Affairs and Trade (DFAT) and the Australian Trade Commission (Austrade), *Trade 2005*, Commonwealth of Australia, Canberra, 2005, p. 3.

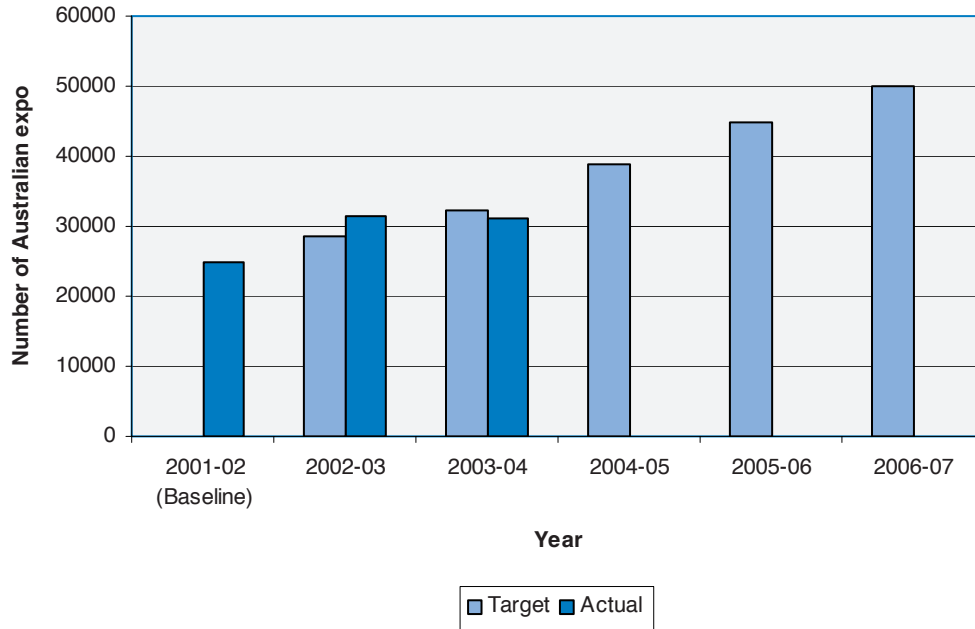
⁴ Austrade 2005, Austrade, Canberra, viewed 31 May 2005, <<http://www.austrade.gov.au>>.

⁵ National Trade Consultations Ministerial meeting, Memorandum of Understanding on Cooperation Towards a National Doubling of the Number of Australian Exporters, 4 April 2002.

⁶ *ibid.*

Figure 1.1

Growth in the number of Australian exporters



Source: Austrade

1.5 Austrade has the role of lead Australian Government agency for achieving this target.⁷ It aims to work in partnership with State and Territory agencies to develop new exporter programs and activities, and identify and address impediments to cooperation.

1.6 As summarised in Table 1.1, Austrade’s approach to achieving this target has focused upon four key strategic strands, one of which involves the development of new and irregular exporters.

⁷ Austrade, *Annual Report 2002-03*, Commonwealth of Australia, Canberra, 2003, p. 26.

Table 1.1**Austrade's approach to developing new export programs and activities**

Mission	Contribute to community wealth by helping more Australians succeed in export and international business.
Target	Austrade will take lead role in a whole-of-government approach to double the number of exporters from 25 000 to 50 000 by 2006.
Four strands of strategy	<ul style="list-style-type: none"> • develop new and irregular exporters; • grow established exporters; • deliver a focus on both industry and geography; and • build community awareness.
Austrade's key numbers	<ul style="list-style-type: none"> • provide 13 000 additional exporters, through direct and indirect channels over five years (Austrade estimated that natural growth will provide the other 12 000 exporters); and • assist in the retention of existing exporters.

Source: Austrade Operational Plan 2004-05

1.7 In 2002-03, Austrade initiated the New Exporter Development Program (NEDP), which offers a package of free services to potential exporters. The NEDP aims to take aspiring exporters from the initial enquiry stage through to successful export.⁸ Its objectives are to:

- double the number of Australian companies exporting by 2006; and
- maximise the number of new and irregular exporters who develop a sustainable exporting business. (Sustainable is defined as still generating foreign exchange in any market three years after participating in the program).⁹

1.8 The free services provided under the NEDP include initial information and advice about exporting, along with more detailed services such as mentoring; information about export opportunities in overseas markets; and assistance from Austrade overseas posts in-market. These services are delivered within Australia through two principal channels:¹⁰

- TradeStart, which principally targets regional and outer metropolitan areas. This is a network of export advisers employed under outsourced service delivery arrangements between Austrade and service providers (TradeStart allies). There are TradeStart export advisers in each State,

⁸ DFAT and Austrade, *Trade 2005*, op cit, p. 45.

⁹ Austrade, NEDP Guidelines, 2005.

¹⁰ Austrade's overseas offices may also deliver the NEDP directly to clients already in the market.

with areas of responsibility defined by postcodes. Two TradeStart offices have an industry focus and national responsibilities; and

- Austrade's Local Export Adviser Network (LEAN). LEAN export advisers are Austrade employees located in Austrade state offices. They often work in conjunction with the TradeStart export advisers.

TradeStart

1.9 The focus of this audit is on the TradeStart program. TradeStart was launched in the 2002-03 Budget, when funding of \$21.5 million over four years was announced.¹¹

1.10 The primary objective of the TradeStart program is to assist Small-to-Medium Enterprises (SMEs) to commence exporting on a sustainable basis and convert irregular exporters to regular sustained exporting. In addition to its primary objective, the program considers the particular needs of regional Australia and industries which have high potential for export growth. For example, a typical smaller rural client was a wine producer in South Australia with three full-time staff and sales of around \$400 000. An example of a larger company assisted by the program had sales of \$2 to \$3 million annually, for telecommunications equipment. The program also aims to enhance the coordination of public and private sector export facilitation assistance to small and medium new exporters.¹²

1.11 Austrade has advised that, through TradeStart, partner organisations engage in the promotion of the Australian Government's trade priorities. The program promotes exporting and international business within specific communities and works with other relevant agencies to increase the number of export capable businesses. TradeStart also promotes Austrade and provides access to the full range of its services for both new and existing exporters.

This audit

Audit objective and scope

1.12 The objective of this audit was to assess the provision of export assistance and support to new and irregular exporters in rural and regional Australia through the TradeStart program.

¹¹ In October 2004, the Australian Government announced that it would invest \$4 million over three years to establish eight new export hubs in regional Australia to bring together the services and products provided by TradeStart and another Australian Government agency, AusIndustry.

¹² Austrade, *TradeStart Program Guidelines*, 2004.

1.13 Audit criteria were developed examining the following:

- contractual and management arrangements;
- Austrade's management of the TradeStart export advisers;
- identifying and recruiting potential exporters;
- assisting clients to export; and
- TradeStart performance.

1.14 The focus on rural and regional Australia reflects the priority given by the Government to providing effective business and trade assistance to small businesses and rural and regional businesses. However, broader aspects of TradeStart management, such as contract and risk management have been assessed across the program as a whole.

Audit methodology

1.15 The Australian National Audit Office (ANAO) undertook fieldwork at Austrade offices in Canberra, Sydney, Perth and Adelaide. This involved interviews with senior Austrade managers and the examination of client files and associated documentation. The ANAO also engaged a specialist contractor to assess the performance of the relevant management information system.

1.16 The ANAO interviewed and examined the work of TradeStart export advisers working in rural and regional Australia.¹³ This also involved interviewing the ally organisations that employ these export advisers. The discussions were supported by a survey of TradeStart export advisers operating in rural and regional Australia and their employers.

1.17 The ANAO also interviewed TradeStart clients about their perspectives of the program and its operation.

1.18 The ANAO conducted a survey of the ten Austrade overseas posts most frequently used by TradeStart clients, to gather evidence on views of the posts' relationships with TradeStart export advisers.

1.19 The audit was conducted in accordance with the ANAO auditing standards. The total cost of the audit to publication was \$420 000.

Previous ANAO audits

1.20 ANAO Audit Report No.4 1998-99 *Client Service Initiatives* evaluated the efficiency and effectiveness of Austrade's management of customer services to

¹³ Austrade considers the office to be rural and regional if the bulk of the catchment area, and weight of population, is outside the greater metropolitan area of a city.

Australian exporters. The audit concluded that Austrade had made good progress in creating a customer service culture, and that its client services were meeting the needs of a majority of their users. Nevertheless, the report contained a number of recommendations for improving the effectiveness of these services.

1.21 A follow-up report tabled in September 2001 found that Austrade had fully implemented the majority of these recommendations and substantially progressed the remainder.¹⁴

Structure of this report

1.22 Figure 1.2 summarises this report's structure.

Figure 1.2

Report Structure

Chapter 2	Chapter 3	Chapter 4	Chapter 5	Chapter 6
Contractual and Management Arrangements	Managing the TradeStart Export Advisers	Identifying and Recruiting Potential Exporters	Assisting Clients to Export	TradeStart Performance

¹⁴ ANAO, Audit Report No.14 2001-02 *Client Service Initiatives Follow-up Audit*, Commonwealth of Australia, Canberra, 2001.

2. Contractual and Management Arrangements

This Chapter examines the contractual and management arrangements established by Austrade for TradeStart.

Introduction

2.1 In 1991, the then Government established an export assistance program, Export Access. This was extended in July 1997. In the same year, the Government announced the launch of TradeStart, to improve export outcomes for SMEs in regional and rural Australia.

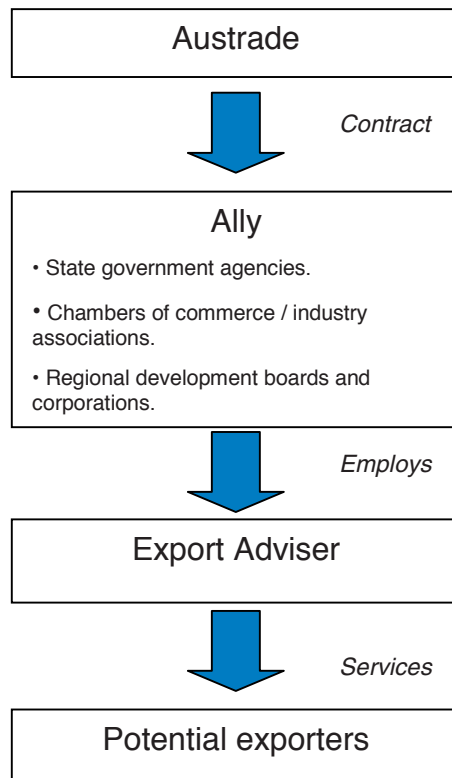
2.2 In mid-2002, these earlier programs were combined to form the current TradeStart program.

2.3 TradeStart relies upon an outsourced service delivery model between Austrade and third-party service providers, referred to as 'allies'. The allies are contracted by Austrade to provide export assistance services. The allies are State and Territory Governments, industry associations, and regional development associations. They employ export advisers, on a part or full-time basis, to work within defined geographic areas or specific industries.

2.4 Figure 2.1 outlines the relationship between Austrade and its allies in delivering the TradeStart program.

Figure 2.1

Operational structure of TradeStart



Source: ANAO

2.5 The following sections assess Austrade’s processes for:

- selecting allies;
- selecting TradeStart locations;
- ensuring the performance focus of the contract; and
- risk management.

Selection of allies

Request for proposal

2.6 Contracts with the pre-2002 TradeStart and Export Access allies were due to expire on 30 June 2002. It was intended that an enhanced TradeStart program would be in place by 1 July 2002.

2.7 The process employed for selecting allies for all of the locations chosen for TradeStart was a request for proposal (RFP) sent to selected organisations. Austrade advised that the selective approach was chosen to ensure that proposals would be received only from entities known to have sufficient resources and experience to deliver the program successfully.

2.8 The use of an RFP, rather than a request for tender, reflected Austrade's aim to have flexibility in solutions offered (for example, in terms of coverage of service, types of skills and facilities available.)¹⁵ An RFP is a document issued to potential providers that requests a proposed solution to a requirement that is complex or capable of several different solutions.¹⁶ The RFP method of procurement is generally used when the solution that is chosen depends on what the market can provide.

Selecting participants in the RFP

2.9 In February 2002, Austrade conducted a pre-selection process to identify candidates for inclusion in the RFP. Austrade asked its State offices and regional trade commissioners to identify industry and regional bodies to participate in the planned RFP. They were asked to consider the membership, sectoral/territorial coverage, and current or potential export promotion activities of nominees for the RFP.

2.10 Austrade received responses providing assessments of a range of potential partners for the new TradeStart. However, the absence of formal criteria for the pre-selection process meant that the responses were unstructured and the level of detail provided in each response varied.

2.11 In examining the RFP process, the ANAO found that Austrade did not document key aspects of the selection process. For example, Austrade did not use systematic criteria to choose organisations to participate in the RFP. To improve accountability of the selection process, documentation of these steps warrants attention in any future selection process.

2.12 Fully open processes also allow broader canvassing of possible new solutions: Austrade has recognised this and publicly advertised later RFP processes to select TradeStart providers for two additional locations in late

¹⁵ Austrade stated in the RFP that it was looking for organisations to jointly deliver a consistent range of export marketing services to SMEs across Australia. It was seeking not-for-profit organisations, particularly in non-CBD locations, with business goals that mirrored or complemented those of Austrade. Ideally, those would already be providing a range of business development assistance services to a substantial client base, membership or constituents. In the past, organisations delivering the Program had included state governments, national industry bodies, state chambers of commerce and regional development boards and commissions.

¹⁶ Australian Capital Territory Government Procurement Board 2005, *Requests for Offers Procurement Toolkit*, ACT Government, Canberra, viewed 6 June 2005, <<http://www.basis.act.gov.au>>.

2002, and more recently in 2005 to select providers for two offices opened as export hubs.¹⁷

2.13 Austrade sent the RFP to 75 organisations on 29 April 2002. These were organisations involved in the previous Export Access and TradeStart programs, and candidates identified in the Austrade selection process. Austrade also included some other organisations that had put their names forward.

2.14 Austrade received responses from 42 potential allies. These involved proposals for 55 locations for TradeStart offices and also eight industry-specific proposals.¹⁸

Selection of allies

2.15 Austrade's process for the selection of TradeStart allies included:

- distributing high-level evaluation criteria¹⁹ to the participants in the RFP as part of the RFP documentation on 29 April 2002;
- providing clarifying information in response to participants' questions through a video-link broadcast on 9 May 2002, which helped ensure that the process was understood by the bidders; and
- use of a probity auditor to provide a sign-off on the conduct of the process. The probity auditor provided two reports to the Austrade delegate, in each case advising that he was not aware of any issues that would lead him to conclude that the process to date had not been conducted in a fair and equitable manner with due regard to probity.

2.16 The ANAO found that, after the identification of RFP participants (see paragraph 2.9), the selection process overall had rules that were clear, open, and applied equally to all parties in the process.

2.17 The ANAO also found that value-for-money for the participants was addressed in assessment of proposals by, inter alia, assessing: the relevant performance history of participants, including industry and geographic coverage; international trade expertise; and marketing and recruitment activities. (This also involved an implicit assessment of the relative risk of each response). Numerical scores and ratings were used to compare overall

¹⁷ See Footnote 11 for detail on the establishment of these export hubs.

¹⁸ There were three locations for which no suitable bids were received in the first round. These were subsequently offered in a second round and two of the locations were filled.

¹⁹ Austrade developed detailed sub-criteria for the evaluation of bids. These were used for the assessment of applications but were not circulated with the request for proposal.

effectiveness. These were combined with the cost of proposals to form an overall value-for-money assessment.²⁰

2.18 Assessing the relevant performance history of participants also enabled Austrade to review the quality of service of bidders who had delivered comparable services for them under the previous export assistance programs.

2.19 The report of the evaluation teams was presented to the Austrade delegate in June 2002. However, the report was not accepted, and the teams were re-convened.

2.20 The probity auditor's report noted that he understood management raised a number of questions of clarification that led to the evaluation teams being re-convened to further document their assessment. However, Austrade did not further articulate, and record, the reasons for its decision.

2.21 The re-convened evaluation teams had new, external, chairs to carry out a second selection process. Austrade reported that the independent chairs were appointed to ensure that the evaluation teams assessed the proposals against the evaluation criteria with increased documentation of assessments.²¹ Previously, the evaluation process had involved two evaluation teams headed by internal chairs. Again, the reason behind this change to team structure was not documented by Austrade at the time, and some other documents from the evaluation were not on file.

2.22 The second tender evaluation report was approved on 25 July 2002. The decision to seek a second report was a significant one, as it changed the recommendation to the delegate as to the preferred providers.

2.23 Critical decisions such as this, involving changes to competitive selection processes, particularly those leading to altered outcomes, warrant more transparency. At the least, this requires recording and filing of decisions and their reasons, as a fundamental aspect of accountability. Appropriate creation and management of records is also crucial to the efficiency of administration and the retention of corporate memory. Failure to do this also risks exposing the Australian Government to subsequent litigation from unsuccessful providers.²²

²⁰ The assessment was a marginal cost-marginal utility analysis, plotting utility against cost.

²¹ The probity auditor also examined this second phase of the RFP.

²² ANAO Audit Report No.42 1999-2000, *Magnetic Resonance Imaging Services - effectiveness and probity of the policy development processes and implementation*, Commonwealth of Australia, Canberra, 2000 pp. 70-71.

Recommendation No.1

2.24 The ANAO recommends that, to support proposals put forward and demonstrate reasons for decisions, Austrade document all key decisions during intermediate stages of competitive selection processes.

Austrade response

2.25 Agreed. Austrade acknowledges that there could have been improvements in documentation; noting that at the time Austrade was advised on the TradeStart selection process by the consultant adviser. The probity auditor concluded in his report that he was not aware of any issues which would lead him to conclude that the process had not been conducted in a fair and equitable manner with due regard to probity.

Selection of TradeStart locations

2.26 In the 2002-03 Budget the Government announced the extension of the amalgamated TradeStart and Export Access programs for another four years and expansion of the network by establishing ten additional offices in outer metropolitan, regional and rural areas throughout Australia.²³

2.27 Subject to negotiations with local partners, new TradeStart offices were announced for Dubbo, Penrith, Sutherland, Emerald, Bunbury, Geelong, Mildura, Port Lincoln, the Adelaide-based Australian Wine Export Council, plus one other that was to be identified.

2.28 The RFP (see paragraph 2.7) identified TradeStart providers for the locations rolled over from the previous programs and 14 new ones, including those announced in the Budget.²⁴

2.29 At the time of audit, there were 52 TradeStart export advisers working in 50 locations around Australia (see Figure 2.2).

²³ Foreign Affairs and Trade Portfolio, *Portfolio Budget Statements 2002-03*, Commonwealth of Australia, Canberra, p. 91.

²⁴ One provider subsequently withdrew from the TradeStart program.

Figure 2.2

Location of TradeStart export advisers in 2004-05



Source: Austrade

Assessing the balance of locations nationally

2.30 Determining the relative priority of regions in terms of their capacity to assist Austrade in its goal of doubling the number of exporters over five years is an important part of ensuring the most effective use of available Australian Government resources. The capacity of locations throughout the target areas to generate enough business to support an export adviser may well alter over time.

2.31 In 2002, Austrade considered the location of TradeStart offices and their catchment areas, in the context of the RFP. Potential bidders were asked to identify locations, industry sub-sectors and target numbers of clients. This enabled Austrade to make an assessment of the likely capability of each bidder to generate clients in its proposed target area.

2.32 Since 2002, Austrade has sought to establish additional TradeStart offices in other locations where demand has been identified. For example, in late 2002 Austrade conducted a small RFP to identify providers for TradeStart offices in Geelong, Wangaratta and Kununurra.²⁵

2.33 In addition, Austrade has considered individual regions' continuing suitability as locations for TradeStart offices as part of the consideration of the performance of individual export advisers.

2.34 It would be consistent with good program management to determine the extent to which locations in the overall TradeStart network align with assessed need and priorities. Austrade has advised that it intends to assess office locations and the allocation of catchment areas at the expiry of the current TradeStart contracts, in 2006, if the Government extends the program. The results of the assessment would inform Austrade's planning for any future iterations of the TradeStart program or similar export-assistance initiatives.

Recommendation No. 2

2.35 The ANAO recommends that, when the opportunity presents itself, possibly with the move to new contractual arrangements, Austrade determine the extent to which TradeStart office locations align with assessed needs and priorities.

Austrade response

2.36 Agreed. Austrade assesses the needs and priorities of the export community at the commencement of each funding cycle. Austrade's next opportunity to do this is in 2006. A TradeStart office requires two to three years to reach its market potential and to review offices with a view to closing existing offices and opening new offices more frequently would be inefficient.

Timeliness of the selection process

2.37 Austrade's aim was to have the selection process for the new program finalised, with contracts signed by 1 July 2002. It sought responses to the RFP by 20 May 2002.

2.38 This timeframe left six weeks for the evaluation process, examination by the probity auditors, contractual negotiations with successful bidders and notification and briefing of unsuccessful bidders. In the event, the Austrade delegate did not approve the final evaluation report until 25 July 2002. While Austrade extended the contracts for the previous Export Access and TradeStart

²⁵ No suitable provider could be identified for the proposed TradeStart office in Wangaratta.

programs for a further six weeks, which provided assurance of continuity of service to existing clients,²⁶ applicants were only informed of the delay on 26 June 2002, four days before the contracts had been due to expire.

2.39 The late advice had caused uncertainties for those applicants who were allies under the previous programs. They had export advisers employed to provide services, under contracts due to expire on 30 June 2002. More timely advice of any delays in finalising future selection processes would be consistent with good relationship and contract management and continuity of service to clients.

TradeStart contract performance focus

Contract design

2.40 The first contracts under the new TradeStart program expired on 30 June 2004, with a two-year extension option. Austrade exercised its option to renew the contracts for a further two years, amending some provisions, including those relating to branding, recruitment and performance management. The amended contracts will expire on 30 June 2006.

2.41 The TradeStart contracts have generic clauses in the body of the contract and a number of schedules that establish provisions specific to each ally, including fees and targets for clients. There is a separate contract for each TradeStart office location, including for those allies with export advisers in several locations.

2.42 The ANAO found that contracts were appropriately signed and executed. Contract requirements are appropriately articulated, including:

- identifying the roles and responsibilities of Austrade and the ally;
- specifying deliverables; and
- establishing formal reporting mechanisms for TradeStart export advisers.

2.43 The contracts enable Austrade to take action in the event of poor performance of the export adviser. Austrade is also able to terminate the contract in the event of ally non-compliance.

2.44 The TradeStart contracts are performance-based. In addition to a guaranteed base payment,²⁷ allies are paid for recruiting clients and when those

²⁶ Allies that had also been service providers under the previous Export Access and TradeStart programs were required to continue servicing clients of these programs.

²⁷ This initial base payment was paid in a single lump sum in the program's first year. In subsequent years the two-stage base payments are paid between around the start of the financial year and 31 January.

clients make an export sale. That is, the contract's performance-based structure provides an incentive both for recruiting clients into the program and for guiding them towards export sales. Figure 2.3 illustrates the basis for calculating payments under the TradeStart contract. The relative weighting of base and performance payments is the same for all contractors.

Figure 2.3

TradeStart contract illustrative performance payments

Client target: 20 per annum	
• Guaranteed base payment	\$40 000 payment.
• Maximum payment for recruiting clients	\$40 000 (\$2 000 per client).
• Maximum payment for client export sales	\$30 000 (\$1 500 per client).

Source: ANAO analysis of Austrade contract

2.45 This approach also provides a degree of risk sharing between the Australian Government and the ally.

2.46 The ANAO concluded that the contractual arrangements have a performance focus that helps deliver value-for-money and export outcomes, and also protects the interests of the Australian Government.

Auditor-General access clauses

2.47 In 1997, the then Auditor-General wrote to agencies, recommending that agency contracts include a provision to allow the ANAO access to records, information and assets associated with contractors' responsibilities for the delivery of services and/or equipment. Model access clauses have been developed for this purpose.²⁸

2.48 TradeStart contracts provide for ANAO access, but limited to relevant accounting records. They do not explicitly provide for ANAO access to the TradeStart administrative records, nor for access to contractors' premises in relation to these activities.

2.49 In practice, the ANAO did not encounter problems when accessing records for the purposes of this audit. Nevertheless, a formal access provision is sound contract practice. Austrade has addressed this in contracts negotiated for the new export hubs.²⁹

²⁸ The then Commonwealth Auditor-General wrote to heads of Government Agencies in September 1997, with an update in June 2001, recommending the use of model access clauses in Commonwealth Government contracts.

²⁹ See Footnote 11 for detail on the establishment of these export hubs.

Risk management

2.50 Austrade's key risk management document is its agency-wide risk management plan, summarising significant risks. The plan identifies, inter alia, the growing use of external, public and private sector partners and service providers as giving rise to a number of risks.

2.51 It is intended to be supported by separate risk management plans for each Austrade division or program.

2.52 The ANAO found that Austrade did not have a risk management plan specifically for TradeStart. It had relied on risks identified in a broader plan for the NEDP. This identified a series of risks, among them: the integrity of Austrade processes for verifying export sales; meeting program targets; and program content. However, the plan did not address in any detail Austrade's reliance on outsourced service delivery to deliver export outcomes. This presented a risk that Austrade had not identified the key risks associated with outsourced service delivery and their treatments.

2.53 Austrade has now completed a risk management plan for TradeStart to address this omission. This identifies a more complete series of risks associated with outsourced service delivery and also specifies the means by which they will be addressed. The categories of risk include: branding; program design; selection of TradeStart locations; intellectual property; and ally relationship risks.

2.54 To address findings of this audit, Austrade has now explicitly identified the potential for insufficient alignment of TradeStart offices with assessed needs and priorities as a risk (see paragraph 2.34). The plan also now recognises the risk to the continuity of client service arising from the fact that TradeStart export advisers in rural and regional Australia operate in small and isolated communities where there will often be limited alternative options should the export adviser have a prolonged and unforeseen absence due to illness.

3. Managing the TradeStart Export Advisers

This Chapter addresses Austrade's management of the TradeStart network.

Introduction

3.1 TradeStart allies deliver export coaching services through export advisers. Contracts require that Austrade network managers supervise export advisers in their export coaching responsibilities.

3.2 The network managers report to the Director, Austrade Client Services, through a Group Network Manager.

3.3 This Chapter examines Austrade's support for, and management of, TradeStart export advisers. In particular, it addresses:

- the selection of export advisers by allies;
- their training and development;
- oversight by Austrade network managers; and
- managing client information.

Selection of TradeStart export advisers

3.4 The TradeStart contracts provide for Austrade to approve the appointment of export advisers.

3.5 This is usually achieved through Austrade representation on joint selection panels with the ally and involves assessing whether the skills and experience of applicants are appropriate. However, Austrade may also approve a proposed appointment by an ally based on previous experience—for example, if the appointee had been employed as an export adviser under the previous Export Access program. Austrade representation is usually the network manager.

3.6 In all appointments examined by the ANAO, Austrade appropriately approved the appointment, in line with contractual requirements. In each case, the appointees had previous commercial experience applicable to their TradeStart responsibilities.

Training and development

Training strategy

3.7 Austrade has a Global Learning and Development Plan (the Plan) that addresses the skill requirements of its employees. The Plan also recognises the need to address the skill levels of TradeStart export advisers, and exporters.

3.8 Aspects of the Plan particularly relevant to developing new and irregular exporters through TradeStart are summarised in Table 3.1.

Table 3.1

Austrade’s Global Learning and Development Plan

Strategic priorities identified	Client management, in the context of follow-up processes. Maximising numbers of clients serviced and export success rate of TradeStart program – targeting skills development of TradeStart staff.
Response sub-strategy	Export facilitation – targeted workshops for Austrade employees to increase general export awareness, including workshops and online modules on core export facilitation skills and knowledge; Education of TradeStart export advisers and exporters – range of export facilitation programs and content that is made available online, including to TradeStart export advisers; Sales and client management – online modules; and Managing for high performance – workshops on performance management.
Performance measures	Percentage of target employee groups trained in relevant export facilitation packages, relevant sales and client management program, and in orientation programs. Client Service Improvement Study results meet client satisfaction KPI. Number of TradeStart allies/clients completing online export facilitation modules.
Programs delivered	The Plan acknowledges the importance of accelerating the contribution of TradeStart export advisers to generating new exporters and ensuring Australian companies achieve sustainable international business. Austrade proposes to address this by providing professional development programs, delivered online or face-to-face and sharing tools, systems and processes for assessing exporter capability, exporter readiness, and developing market selection and entry strategies.

Source: Austrade Global Learning and Development Plan

3.9 Training is built around specific export and trade capabilities that Austrade identified, in the Plan, as necessary for export advisers. Austrade also draws on feedback from export advisers and network managers to refine its ongoing approach to training. Online training options are particularly useful, given the remote working of TradeStart export advisers.

3.10 Figure 3.1 outlines the key capabilities for sales and client management, which are identified in the Global Learning and Development Plan as a key skill area for developing new and irregular exporters (see Table 3.1).

Figure 3.1

Export adviser sales and client management capabilities

- customer and client management;
- client follow-up;
- client sourcing skills;
- client assessment;
- ally management;
- conversion—achieving export sales; and
- selling skills.

Source: Austrade

3.11 The ANAO concluded that Austrade has adopted a structured approach to TradeStart training, which is appropriately linked to strategic priorities.

Training provided

3.12 Austrade is responsible for the training of TradeStart export advisers in Austrade’s services, processes and systems. This responsibility is reflected in the TradeStart contracts, which require allies to release the TradeStart export advisers for an annual conference and up to five days of training. Austrade monitors this in the biannual reviews conducted with the ally.

3.13 The ANAO found that allies met their obligations to attend. Where there are unavoidable absences, Austrade seeks to manage these by having the relevant network manager follow-up with one-to-one training.

Induction training

3.14 Timely and effective induction training is important for new TradeStart export advisers in rural and regional Australia. Although they have relevant skills, most TradeStart export advisers have not previously been employed by Austrade and work remotely from their supervising network manager.

3.15 Austrade undertook induction training in each State immediately following the appointment of the TradeStart export advisers in 2002. Since

then, Austrade has held annual induction sessions for new TradeStart export advisers.³⁰

3.16 Undertaking induction annually can present a risk to performance of new TradeStart export advisers, if they join some time before the next induction course. The ANAO found that Austrade has sought to manage this risk with one-on-one coaching for newly appointed export advisers. Austrade network managers are required to provide such coaching monthly for the first six months. Austrade introduced a more structured approach to this in late 2004. The operation of these arrangements is monitored at a senior level in Austrade's head office.

Ongoing training

3.17 TradeStart export advisers meet for ongoing training in each State every two or three months and have access to a range of online training modules. Appendix 1 summarises the training available.

3.18 The ANAO examined the content of the training and found that it was relevant to job requirements and appropriately addressed key learning areas.³¹ These include job-specific knowledge; management skills; and leadership behaviours.

TradeStart export adviser satisfaction with training

3.19 Austrade induction training is generally well regarded. An ANAO survey of rural and regional TradeStart export advisers found that advisers were generally highly satisfied with the relevance and quality of their induction training (almost 80 per cent of advisers.)

3.20 There was lower satisfaction with ongoing training. Around 70 per cent considered that the ongoing training was relevant and ensured that their skills and knowledge remained current.

3.21 Reasons for lower satisfaction levels with ongoing training included that the training was too process-driven, and too oriented towards Austrade LEAN export advisers (who also participate in this training). It was suggested that the emphasis should shift towards more practical aspects of the export process, including such matters as managing client financial risk and arranging export finance.

³⁰ Following the appointment of the new export advisers in 2002 (who included some export advisers from the two previous programs), recruitment has only occurred when export advisers have left the program. The 2004-05 financial year involved around ten new starters for TradeStart as a whole.

³¹ The ANAO assessed the content of this training against the Australian Public Service Commission and ANAO better practice guide, *Building Capability. A Framework for Managing Learning and Development in the APS*, Commonwealth of Australia, Canberra, 2003, p. 16.

3.22 The ANAO found that Austrade adjusts the content of training to reflect feedback and has incorporated more practical topics in recent training. For example, matters discussed at the 2005 export adviser conference reflected input to the agenda from export advisers. Topics addressed included: gathering market intelligence; developing a website for export success; pricing for export; and intellectual property.

Monitoring

3.23 In addition to using feedback to shape the content of training programs, Austrade monitors the impact of the training provided. This includes monitoring:

- the participation of the target group in relevant programs; and
- export adviser performance, measured in the annual client survey, against the target for the client satisfaction KPI in Austrade's performance information framework.³²

Network manager oversight of TradeStart export advisers

3.24 Austrade network managers are responsible for supervising the work of several TradeStart export advisers. For example, the network manager in Adelaide is responsible for five TradeStart export advisers working across South Australia. Network managers are located in Austrade state offices, and provide on-the-job training, resolve individual quality problems and assist with the utilisation of Austrade services.

3.25 A strong working relationship between the network manager, and the ally and the TradeStart export adviser is central to the effective operation of TradeStart. This requires, inter alia, good communication and structured arrangements for contract monitoring and performance feedback.

Communication

3.26 TradeStart export advisers in rural and regional Australia are responsible for large geographic areas. For example, the TradeStart export adviser based in Dubbo has a territory in western New South Wales that extends from Wellington in the east to Coonabaraban, Lightning Ridge and Broken Hill.

3.27 Accordingly, the TradeStart export advisers spend much of their working day travelling on client visits. They also conduct much business, including keeping in contact with network managers, by telephone.

³² This KPI is discussed further at Appendix 6.

3.28 The ANAO survey of TradeStart export advisers found that TradeStart export advisers in rural and regional Australia were generally satisfied with the level of support provided by their network managers. Over 80 per cent surveyed indicated that their network managers provided an adequate level of support. All respondents reported that they received accurate advice from their network manager.

3.29 The working relationship with network managers was considered to be very effective. Figure 3.2 provides some illustrative comments.

Figure 3.2

One TradeStart export adviser reported that he is in frequent contact with his network manager. The export adviser visits the State office about every two weeks. He is also in frequent telephone and email contact with the network manager regarding clients and export opportunities.

Another TradeStart export adviser commented that he receives ‘100 per cent reliable advice’ from his network manager.

Source: ANAO interviews of TradeStart export advisers

3.30 The interactions between network managers and TradeStart export advisers often involve important matters, such as discussions about clients or the operation of Austrade processes such as the Key Performance Indicator (KPI) framework. If a decision on a particular issue, such as the assessment or management of a TradeStart client is not recorded, and it is challenged, this increases the risk that Austrade will not be able to defend the validity of some decisions or provide sufficient support to export advisers.

3.31 However, the ANAO found that many of these interactions are not recorded. For example, there was:

- little documentation of contact between network managers and TradeStart export advisers on issues related to individual clients, such as the eligibility of potential new clients or the progress existing clients were making towards exporting. The ANAO was advised that such issues were most frequently discussed via telephone; and
- limited email correspondence on some export adviser files regarding management/supervisor advice and decision-making, on such matters as the follow-up in relation to export sales claimed in the export advisers’ monthly reports³³ and, in another case, clarifying a TradeStart export adviser’s territory.³⁴

³³ Each TradeStart export is expected to provide the relevant network manager with a monthly report, which contains information, inter alia, on export sales achieved by the export adviser’s clients. Each sale must be verified as having occurred with Austrade assistance before it can be counted.

³⁴ Each export adviser has a geographic area, defined by postcodes, for which he or she is responsible.

3.32 As discussed at paragraph 3.54, Austrade has made some improvements to documenting decisions made in assessment and management of clients, but has yet to decide the extent to which network manager/export adviser interactions should be captured.

Austrade contract monitoring and performance feedback

3.33 The TradeStart contracts provide for a formal contract monitoring process by Austrade and the ally. This process occurs biannually.

3.34 Austrade has developed a standard checklist for this performance review. The checklist includes ally compliance with the contract provisions in matters such as:

- appropriate use of branding with Austrade banners and logos;
- securing of files; and
- monthly reporting by the TradeStart export adviser.

3.35 The ANAO found that the biannual performance reviews were conducted appropriately and consistently, with allies advised of any concerns identified by the network manager. The types of issues addressed in these reviews have included appropriate use of TradeStart's management information system, CBS Lite, and delays in forwarding monthly reports.

3.36 Allies were generally satisfied with the biannual review process. About 80 per cent surveyed considered that they received useful feedback.

3.37 The scope of the biannual review also includes export adviser performance in recruiting clients and assisting them to achieve export sales. This is covered in the regular Austrade meetings with the allies, reflecting the fact that the TradeStart allies employ the export advisers and have the formal responsibility for performance management.

3.38 In addition, monthly reports by the TradeStart export advisers provide quantitative and qualitative data for Austrade's internal performance reporting. Austrade also expects network managers to provide feedback on the monthly reports. However, the ANAO survey of TradeStart export advisers reported that:

- almost 40 per cent of TradeStart export advisers indicated that they did not receive useful feedback from Austrade in relation to the monthly reports; and
- 35 per cent said that their network manager did not use this information to identify and work through issues with them.

3.39 More generally, some TradeStart export advisers advised the ANAO that there was insufficient performance feedback from Austrade, given network managers' supervisory role.

3.40 Austrade has now sought to address this observation by implementing a requirement for network managers to provide regular and structured coaching and feedback to TradeStart export advisers. Network managers will accompany export advisers twice yearly on client calls and provide feedback based on a standard template.

3.41 The template addresses matters such as: the export advisers' understanding of Austrade; knowledge of exporting; and understanding of the client. TradeStart export advisers were due to receive their first round of formal coaching before 30 June 2005.

3.42 Austrade has advised that the process will facilitate the professional and personal development of the export adviser and the transfer of knowledge and skills. The aim is that any development needs identified in the course of this process are raised in the context of the biannual review with the export adviser's ally. It is the responsibility of the ally, as the employer, to communicate these to the export adviser.

Managing client information

CBS Lite

3.43 Austrade requires the TradeStart export advisers to maintain client information on a shared management information system, known as CBS Lite. CBS Lite is a cut-down version of Austrade's Core Business System (CBS). The information on CBS Lite is also available to the wider Austrade network.³⁵ Austrade monitors the extent to which the TradeStart export advisers use CBS Lite appropriately, through the biannual review (see paragraph 3.33).

3.44 CBS Lite captures various client information, including:

- details of the client's products and/or services;
- current and potential markets for the client;
- the status of the client's participation in Austrade programs;
- records of interactions with Austrade staff; and
- details of any export sales achieved.

³⁵ The wider network has access to CBS and CBS Reports, a web-based tool that generates reports based on data retained within Austrade's corporate database.

3.45 The ANAO examined a sample of records for TradeStart clients on CBS Lite. Almost all had been updated in the previous six weeks, indicating that, in the main, these records were being updated appropriately.

CBS Lite performance

3.46 The ANAO was advised frequently by rural and regional TradeStart export advisers and allies that the performance of CBS Lite was inadequate. This had necessitated 'work-arounds' by network managers and export advisers in order to keep client information up-to-date. For example, network managers sometimes updated client records on behalf of the export advisers.

3.47 This was reflected in the ANAO survey of TradeStart export advisers, which identified the operation of CBS Lite as one of the least valued aspects of Austrade's support for advisers. A typical comment was '...slow internet service from regional areas and slowness of CBS Lite is a major problem for inputting data'.

3.48 Accordingly, the ANAO tested the creation and updating of client records.³⁶ The ANAO found that it could take about three minutes to process some transactions on a typical dial-up connection.³⁷ However, this was due to bandwidth limitations faced by some users, rather than inherent limitations in the operation of Austrade's systems.

3.49 The ANAO found that Austrade sought to help TradeStart allies address the bandwidth issue. For example, it conducted research into the facilities offered by different Internet Service Providers. Moreover, by the conclusion of the audit, Austrade advised that all TradeStart export advisers were on a broadband connection.

3.50 Austrade has used a Virtual Private Network (VPN) connection to deliver CBS Lite. As a security measure, the VPN initially in use did not allow the Austrade network and the TradeStart export adviser's local network to be connected at the same time. In response, Austrade modified the VPN connection, as a temporary measure, to enable the two networks to be connected at the same time. Austrade has now updated the VPN to address the switching issue.

Other client information held by TradeStart export advisers

3.51 The contract contains provisions for the use and safeguarding of client information by the ally, which include the signing of a confidentiality

³⁶ The review tested CBS Lite's core functionality and response times for both network and dial-up connections.

³⁷ In a normal networked environment, response times above five seconds have proven frustrating for users. However, web-based applications can involve longer response times.

agreement by TradeStart staff. These declarations were appropriately completed.

3.52 Austrade has advised that the data on CBS Lite is the principal source of client information, and this is accessible to Austrade. However, the ANAO also found that TradeStart export advisers maintained some other client records on their premises. These included hard copy information, such as the client's application to join the NEDP, and electronic information such as email communications with clients or overseas posts. Austrade's biannual contract monitoring process addresses the appropriate securing of hard copy files. Until recently, Austrade had not specified record-keeping requirements for additional client information held by export advisers.

3.53 The ANAO found that practice and quality of record-keeping varied. In some cases, detailed hard copy and electronic records were kept, whereas in others, very little documentation was retained. This presented a risk that some key client management decisions were not captured.

3.54 Austrade implemented a new Client Relationship Management (CRM) application during this audit (Appendix 2). TradeStart export advisers are now required to record the outcomes of client visits and share these records with the clients, in part to manage client expectations of the service. These hard copy records are to be completed during client visits, and network managers will be able to check them during visits to the TradeStart office. Properly implemented, this will ensure that key client management decisions made in these discussions are captured.

3.55 This aspect of the CRM has the potential to address this shortcoming in client recordkeeping observed by the ANAO. However, the ANAO also notes that TradeStart export advisers will now be required to maintain client information on two separate management information systems—the CRM³⁸ and CBS Lite. Austrade will need to ensure export adviser compliance with requirements and quality control, to meet Austrade client information needs. It will be important for Austrade to ensure that these accountability requirements are met but do not become onerous.

³⁸ In addition to these hard copy files, export advisers are also expected to maintain high-level data about clients on an online system that is part of the CRM, and accessible to the network managers. In addition to high-level client information held online, it contains a series of templates used to manage different aspects of the export adviser/client relationship, including the calls on clients.

4. Identifying and Recruiting Potential Exporters

This Chapter examines client recruitment by TradeStart export advisers and Austrade's oversight of this role.

Introduction

4.1 TradeStart export advisers have to find potential clients and assess their suitability, and the correct timing, for participation in the New Exporter Development Program (NEDP).³⁹

4.2 Once the TradeStart export adviser has established this, the client is asked to complete an application to join the NEDP. The export adviser forwards the application to the network manager in the relevant Austrade State office. The network manager reviews the application before forwarding it to the Austrade State Manager for a decision.⁴⁰

Finding potential clients

4.3 TradeStart export advisers represent Austrade in their target locations. They work remotely from their Austrade supervisors to identify companies that are suitable potential clients. Export advisers have individual targets for the recruitment of clients to the program, with part of contract performance payments depending on achievement of the targets.

4.4 Austrade does not expect that rural and regional export advisers would necessarily have the same client load as those working in more urban areas. This reflects in part their wide range of TradeStart duties (which includes the promotion of exporting as well as servicing their clients), the large geographic areas for which they are responsible, and Austrade's requirement for acceptable professional standards to be maintained. Many of the export advisers in rural and regional Australia are also part-time.

4.5 The ANAO found that the TradeStart export advisers develop strategies to achieve annual targets. Figure 4.1 provides examples.

³⁹ TradeStart export advisers also receive occasional client referrals from Austrade. These are usually companies that have approached Austrade directly.

⁴⁰ The State Managers' TradeStart responsibilities are limited to approval of applications to join the NEDP.

Figure 4.1

One export adviser maps out a plan for the year, focusing on signing up the majority of his targets quickly. He tends to set aside three of his targets for later in the year. This approach does not involve developing a plan. Rather, clients are categorised into 'actuals' and 'potentials'; and each month the export adviser assesses progress in relation to this categorisation.

Another export adviser has a structured framework for categorising clients by their assessed potential. The ally offers a range of business support services, which also assists the export adviser to build up potential clients.

Source: TradeStart export adviser comments

4.6 TradeStart export advisers employ a range of approaches to finding suitable potential clients. They often advertise their services. This may include articles in business magazines; vehicle signage; and television advertisements. Companies may also approach the TradeStart export adviser with an enquiry about export coaching services.

4.7 The nature of the rural and regional localities in which they work means that TradeStart export advisers travel regularly, often using local networks to find potential clients, particularly those some distance from the TradeStart office. Figure 4.2 provides an example.

Figure 4.2

One export adviser has to drive for three or four hours to reach some of the more distant locations for which he is responsible. Work in the locations may involve appointments with local Government staff, to request help with identifying clients that have the ability to export. Economic Development Officers employed by some local Councils are considered a good source of advice in identifying potential new exporters.

The export adviser also participates with other government agencies in a roadshow to remote areas. These roadshows allow groups of people to attend mini-workshops that cover a number of programs.

The export adviser considers that word of mouth is very effective. However, the success of a client in achieving an export sale has the best impact in promoting the scheme. The export adviser targets those areas with the highest potential exporters. One of these is several hours' drive from the TradeStart office. This region is visited about six times a year.

Source: TradeStart export adviser comments

4.8 TradeStart export advisers target companies, working with them on a one-on-one basis. It can take time to assess a company's likely suitability for the program.

4.9 Overall, the ANAO found that the approaches used for targeting companies were generally well-considered and innovative, and adapted to local situations. For example, one TradeStart export adviser likes to get to know the company and suggests some 'homework' to test the degree of

commitment to exporting. This could include asking the client to talk to a freight-forwarder or an international trading desk at the bank. As the relationship develops, the export adviser might consider inviting the company to a workshop focusing on a relevant area of export interest (for example, internet marketing).

4.10 Austrade advised that it focuses on overall program effectiveness when assessing performance against client recruitment targets. Therefore, initial recruitment targets are adjusted as necessary to meet the overall recruitment target.

4.11 In 2004-05, 77 per cent of rural and regional export advisers met or exceeded their initial targets, notwithstanding a 24 per cent increase in the overall program target that year. The 23 per cent of rural and regional export advisers that did not meet their targets represented an average shortfall in recruitment of 2.5 clients per export adviser (15 clients in total). This represented 1.5 per cent of the total TradeStart client recruitment target for that year.

4.12 After adjusting the initial recruitment targets to meet client demand, 96 per cent of the overall target for rural and regional export advisers was achieved.

4.13 The ANAO concluded that overall the export advisers' processes for finding potential clients operate effectively.

Assessing potential clients

4.14 Eligibility criteria define minimum requirements for inclusion in the NEDP. In addition, program guidelines identify some further matters to be considered by the export advisers (see Figure 4.3) in targeting companies. These matters involve an element of subjective judgement by the TradeStart export adviser, reflecting the difficulty of quantifying the attributes of a successful exporter.

4.15 The judgements made by TradeStart export advisers in assessing potential clients are a key part of their role, and a key determinant of eventual program outcomes. To assist these judgements of export capability and readiness, Austrade has developed checklists.

4.16 The current checklist was introduced during this audit, replacing an earlier, less comprehensive checklist. It is designed as a guide for capturing various information relevant to exporting potential, including the client's commitment and financial planning (see Figure 4.4). The checklist provides for an assessment of current status and any agreed action to address gaps.

Figure 4.3**Using the guidelines to assess potential clients**

<p>Businesses should:</p> <ul style="list-style-type: none"> • have an Australian Business Number; • have Australia as the main place of business; • not have completed TradeStart, the former Export Access program or received Austrade's new exporter services during the last three years (some exceptions apply); and • not have earned recurrent export revenue in the same market during the last three years, unless those export sales were instigated by a party other than the applicant. <p>Criteria/guidelines involving judgement</p> <p>Target companies are those that have not exported previously, and irregular exporters, particularly those whose approach to export is not opportunistic (that is, they have demonstrated commitment to export but have not been able to achieve export sustainability due to events beyond their control).</p> <p>The export adviser may also consider whether the company has:</p> <ul style="list-style-type: none"> • a growth strategy; • the financial resources to begin exporting; and • a commitment to becoming an exporter. <p>Companies are expected to commit reasonable resources and management time to the Program.</p>

Source: Austrade NEDP guidelines, 2005

Figure 4.4**Extract from Austrade initial client needs assessment and service plan**

Commitment	Current status/rating	Agreed action
Understanding of exporting principles		
Has an export strategy and goals (including export plan)		
Time frames to export		
Financial planning	Current status/rating	Agreed action
Preparing business export financials		
Export loans and grants (EMDG) ⁴¹		

Source: Austrade

4.17 TradeStart export advisers are not required to complete the checklist. Rather, they are expected to use it, through a series of discussions, to draw out

⁴¹ Austrade administers the Export Market Development Grant (EMDG) scheme. The EMDG encourages small and medium sized Australian businesses to develop export markets. EMDG reimburses up to 50 per cent of expenses incurred on eligible export promotional activities, less the first \$15 000.

the potential client's likely export capability. The information gathered in this way is also used to complete the assessment that TradeStart export advisers provide with the completed application form. (This is discussed at paragraph 4.29).

4.18 Where an export adviser does decide to recommend a potential client for inclusion in the program, the company completes an application form. The ANAO found that this is accompanied by appropriate information and documentation addressing program criteria, including an assessment by the export adviser of the applicant's export readiness.

4.19 For those applications that are not proposed for the program (following assessment by the export adviser), there is little documentation of the reason for the decision not to proceed if the checklist is not completed. This increases the risk of inconsistency and disputes about decision-making where the export adviser decides not to proceed with a prospective client.

4.20 This could be readily addressed by Austrade's requiring TradeStart export advisers to complete the initial client needs assessment checklist and retain a copy on their client files. This would strengthen the transparency of Austrade decision-making and accountability for these decisions.

Recommendation No. 3

4.21 The ANAO recommends that Austrade strengthen the transparency of decision-making on applications to join the New Exporter Development Program, and accountability for these decisions, by requiring TradeStart export advisers to complete, and file, the initial client needs assessment checklist for each applicant.

Austrade response

4.22 Agreed. Austrade will increase record keeping by filing the initial client needs assessment checklist for each applicant. These records will be in addition to the existing formal client application and two-stage review and decision process already in place. Austrade notes that the audit did not identify any instances of decision-making failures.

Austrade oversight of TradeStart client selection

4.23 At the time of ANAO fieldwork, TradeStart export advisers tended to recruit potential clients with little supervision from, or involvement of, Austrade. TradeStart export advisers were not required to notify Austrade of a potential client until submitting an application. This increased the risk of TradeStart export advisers recruiting inappropriate clients, or turning away suitable clients.

4.24 Late in the audit, Austrade introduced a requirement for export advisers to enter high-level information about their client-load onto a new online system that seeks, inter alia, to address this. This information was being entered at the time of the audit. It includes potential clients being considered for the NEDP and is accessible to the network managers.⁴²

4.25 Network managers are therefore able to monitor the management of potential clients.

4.26 TradeStart export advisers will continue to assess potential clients with some autonomy, consistent with their role within the program. Austrade does not require to be informed of every casual contact that a TradeStart export adviser has with a potential client, nor is it practicable for Austrade to be so informed. Nevertheless, this data about potential clients facilitates Austrade oversight of this aspect of the TradeStart export advisers' role.

Austrade decision-making

Application form

4.27 Clients utilise the standard NEDP application form when applying to join the program. Their application is forwarded through the TradeStart export adviser to Austrade.

4.28 The ANAO found that the application form is consistent with the eligibility criteria (Figure 4.3).

4.29 Since 2004, Austrade has required TradeStart export advisers to provide an assessment of the applicant, including of the company's likelihood of success, together with the client's application form. The information sought, which is provided in a standard format, is summarised at Figure 4.5.

Figure 4.5

Information supplied by export advisers with a TradeStart application

- Brief company background (including domestic market achievements)
- Additional financial information (particularly where low sales/employee ratio)
- Background to any export sales
- Product service description
- Unique selling features
- Why you believe the company will succeed (or is export capable)
- Network manager comments/recommendation.

Source: Austrade

⁴² Some initial client contacts will not be recorded, particularly if the relationship does not develop.

4.30 The ANAO found that the information required by Austrade is generally provided by TradeStart export advisers. Also, it assists Austrade's decision-making by providing the Austrade decision-maker with information gathered during the assessment process. Figure 4.6 illustrates a typical example.

Figure 4.6

The company manufactures clothing. The export adviser provided background information on the company's history and its long-term strategy to increase annual production through exporting. The export adviser explained the background to small export sales reported for the previous financial year and the company's unique selling-point.

The export adviser provided an assessment of the company's export capability. This focused on the company's reliability as a manufacturer of high quality products, and its new owner's previous export experience elsewhere.

Source: Austrade records

Network manager recommendations

4.31 The supporting information form also makes provision for comments or recommendations from the Austrade network manager (see Figure 4.5) before the application is forwarded to the Austrade State Manager for a decision.

4.32 The ANAO also found that Austrade network managers commented on all forms examined in the audit. This included recommending that suitable applications be approved, drawing attention in some instances to the applicant's strong financial position. In cases, where applicants had been involved in a previous export assistance program, or reported previous exports, the network manager provided clarification of suitability under program guidelines.

Managing potential conflicts of interest

4.33 TradeStart export advisers work closely within local communities. Accordingly, circumstances may arise when the export adviser has a perceived interest in, or close association with, the principals of a business that has applied to join the program. Furthermore, in some of these remote locations the pool of potential export advisers from which Austrade can select new export advisers is limited.

4.34 Accordingly, Austrade needs to be aware of the potential for personal conflicts of interest to arise⁴³ and make appropriate provision.

⁴³ ANAO, *Public Sector Governance Better Practice Guide* Guidance Paper No 6: Conflicts of Personal Interest and Conflicts of Role, Commonwealth of Australia, Canberra, 2003, p. 1.

4.35 Austrade has advised that it relies on a code of ethics in its contract with the export advisers' employers—the TradeStart allies—to manage such issues. This, *inter alia*, requires TradeStart export advisers to be 'objective, impartial and free of conflicts of interest' in the conduct of their duties and 'not solicit or accept anything of value from a client which might be, or be seen to be, creating a conflict of interest in the provision of the services.'

4.36 Austrade also advised that performance-based contract payments reduce the risk of conflict of interest, as they provide an incentive for TradeStart export advisers to recruit clients with good export prospects.

4.37 However, Austrade procedures and guidance for export advisers do not explicitly address how to manage the potential for perceived conflicts of interest arising in this way, nor establish a mechanism to address such situations.

4.38 Clearly stated procedures will provide assurance that the TradeStart export advisers' client selection will not be, nor be perceived to be, compromised by lack of impartiality. The ANAO has identified elements of better practice for managing real or perceived conflicts of interest that could be incorporated, with some adjustments, into the administrative procedures for TradeStart. These include:

- determining the circumstances in which export advisers would need to make a statement of personal interest (such as forwarding applications) and/or may be subject to conflicts;
- monitoring adherence to the required standards and ensuring accountability; and
- training export advisers and Austrade staff to be able to recognise conflicts of personal interest and to understand their obligations in terms of the legislation and policy relevant to their positions.⁴⁴

4.39 The implementation of more structured procedures to manage the potential for conflicts of interest arising from the TradeStart export advisers' responsibilities would provide clearly accountable arrangements and protect all parties.

Recommendation No. 4

4.40 The ANAO recommends that Austrade implement more structured procedures to manage the potential for conflicts of interest arising from the TradeStart export advisers' responsibilities.

⁴⁴ ANAO, *Public Sector Governance Better Practice Guide*, *ibid*, p. 3.

Austrade response

4.41 Agreed. Austrade will supplement the existing procedures to manage the potential for conflicts of interest. Austrade notes that the audit did not identify any conflicts of interest.

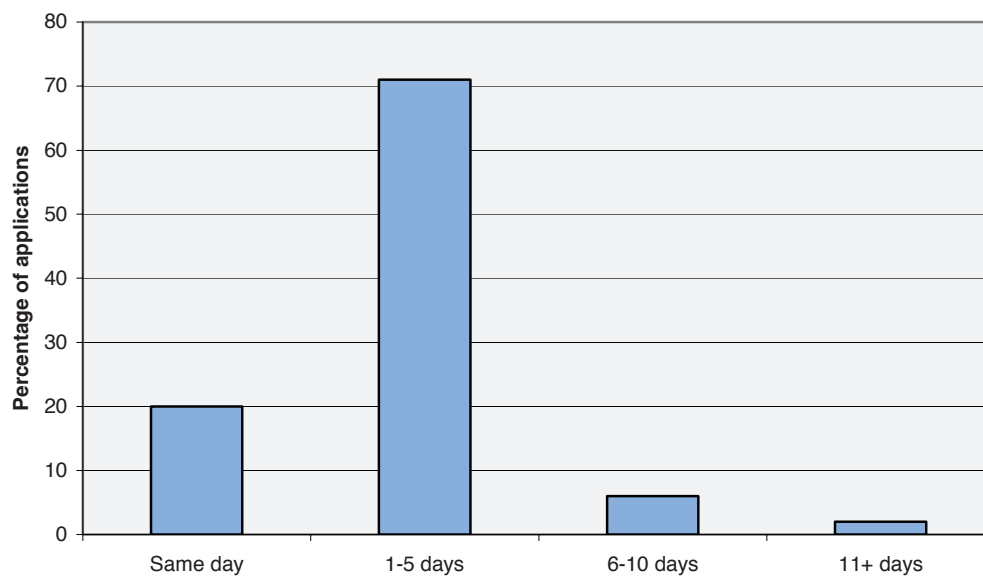
Timeliness of decision-making

4.42 Austrade's timeliness standard requires all decisions on TradeStart applications to be made within five working days of receipt of all the required information. However, Austrade does not monitor performance against this standard, which would be consistent with good performance management of client service.

4.43 The ANAO found that Austrade assessments were completed within the specified time for 92 per cent of the applications examined in the audit sample (see Figure 4.7). This is consistent with the views of TradeStart export advisers: around 85 per cent of those surveyed considered that Austrade decision-making was timely.

Figure 4.7

Timeliness of decision-making on NEDP applications



Source: ANAO analysis of Austrade data

Consistency of Austrade decision-making

4.44 The ANAO examined the quality and consistency of Austrade decision-making in relation to applications reporting previous exports, a key area of risk in a program targeting new and irregular exporters. This included approved applications from irregular exporters and those from previous exporters that were rejected (see Appendix 3). For the applications examined, the ANAO found that Austrade's decisions were appropriate and consistent with the eligibility criteria in Austrade's guidelines.

4.45 TradeStart export advisers surveyed by the ANAO confirmed that Austrade decision-making was considered consistent with program guidelines.

5. Assisting Clients to Export

This Chapter examines TradeStart export adviser service delivery.

Introduction

5.1 The TradeStart export advisers are responsible for providing export coaching services available under the New Exporter Development Program (NEDP) to approved clients (see Appendix 4). Austrade overseas posts also assist by advising on appropriate markets and helping clients to engage with their chosen export market.

5.2 Austrade expects clients to go through four broad stages of service under the NEDP, as outlined in Figure 5.1. The TradeStart adviser is responsible for determining the most appropriate services to be provided within each stage and how best to deliver them.

Figure 5.1

Four stages of service for TradeStart clients

- **Export capability assessment and preparation** This includes coaching and mentoring, principally by the TradeStart export adviser.
- **Developing an export strategy and selecting/verifying an export market** This involves identifying a strategy suitable for the product or service to be exported, in particular choosing an export market. If a client has already identified a market, the export adviser will need to consider whether this is the most suitable choice.
- **Implementing an export strategy or plan** This occurs in several ways: through an overseas visit by the client to meet potential buyers of the product; or by working from Australia with the post. (Austrade overseas posts provide up to 20 hours free service to NEDP clients).
- **Follow-through by the export adviser** Following implementation of an export strategy, the export adviser maintains contact with the client and offers further coaching and follow-through.

Source: Austrade

Export capability assessment and preparation

5.3 Assistance initially involves identifying areas where the client requires more detailed coaching and advisory services. This is informed by the TradeStart export adviser's assessment of the client's readiness for export, undertaken as part of the application process (see paragraph 4.14).

5.4 Austrade surveys of clients⁴⁵ indicate that these aspects of capability assessment and preparation are discussed with most TradeStart clients. However, clients reported, in the Austrade surveys, that discussion of the financial viability and track record of the business had occurred less often. Seventy per cent of TradeStart clients reported that this had been discussed in 2003, rising to 75 per cent in 2004, compared with more than 80 per cent of other aspects of assessment.

5.5 The increase in 2004 is likely to reflect the requirement for the TradeStart export adviser to provide additional financial information with the NEDP application, particularly for applicants with a low sales/employee ratio (see Figure 4.5). Financial considerations are a key criterion for export success. The implementation of the requirement for some additional financial information provides assurance that these discussions are held in a timely manner that informs both the preparation of the client's application and export adviser assessment of capability and preparation for export.

5.6 Austrade guidance for the export advisers also includes an expectation of hands-on discussion with the client focused on: seeking information to understand the business and its export capabilities; assessing the export potential of the business; and checking capability to handle increased demand.

5.7 The ANAO also found, from interviews and file examination, that TradeStart export advisers provided a range of initial assessment and preparatory services to clients, consistent with the above requirements. Examples include advice on export licensing, possible sources of export finance, labelling requirements, and feedback on promotional materials. The assistance provided at this stage is illustrated at Figure 5.2.

Figure 5.2

The TradeStart adviser provided feedback on an olive grower's promotional materials and advised on ways of differentiating the product from imports, for example by promoting its different taste or superior levels of antioxidants. He also advised on documentation, insurance and payments.

Source: ANAO client interviews

5.8 The ANAO also found that one useful aspect of the TradeStart program, for this stage of export advice, is the co-location of some export advisers with representatives of other State and Federal Government agencies. For example, one TradeStart export adviser was employed by a regional development board, which also provided small business advisory services, and

⁴⁵ The client service improvement study into the NEDP, conducted in 2003 and 2004, covered both TradeStart and Austrade clients in the NEDP.

supported: employment and skills formation; regional skilled migration; and regional food industry development.

5.9 Such co-location, where it is available, provides clients with a 'one-stop' shop for access to relevant government services and is convenient for the provision of referrals to these agencies. Assistance by these agencies can include identifying suitable workshops and seminars on exporting and assistance in preliminary steps to exporting, such as developing a business plan. Export advisers also advised the ANAO that they found co-location arrangements helpful for identifying possible future clients (see Figure 4.2).



A TradeStart export adviser (centre), based in Queensland, conducts a meeting with new exporter clients.

Developing an export strategy and selecting an export market

Developing an export strategy

5.10 The next stage of assistance involves considering an approach to exporting, and identifying a suitable target market or markets for the product or service.

5.11 The previous NEDP guidelines stated, *inter alia*, that companies would develop an export plan during this phase of coaching. However, the ANAO found that the TradeStart export advisers generally did not provide advice on the preparation of an export plan. Rather, they provided advice on suitable export opportunities, such as a forthcoming overseas tradeshow that would give good exposure in a likely market without involving an overseas visit.

5.12 This finding was reflected in Austrade's client survey. In 2003 and 2004, only about half of TradeStart clients surveyed received help with an export plan.⁴⁶

5.13 Export advisers advised the ANAO that this occurred because the small size of many companies in the program limited their capacity to undertake a more formal planning process whilst continuing to run the business.⁴⁷

5.14 These findings have prompted consideration by Austrade of the suitability of an export plan. This was discussed at the 2005 national conference of export advisers.

5.15 Austrade has now concluded that its aim at this stage can be achieved by a less formal articulation of key export directions, rather than an export plan.

Identifying a suitable market

5.16 Clients often have their own views about the target market(s) for the product or service to be exported. In some cases, the export adviser can confirm the client's own targeting and facilitate contact with the chosen market, as illustrated at Figure 5.3.

⁴⁶ NEDP client service improvement survey, 2004. The comparable figures for TradeStart's Austrade counterparts were 38 and 44 per cent respectively.

⁴⁷ Some of the companies visited by the ANAO during the audit were run by a couple with no other employees.

Figure 5.3

One client was interested in doing business in the telecommunications sector in the United Kingdom. The export adviser suggested that the client review information on the Austrade website on market opportunities in the United Kingdom (UK). The client was also provided with a DVD of an Austrade presentation on entering the UK market (*Cool Britannia*). The client (who is 200km from the nearest Austrade State office) commented on the value of having such assistance from export advisers 'on the ground'.

Source: ANAO client interviews

5.17 A key role for the TradeStart export adviser can include assessing whether client views on possible export markets are realistic, both with regard to choosing a market as well as the appropriate timing for any overseas visit. Figure 5.4 provides an example of how such advice from the export adviser can guide a client in a more suitable direction for the company.

Figure 5.4

A client advised the ANAO that a small company needs to be careful in use of resources in market exploration. Overseas trips are expensive and time-consuming. The export adviser with whom the client was working guides the company in this regard. For example, the company was initially interested in participating in an exhibition in Dubai. However, the export adviser suggested that it was too early in export development for this.

Source: ANAO client interviews

Quick Market Assessments

5.18 In selecting an appropriate market, the TradeStart export adviser can seek the assistance of the relevant overseas post. For this, the export adviser may request a Quick Market Assessment (QMA), which is available through the relevant Austrade overseas post(s).⁴⁸ This provides an assessment of the prospects for the client's product or service in the overseas market.

5.19 The QMA requests and responses are usually undertaken through CBS Lite (see paragraph 3.43), as this enables the handling of the request to be monitored.

5.20 TradeStart export advisers interviewed by the ANAO advised that they make limited use of the QMA facility. In some cases, they reported using email, rather than the preferred channel of CBS Lite. When such requests are despatched in this manner outside Austrade's formal corporate processes, they cannot be tracked and their progress monitored (see Figure 5.5).

⁴⁸ The QMA facility is not counted in the 20 hours free service available to clients from the posts. This applies to the next phase of the NEDP, which involves implementing an export strategy or plan.

Figure 5.5

One adviser uses QMAs for trade missions but generally uses emails when seeking information for individual clients.

In another case, the adviser only used the QMA facility to identify markets if he was looking for markets for more unusual products.

Source: Export adviser interviews

5.21 TradeStart export advisers also reported that QMA responses were variable, in terms of quality. In some cases, content was generic and could be found through an internet search. Fewer than 40 per cent of TradeStart export advisers surveyed by the ANAO found the content of QMA responses useful and fewer than 30 per cent considered the responses timely.

5.22 Austrade overseas posts advised that there were often limitations in the quality of requests from TradeStart export advisers for a QMA. That is, they did not meet Austrade standards (see Appendix 5). As a result, posts often had to clarify the nature of the information sought, which caused delays in responding. Moreover, some QMA requests from TradeStart export advisers were forwarded by email or voicemail rather than CBS Lite, which (as discussed at paragraph 5.20), meant they could not be monitored by Austrade management.

5.23 The ANAO concluded, on the basis of responses from the surveys of posts and export advisers, that the QMA process has not always operated effectively for those involved in the process. This has the potential to affect the quality of export adviser client service and market intelligence available to those TradeStart clients who use this facility.

5.24 Austrade's internal research into the QMA process, conducted in 2004-05, has also identified limitations in the QMA process, including a reluctance of some posts to respond to QMA requests. Austrade is considering different arrangements to obtain this information, with more information being provided from resources within Australia, rather than posts. A six-month trial is to be conducted later in 2005, after which Austrade will determine a future course of action for providing market overviews.

5.25 Overall, means of providing more informative and timely market intelligence on conditions in potential markets are required for both TradeStart export advisers and their clients. The planned pilot may assist in addressing this. If not, alternative mechanisms will be required to assist with this important early stage of participation in the NEDP.

Recommendation No. 5

5.26 The ANAO recommends that Austrade identify and implement appropriate mechanisms for timely and informative preliminary market intelligence about the suitability of potential market(s) for TradeStart clients' products or services.

Austrade response

5.27 Agreed. Austrade's ongoing commitment to service improvement and its investment in research and development has resulted in a more accurate and efficient process that is currently being piloted. The identification of a suitable export market for an individual company is one of the most complex business challenges.

Implementing an export strategy or plan

5.28 Once the target market has been identified for a client, the key factor for the client is to be put in touch with suitable opportunities in the market. The client is allocated up to 20 hours free service from the relevant overseas post. Two countries or posts can be included in this service.

Visiting the overseas market

5.29 Clients can be provided with these services to assess export opportunities by visiting the overseas market and relevant post. An Austrade client survey indicates that about 45 per cent of TradeStart clients have made an overseas visit to the selected market. The ANAO's client interviews reflected this statistic, indicating that many clients do not find such visits feasible because of distance, time and cost considerations for small and remote companies.

5.30 When visits to overseas posts do occur, they are effective. Almost half of the clients interviewed by the ANAO had received assistance from Austrade's post network while conducting market visits overseas. Most of this group in the ANAO's small sample achieved export sales as a result of these visits. Figure 5.6 provides examples.

Figure 5.6

One client had made an export sale in the Middle East. This was greatly helped by the TradeStart export adviser and the work of the post in Dubai, which the client had visited. The client had also visited London, where the post also made many appointments. These enabled the client to develop an understanding of the United Kingdom market.

Another client had a product for which Spain was identified as a potential market. He had visited the post in Madrid, which had helped the company to translate its website into Spanish and also helped the client meet a potential buyer. The company achieved an export sale in Spain.

Source: ANAO client interviews

Engaging with the overseas market from Australia

5.31 Because many clients are unable to visit posts, Austrade has developed mechanisms that enable TradeStart export advisers and their clients to engage with their chosen market from Australia (see Figure 5.7). Some of these, and proposed developments, provide electronic options for contact between TradeStart clients and potential buyers and post staff. These are particularly useful for TradeStart clients in rural and regional Australia.

Figure 5.7

Mechanisms that enable TradeStart clients to engage with their markets

Teleconferences and video-conferences

TradeStart export advisers and their clients can meet overseas buyers and visitors from Austrade posts electronically, although video-conferencing facilities are not always available on ally premises.

Visits by major overseas buyers

Austrade sponsors some visits to Australia by major overseas buyers to enable them to source products.

Posts provide information about market opportunities

Austrade posts circulate information by email about export opportunities in their markets to Austrade offices in Australia for passing to TradeStart export advisers and their clients.

Export opportunities on the Austrade website

Austrade publishes regularly updated information about new export opportunities for Australian companies on the Austrade website. Export opportunities for first-time exporters are highlighted.

Source: Austrade

5.32 In addition, Austrade is introducing a new online facility, Opportunities Online, which is intended to improve the process for disseminating the export opportunities provided by the overseas posts. Austrade has identified different categories of market opportunity and

provides the posts with several different types of channels for marketing them, through this facility.

5.33 The public launch of this facility is scheduled for between late October and early November 2005.

5.34 Austrade also advised the ANAO of plans to send the posts information about TradeStart (and other) clients who have been identified as ready to be put in touch with overseas buyers.

Post visits to Australia

5.35 TradeStart clients can engage with the market through the visits of post staff to Australia. Trade Commissioners and Business Development Managers visit Australia regularly. The purpose of these visits is to facilitate contact between overseas buyers and Austrade clients in Australia. Often, it is not practicable for post visitors to travel extensively within rural and regional Australia.⁴⁹ If the post visitors do not visit the TradeStart office, the TradeStart export advisers can travel to the nearest Austrade State office, often with clients, to meet a post visitor. Figure 5.8 provides an example of the assistance provided by Austrade to further export opportunities without having to travel overseas.

Figure 5.8

The TradeStart export adviser advised a winery client of a wine-tasting to be held in Malaysia. This was considered to be a good opportunity for the client to receive exposure in the market without having to travel overseas. The winery received detailed feedback from the post and was put in contact with a wine importer.

Source: ANAO client interviews

5.36 Overall, these findings indicate that TradeStart clients are able to make worthwhile contacts with potential buyers. Austrade's client survey results also indicate that, for TradeStart clients:

- 88 per cent had been able to identify a country or countries suitable for their product or service since entering the program;
- 65 per cent had received contact details of potential business customers in a market of interest; and
- 35 per cent had started exporting or expanded their exporting.

⁴⁹There are practical and financial considerations that need to be taken into account: these include the fact that the client base in many of the rural and regional areas is often relatively narrow. There can also be an opportunity cost (in terms of time and money) for post personnel travelling long distances within Australia in the hope of being able to deliver an outcome for one or two clients.



A TradeStart export adviser (left) in Bendigo with some overseas guest speakers at a seminar on exporting to the United Kingdom

5.37 The ANAO concluded that, notwithstanding the practical challenges for potential exporters in rural and regional Australia, Austrade has appropriate mechanisms to enable rural and regional TradeStart clients to implement export strategies through access to market opportunities.

Continuing assistance from the TradeStart export adviser

5.38 Once the TradeStart client has received assistance in the market, the export adviser is expected to provide further coaching and follow-through.

5.39 The ANAO found that eligible clients had received appropriate follow-up coaching and advice on practical aspects of exporting. For example, if a client has made or expects to make an export sale, this can require discussion of how best to manage the implications of the sale. Figure 5.9 provides an example.

Figure 5.9

One TradeStart client had recently visited the United States of America to attend a trade fair for a new product, which had been developed to diversify the client's product range. The visit enabled the company to demonstrate its new product to a large number of prospective purchasers in the United States and raised the possibility of many export orders.

Once the client had returned to Australia, the TradeStart export adviser met with the company to assess the outcomes of the visit. Guidance was provided on the best way to handle a large anticipated order. This also included discussion of sources of export finance.

Source: ANAO export adviser and client interview

5.40 The client leaves the program when the free in-market services have been provided and a confirmed export sale has been made. To address some confusion that was occurring at this stage, Austrade subsequently introduced a 'graduation letter' to give the exit process from the NEDP greater clarity for clients and to assist them in identifying further steps and assistance options.

Assessing the quality of TradeStart client service

5.41 TradeStart export advisers are expected to provide Austrade services in accordance with the Austrade client service standards (see Figure 5.10).

Figure 5.10

Austrade client service standards

- We value the information you give us and will maintain confidentiality.
- We will clearly explain our service offerings and how they can add value to your export efforts.
- Austrade will explain any fees and provide you with a written quote before commencing work on your behalf.
- If you contact us we will respond within two working days of receipt of your enquiry. If your business enquiry is more complex we will inform you of our progress. Austrade will agree with you on timeframes, deliverables and follow up.
- We will keep you informed of major developments that affect your project.
- Austrade will endeavour to deliver opportunities that best match your line of business.
- We will provide appropriate referrals if Austrade cannot help you.
- Austrade will provide you with clear information on eligibility, application and assessment process for our Export Market Development Grants (EMDG) and will process your application promptly and efficiently in accordance with the EMDG legislation.

Source: Austrade

5.42 Austrade monitors service against the client service standards through an annual organisation-wide client service improvement survey, which includes TradeStart clients.

5.43 Austrade collects information through the client survey that would enable it to monitor TradeStart performance. The survey asks questions, framed around the client service standards, about the service provided by the posts and also TradeStart export advisers in Australia.

5.44 However, survey analysis and reporting to date has not separately addressed TradeStart performance against the standards. As a result, Austrade has not monitored TradeStart export advisers' observance of, and performance against, the standards.

5.45 Austrade has advised, during this audit, that it will do so this year.

6. TradeStart Performance

This Chapter assesses Austrade's measurement and reporting of the TradeStart program's outcomes.

TradeStart performance criteria

6.1 Austrade established performance criteria for the re-launched TradeStart in 2002, as summarised in Figure 6.1. Overall, these align with and flow from Austrade's broader performance information framework (see Appendix 6).

Figure 6.1

TradeStart performance measures

- Client satisfaction (to be measured through the annual Austrade client satisfaction survey).
- The achievement of client recruitment targets.
- The percentage or number of participants reporting export sales or the execution of a commercial agreement.
- The requirements and processes set out in the agreement between Austrade and the TradeStart ally, the TradeStart program guidelines and the TradeStart training manual.
- The percentage of companies actively exporting twelve months after completing the Program.
- The percentage of companies actively exporting two years after completing the Program.

Source: Austrade

6.2 These performance measures enable Austrade to assess performance against the overall objective of the TradeStart program, which, as discussed previously at paragraph 1.10, is to assist SMEs to commence exporting on a sustainable basis and convert irregular exporters to regular sustained exporting.

6.3 However, the TradeStart performance framework does not address the program's secondary objective of assisting potential exporters in rural and regional Australia. The ANAO considers that sound performance and program management requires the expression of objectives to be reflected in performance targets, measures and reporting to stakeholders.

6.4 Austrade does have administrative data to support such performance information. Each TradeStart export adviser working within rural and regional Australia has annual client recruitment targets, and targets for the percentage of clients achieving an export sale. Austrade collects data each month on performance in these areas.

6.5 In addition, Austrade collects data on the value of TradeStart client export sales. However, it does not currently use this data to report internally or externally on TradeStart performance in rural and regional Australia.

6.6 Austrade has advised that it considers the needs of rural and regional Australia in identifying locations for TradeStart offices. Monitoring and reporting on the performance of TradeStart in rural and regional Australia would better inform decision-making in this area, and strengthen accountability for these decisions.

Recommendation No.6

6.7 The ANAO recommends that Austrade expand the TradeStart performance framework with targets for rural and regional Australia, and reporting on them. The data gathered by this means could be included in Austrade's regular internal reporting. Relevant information includes:

- the number of TradeStart clients recruited by TradeStart export advisers working primarily in rural and regional Australia; and
- the number and value of export sales achieved by these clients.

Austrade response

6.8 Agreed. Austrade collects this detailed data and uses it to manage the performance of the rural and regional TradeStart offices. Historically, it has not aggregated and published this data separately because it is incorporated into existing TradeStart performance indicators.

Seeking ally views on the impact of TradeStart

6.9 The TradeStart performance criteria do not make any provision for seeking ally views on TradeStart impact in its target areas. From time to time, Austrade receives informal feedback from allies on program matters. However, Austrade does not currently engage allies formally on the program's impact in its target areas. They include State and Territory Governments and regional development associations, who would have relevant information to contribute about the impact of TradeStart in rural and regional Australia.

6.10 Austrade will review the effectiveness of TradeStart during 2005. The review would also provide an opportunity to seek feedback from the allies on the program's impact in its target areas. This would give Austrade some early data about TradeStart's short-to-medium term impact in regional Australia that could be considered when planning future program options. The review would be an opportunity to do this in a structured manner.

Measuring the performance of TradeStart

Client satisfaction with TradeStart services

6.11 As discussed previously in Chapter 5 (see paragraph 5.4), Austrade surveys client satisfaction with aspects of its service.⁵⁰ This indicates that, in 2003-04, 82 per cent of TradeStart clients rated satisfaction with service as 'good' or better (see Table 6.1). This was equal to Austrade's satisfaction standard for the year, and better than satisfaction with Austrade's LEAN service.

Table 6.1

Client satisfaction 2003-04

	TradeStart	Austrade LEAN	Overall client satisfaction with NEDP
'Good' or higher rating	82%	76%	78%
'Poor' rating	10%	6%	8%

Source: Austrade survey data

TradeStart export adviser performance

Client recruitment

6.12 Austrade monitors the performance of individual export advisers and the program as a whole, in relation to client recruitment targets. Austrade has advised that its key consideration is the overall number of clients recruited.

6.13 TradeStart has performed well in meeting overall targets, achieving 100 per cent of its 2002-03 target and exceeding its initial 2003-04 target by eight per cent. There was a 24 per cent increase in the target from 2003-04 to 2004-05, and TradeStart achieved 98 per cent of this new target. Figure 6.2 summarises overall TradeStart performance since 2002-03.

⁵⁰ In 2002-03 and 2003-04, Austrade conducted a client service improvement study specifically targeting businesses participating in the NEDP. This was used, inter alia, to measure TradeStart client satisfaction with the program. This survey is now discontinued because the NEDP is no longer a new program. From 2005, Austrade is including some NEDP-specific questions in another survey, which measures the overall service delivery of Austrade.

Figure 6.2**TradeStart client recruitment since 2002-03**

Source: ANAO analysis of Austrade data

Achieving export sales

6.14 Austrade also measures the performance of each TradeStart export adviser in assisting clients to achieve an export. This is referred to as the rate of export conversion, which is calculated by dividing the number of clients that achieve an export sale⁵¹ by the export adviser's client recruitment target for that year.

6.15 Austrade does not have explicit export conversion targets for the program. However, the rate of export conversion achieved by each export adviser determines part of the performance-based payments made to the relevant ally (see paragraph 2.44). For 2002-03 and 2003-04, this implied 'target' was set at 50 per cent.

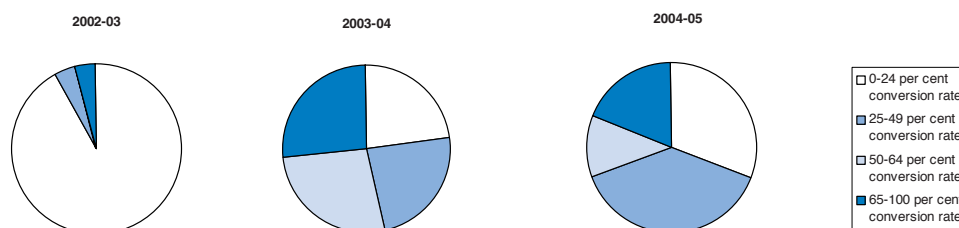
6.16 In 2002-03, only one export adviser met the 50 per cent rate for export conversion. This is not surprising in view of program lead-times, given that the majority of TradeStart export advisers did not commence operation until around September-November 2002, with some even later. In 2003-04, as Figure 6.3 indicates, performance improved considerably: more than half of the TradeStart export advisers in rural and regional Australia met or exceeded the 50 per cent rate of export conversion.

⁵¹ Clients are considered to be successful in achieving exports if they achieve an export sale to the value of A\$5 000 or more that has been verified by Austrade.

6.17 From 2004-05, Austrade increased the implied 'target' rate of export conversion to 66 per cent, as well as increasing client recruitment targets (see paragraph 6.13). In 2004-05, 19 per cent of rural and regional export advisers achieved an export conversion rate of 66 per cent or higher.

Figure 6 3

Rate of export conversion—TradeStart export advisers in rural and regional Australia



Source: Austrade⁵²

6.18 Over the three-year period, the average rate of export conversion achieved by TradeStart export advisers in rural and regional Australia rose from eight per cent to 48 per cent in 2003-04, falling to 41 per cent in 2004-05. This fall reflected, in part, the higher client recruitment targets in that year. These rates of export conversion compared favourably with averages for the program as a whole, which rose from six per cent in 2002-03 to 37 per cent in 2003-04, and to 38 per cent in 2004-05.

Monitoring compliance with the contract, program guidelines and training manual

6.19 As discussed previously in Chapter 3 (see paragraph 3.33), the TradeStart contracts provide for a formal contract monitoring process by Austrade and the ally. The ANAO found that Austrade has established a standard procedure for these performance reviews, which were conducted appropriately and consistently.

TradeStart outcomes

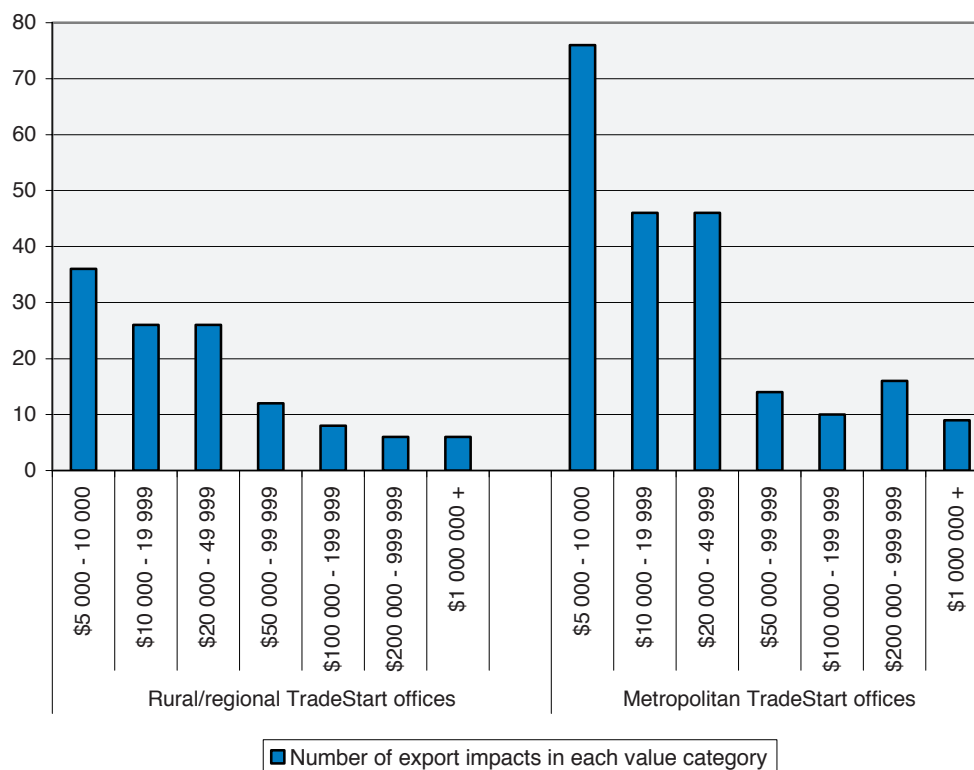
6.20 As discussed in paragraph 6.18, the average rate of export conversion for TradeStart export advisers in rural and regional Australia rose to 48 per cent in 2003-04. This was a higher rate than that achieved by TradeStart export advisers in metropolitan areas. On the whole, as Figure 6.4 indicates, the majority of sales by those clients who were successful in achieving exports

⁵² Export conversion rates take account of export sales made by paid clients only.

were for relatively small amounts. Half of sales made by TradeStart clients in rural and regional Australia were for amounts under \$20 000.⁵³ This reflects the fact that the TradeStart program is targeted at SMEs.

Figure 6.4

Distribution of export impacts achieved by TradeStart clients in 2003-04



Source: ANAO analysis of Austrade data. See also footnote 53.

6.21 The distribution of export impact sales by rural and regional TradeStart clients was similar to the distribution of sales achieved by metropolitan TradeStart clients. The median value of these sales was slightly higher for rural and regional TradeStart clients. In 2003-04, this value was around \$18 000. This figure was higher than the \$15 000 median export impact value achieved by metropolitan clients.

⁵³ This data in paragraphs 6.20-23 and 6.26 includes some clients for whom TradeStart allies are not paid under the TradeStart contractual arrangements. Typically, these are clients who have participated in a State Government business development program for whom exporting is a suitable next step. However, the export adviser has already met his or her client recruitment target.

6.22 In 2003-04—the first full year of TradeStart’s operation and the first year in which substantial numbers of export sales were achieved by TradeStart clients—the average program cost for an export sale in rural and regional Australia was around \$20 000. This was slightly higher than the equivalent cost for clients in metropolitan areas, which was around \$17 000.⁵⁴

6.23 The cost per successful client compares with the median value for rural and regional TradeStart sales of \$18 000. The higher relative cost reflects in part the model for TradeStart, which is resource-intensive, generally involving the provision of one-on-one export coaching services from the TradeStart export adviser for up to 18 months.⁵⁵ The target group, particularly in rural and regional Australia, comprises small and very small companies, often with limited financial and staffing resources. Many of the clients interviewed during the audit advised the ANAO that they would not have achieved an export sale without the assistance of Austrade through the TradeStart program.

6.24 Nevertheless, the program cost figure does underline the importance of achieving export sustainability for Austrade clients. This is considered below.

Achieving sustainable exporting

6.25 Two of the TradeStart program’s performance measures evaluate the percentage of successful⁵⁶ TradeStart clients that continue to be actively exporting twelve months, and two years, after completing the program.

6.26 Austrade data show that, of clients who graduated from the program 12-24 months ago, 18 per cent have had a subsequent sale using Austrade’s assistance. However, a large number of clients do not continue to use Austrade’s services, therefore sales are not recorded, and are not counted in the 18 per cent. An Austrade survey indicates that 72 per cent of former NEDP clients achieve further sales after exiting the program.

6.27 However, these data do not disaggregate the performance of TradeStart clients. This could be addressed in any future survey, to enable Austrade to monitor TradeStart performance in this area more closely.

⁵⁴ This calculation was based upon direct costs, which do not necessarily reflect the full range of TradeStart costs such as some overheads. In addition, this does not include the cost of the 20 free hours’ service from overseas posts to which NEDP clients are entitled. The cost of this is calculated at \$3 800 per client. Some TradeStart marketing costs are also excluded.

The estimate for metropolitan program costs includes more ‘unpaid’ clients than for rural and regional program costs (see footnote 53). This may explain some of the relative difference in program costs between the two sectors. Data on unpaid clients cannot be easily separated out from data on paid clients.

⁵⁵ The NEDP guidelines do make provision for some services to be delivered to groups of clients, for example, export seminars, coaching on some subjects, and in-market visits.

⁵⁶ A ‘successful’ client is one that achieves an export sale whilst on the program.

Sustainability initiatives

6.28 The ANAO also found that Austrade has implemented a series of initiatives to encourage sustainable exporting by TradeStart and other clients. These include:

- the testing of four models aimed at growing sustainable exporters, including a one-year pilot program in the Austrade State office in Western Australia for a sustainability export adviser, whose services are available to TradeStart clients. This pilot will conclude late in 2005; and
- a project to identify the characteristics of sustainable exporters and the contribution Austrade can make towards developing these attributes.

Accountability reporting

6.29 Austrade published aggregated performance data for Output 1.3, which includes the NEDP, in the 2003-04 annual report. This included reporting on the performance of the NEDP against the targets set in the Portfolio Budget Statements (PBS). Consistent with the format established in the PBS, this reporting did not address the performance of TradeStart as an element within the NEDP.

6.30 As Figure 6.5 indicates, the Austrade annual report for 2003-04 contained reporting elsewhere on TradeStart performance. This addressed the following:

- TradeStart performance against client recruitment targets;
- the value of TradeStart export sales achieved; and
- TradeStart export conversion.

6.31 The annual report also contained case studies illustrating TradeStart export successes.⁵⁷

⁵⁷ Austrade, *Annual Report 2003-04*, Commonwealth of Australia, Canberra, 2004, p. 27.

Figure 6.5

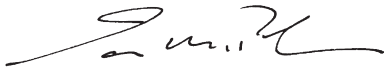
Reporting on TradeStart performance in the 2003-04 Austrade annual report

TradeStart is a partnership between Austrade, state and territory governments, industry associations and regional development organisations. In 2003-04 TradeStart achieved 106 percent of its recruitment target with 824 businesses recruited to the New Exporter Development Program. With the assistance of TradeStart, 289 new exporters achieved export sales worth \$73.8 million.

Performance figures indicate that export success rates of more than 20 per cent are being achieved by businesses recruited to the NEDP by TradeStart.⁵⁸

Source: Austrade 2003-04 annual report

6.32 The reporting process provides some insights into the performance of TradeStart as a whole. However, it does not address TradeStart performance in rural and regional Australia, which has been analysed in this audit report. As discussed at paragraph 6.4, existing information could be utilised at little additional cost to Austrade, to enhance accountability and transparency with regards to the program's secondary objective.



Ian McPhee
Auditor-General

Canberra ACT
6 September 2005

⁵⁸ Austrade, *Annual Report 2003-04*, *ibid*, p. 27. The ANAO also notes that the reporting as set out in Figure 6.5 is affected by some of the limitations in management information outlined in footnote 53. In particular, export sales include some clients for whom allies are not paid under the contract. It also tends to be subject to a degree of underestimation because of time-lags in confirming successful exports.

Appendices

Appendix 1: Schedule of training available to TradeStart export advisers

Example of training available to TradeStart export advisers in South Australia July 2003-March 2005

Date	Event	Participants
21-23 July 2003	State TradeStart training	TradeStart export advisers from the State
23-25 September 2003	National export adviser induction training	All new export advisers
27-28 November 2003	State-based training	All export advisers from the State
March 2004	Export adviser national conference	All export advisers nationally
22-23 June 2004	Presentation skills training	All export advisers from the State capital city
29-30 June 2004	Microsoft Outlook training	All capital city export advisers plus two nearby TradeStart advisers.
1-4 August 2004	Training in the Austrade Core Business System	All export advisers from the State
1-4 November 2004	Export adviser induction training	All export advisers from the State
18-19 November 2004	State-based training Client Relationship Management application	All export advisers from the State
8-11 March 2005	Export adviser national conference	All export advisers

Source: Austrade

Appendix 2: Client Relationship Management (CRM) System

A key objective of the CRM is to provide best practice, nationally consistent client management processes across all teams.

The key benefits of the CRM are identified as assisting export advisers to manage and prioritise client loads, leading to a higher export conversion ratios and higher client satisfaction.

The CRM includes the following tools designed to manage client relationships more effectively and address issues identified in the client service improvement survey:

- a detailed initial client needs assessment and service plan to be developed, using a standard template, to help the export advisers understand the client's business and tailor action more appropriately; and
- templates for call-plans, to enable the TradeStart export adviser to record key aspects of meetings with clients, such as objectives/outcomes/follow-up actions. The call-plans will be shared with the clients, which will provide accountability and transparency, and help manage client expectations.

The CRM also requires export advisers to categorise clients in the following manner:

- identifying the level of effort (low/medium/high) required by each client during the 18 months of their participation in the program, to help the adviser allocate his or her time effectively;
- providing an overview of the adviser's client load by categorising clients into the statuses available under the NEDP. This also helps plan the allocation of time and resources; and
- the matrix also facilitates the allocation of adviser resources by matching the clients with the type of service to be provided (face-to-face or telephone) and the coaching hours involved over the year.

Austrade network managers have access to high-level information held on-line about each client and a capacity to drill down into the client information. They can access the detailed information held by each TradeStart adviser, such as completed client call-plans, when visiting the adviser's office.

Appendix 3: Some examples of applications with previous export sales

Previous exports	Reason for acceptance/rejection
\$62 000 in export sales reported, unevenly spread over three years. Previous exports involved ad hoc mail orders and word-of-mouth exporting. The company did not undertake overseas marketing promotion or activities and had no export experience, skills or capability.	<p>✓ Accepted</p> <p>Export sales were spread unevenly and were from several different markets. However, these sales were opportunistic, as they occurred through word of mouth or through mention in a third party's promotional video.</p>
\$370 000 in export sales over three years.	<p>✓ Accepted</p> <p>Export sales occurred in two markets over previous three years, through the recommendation of another company rather than the company's own efforts.</p>
\$11 000 in export sales in last three years.	<p>✓ Accepted</p> <p>Limited sales in three markets inherited from previous owner of company, which is now seeking new customers in a new market and does not have export experience.</p>
Small export sale achieved through direct online purchase.	<p>✓ Accepted</p> <p>An opportunistic sale one-off and low value.</p>
\$374 000 over three years in three markets reported.	<p>✗ Not accepted</p> <p>Existing export sales were significant and in three markets.</p>
Previous export sales of \$605 400 in a single year.	<p>✗ Not accepted</p> <p>Substantial level of previous exports.</p>
Previous export sales of \$156 000 in three markets over three years reported.	<p>✗ Not accepted</p> <p>Company considered an established exporter. The sales were in three markets over three years.</p>
Company reported \$41 000 of previous export sales over two years in two markets.	<p>✗ Not accepted</p> <p>Application rejected on the basis of existing export sales.</p>

Source: ANAO analysis of Austrade data

Appendix 4: The New Exporter Development Program (NEDP)

Four stages of the NEDP

The NEDP has four stages:

- export capability assessment and preparation;
- developing an export strategy and selecting/verifying an export market;
- implementing an export strategy/plan; and
- follow-through by the export adviser.

One-on-one coaching

The TradeStart export adviser provides *one-on-one coaching* on an ongoing basis through these four stages. The export coaching is expected to be iterative and require direct involvement by the client. There is also provision for some of the services to be delivered to groups of clients, such as export seminars, some coaching and in-market visits.

Time frame and client status

All clients will be exited from the NEDP 18 months after joining the NEDP, with some exceptions.

There are five statuses available to NEDP clients, as follows:

- *Active*: the client is approved to the NEDP and being serviced but has not received all of the free in-market services yet;
- *Suspended*: the client is approved to the NEDP but temporarily not pursuing exporting;
- *Serviced in-market*: the client has received free in-market services but has not achieved an export impact sale. Such clients are still entitled to free services from Austrade Australia and can pay for post services;
- *Graduated*: the client has received the free in-market services and achieved a verified EI sale. This client is no longer on the NEDP; and
- *Exited*: the client has been removed from the NEDP, either by choice or that of the export adviser.

Appendix 5: Contents of a Quick Market Assessment Request (QMA)

In addition to standard company information a QMA request should contain the following:

- reason for market selection;
- preferred method of market entry;
- additional product information, ideally including price;
- specific client questions and comments;
- notes on any experience in the market;
- details on supporting documents (this is often the client's website);
- type of information the client is seeking;
- markets of interest;
- products planned for export; and
- industries.

Appendix 6: Output 1.3 of Austrade Outcome 1

Austrade Outcome 1: Output 1.3	
<p>Outcome 1 Australians succeeding in international business with widespread community support.</p> <p>Description Austrade focuses its efforts and resources on delivering:</p> <ul style="list-style-type: none"> • international business opportunities to Australians; • export and outward investment services; • access to the EMDG scheme as an incentive and support for Australian SMEs to enter export markets and become sustainable exporters; • programs designed to improve community awareness of, and commitment to, trade and international investment; and • advice to the Australian Government about, and coordination of, its export and international business facilitation activities. 	
<p>Effectiveness – Overall achievement of the Outcome Austrade’s objective for the 2005-06 period is the delivery of services to assist Australians succeeding in international business with widespread community support. Increase in the number of exporters. Proportion of Australians who believe exports make a major contribution to the economy (80 per cent).⁵⁹</p>	
<p>Outcome 1: Output 1.3 Services and opportunities: export and investment services and opportunities for Australians through a national and global network.</p>	<p>Quality</p> <ul style="list-style-type: none"> • Client satisfaction with Austrade’s services (85 per cent). <p>Quantity</p> <ul style="list-style-type: none"> • Number of clients who achieve export success with Austrade’s assistance (5 000). • Number of new and irregular exporter clients who achieve export success with Austrade’s assistance (1 800). • Number of established clients who achieve export success with Austrade’s assistance (3 200). • Value of export success achieved with Austrade’s assistance (Total EI Dollars) (\$17.5b). • Total number of clients achieving outward investment success with Austrade’s assistance (120). • Dollar value of outward investment success achieved with Austrade’s assistance (\$1.26bn). • Total number of businesses achieving export success indirectly through Austrade (400). • Total number of clients receiving services from Austrade (15 000).

⁵⁹ The PBS identifies those indicators that are outside Austrade’s ability to control, such as the number of Australian exporters.

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