

Inquiry into Western Australia's economic relationship with the Republic of India



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Introduction

Fortuna Advisory Group welcomes the announcement of the Economics and Industry Standing Committee's Inquiry into WA's Economic Relationship with the Republic of India and acknowledges the invitation to make a submission toward the same.

Fortuna Advisory Group is a multi-award-winning professional services firm with specialised divisions in Accounting & Business Advisory, Legal Services, Mortgage Broking and Financial Planning. Based in Balcatta, the business is reputed for providing holistic solution to clients. Besides small & medium enterprises (SMEs), its clients also include Australian subsidiaries of MNCs, international clients and High Net-worth Individuals. Among others, Fortuna has the rare honour of winning the prestigious Australian Accounting Awards (Multi-service Firm of the year) 2019 and the SME of the Year 2018 (Indian Australian Business & Community Awards). Fortuna's Founder & Managing Director, Dinesh Aggarwal, FCPA, CA, CMA, FTI, in his personal capacity, was accorded one of Australia's top 3 SME Tax Adviser in 2015 (by Tax Institute of Australia). In addition to his role at Fortuna, Dinesh is also currently the President of Wanneroo Business Association, a premier organisation in the northern suburbs of Perth region. Fortuna also has a not-for-profit arm – Fortuna Foundation. A registered charity, the foundation carries out philanthropic activities in WA especially in the area of homelessness.

Fortuna is connected with India in many significant ways. Apart from being the birthplace of Dinesh himself, it also houses a back-end office in Chennai which provides administrative support. Dinesh migrated with his family in 2008 and since then has called WA his home. While he strives to make WA a better place for local businesses, he continues to play a vital role in trying to attract international businesses to come and set up here. Dinesh's intimate family and business ties with India, his prior experience of having worked in the Indian economy and Fortuna's holistic service provision makes him a reliable extension for Indian clients who seek the right gateway to set up operations here. It also makes him a go-to person for local businesses who want to set up operations in India.

In addition to Dinesh, India is also the birthplace of Melvyn Gilbert, Director of the Fortuna Foundation. Melvyn's social political understanding of India and its economic impact of foreign direct and indirect investments give him a distinct edge over other consultants in this space. A finalist for the IABCA (India Australia Business & Community Awards) Young Professionals Award 2019, Melvyn is the IABCA Youth Ambassador for 2020.

India's Economy & Outlook

Adoption of a broad range of liberalisation programs as result and acute balance of payments crisis in 1991 seems to have worked well for India, especially since the start of the present century. India grew quite rapidly in the first decade of the 21st century averaging an annual GDP growth of about 6% to 7%. A young population and corresponding low dependency ratio, healthy savings, investment rates and increasing integration with the global economy saw India become one of the fastest growing economies. Apart from private consumption, India's GDP was also fuelled by government spending, investments and exports with the country reaching its peak in 2010 under the Dr Manmohan Singh government.

The trend has, however, slowed down significantly in recent times. Although there were expectations that the Indian economy would do better under a pro-business political regime, headed by Narendra Modi, these have remained far from coming true. While the economy performed steadily for the first 2 years of his regime, it slowed down significantly due to disruptive effects of demonetisation in 2016 and introduction of GST in 2017. In recent times, real GDP is growing at 4.5%, the lowest in the last five years. Production of industrial goods is flat, while the production of investment goods is declining (again, the worst showing in the last five years). India is currently also experiencing high levels of unemployment rate with the worst ever being 8.5% recorded in October 2019.

A recently published working paper from Harvard University titled 'India's Great Slowdown: What Happened? What's the Way Out?' points how the country's major two drivers viz, exports and investments decelerated since GFC. Export growth fell sharply due to a stagnating world trade while investments "fell victim to a homegrown Balance Sheet crisis". It goes on however to state that the economy grew nevertheless "propelled first by income gains from the large fall in international oil prices, then by government spending and a non-bank financial company (NBFC)-led credit boom. This credit boom financed unsustainable real estate inventory accumulation, inflating a bubble that finally burst in 2019" causing consumption to slow down.

As it stands, India is facing a four-fold challenge namely exports, investments, NBFC and real estate companies and is trapped in an adverse interest-growth trend, in which risk aversion is leading to high interest rates, depressing growth and generating more risk aversion.

Although India is trying to rectify the situation by introducing large cuts in corporate taxes, privatisation of Public Sector Units, these don't seem to have been working due to a credit crunch. Despite one of the largest cuts in Indian history, businesses are refraining from borrowing money because the prospects look uncertain.

Western Australia's Economic Relationship with India

Despite uncertainties that currently shroud the Indian economy, the country is poised to grow. With over 520 million people in the work force as of 2019 and about 60% of the country's GDP riding on the back of domestic consumption, India quite certainly stands as a lucrative destination for WA to advance our interests, especially in this even slower global economy. Furthermore, it may be an apt time to encash on some of the fears of uncertainties and sub-standard living realities that India is currently faced with.

1. International Education

Indian parents are growing increasingly conscious about the immense challenge that their children face, firstly to get into a top-grade institution for tertiary education and thereafter to find a befitting employment which would allow them to afford a standard living. Australia, owing to its rather liberal immigration policies continue to be a favourite for Indian students who broadly see Permanent Residency as a Return for Investment. Besides, the educational standards here is considered comparable with top-grade institutions in India, allowing Indian students who want to return an option to act as a link between India and Australia. Such returning students can often play a significant role in helping build relationships between the two countries further.

Owing to a weakening rupee and also a slow-down in Australian economy, Indian students are increasingly looking at more affordable courses in Australia to enrol into. VET colleges and RTOs offering may thus become popular among Indians unless the Australian dollar weakens making it more affordable for such students to otherwise opt for tertiary education.

We propose:

- WA government to support educational institutions to advertise in Indian educational fairs
- Help open campuses in major cities such as Hyderabad, Bangalore and alike to provide Australian qualification at Asian prices. Australian educational institutions may benefit from the economies of scale that the country offers.
- Help support exchange programs for tertiary students and teachers/ professors to visit Indian universities and Indian companies to gather better understanding of the country's opportunities.
- We further propose that the government must undertake initiatives to collaborate with leading Indian institutions in fields of research in Mining & Engineering, Computer & IT, Accountancy/ Finance and Fin-tech.
- In the longer run, this could help WA to build a loyal and familiar base of potential workforce who could service Australian companies looking at investing in India. While services like mining & engineering and IT could provide direct cost benefit to Australia, these could also serve as a revenue stream if exported from India to other countries.
- Accountancy/ Finance and Fin-tech on the other hand we believe will be in high demand within India's domestic market itself – an avenue where Australia could potentially make good returns on Investment.

Western Australia's Economic Relationship with India

2. Tourism

Most Indian visitors travel to Australia not more than once unless they have other reasons such as their children studying or settled here. This is predominantly because of the cost that is involved in visiting here. An Indian visitor is typically elderly/ retired, travelling together with spouse and not overtly adventurous. Such travellers usually love to see as much as they can within limited time and thus opt for travel packages offered by agents. WA being fairly secluded from other cities are thus not preferred over the multiple destinations on Australia's Eastern coasts. This is also a primary reason why WA is not advertised by majority of travel agents in India altogether.

Furthermore, travellers who opt to come on their own may typically prefer taking a break at a transit destination to save the additional airfare that they would have spent if they visited those countries separately. Points to be considered are the length of transit pass granted to Indian visitors by these countries. For example, Singapore allows a 96-hour transit pass to Indian nationals with Australian visas, while Malaysia allows 120 hours.

This may vary in case of those coming to visit children studying or family living here.

- An advantage we have over the east is the cost of airfare from any Indian airport on any given day primarily due to distance. This allows us to reach out to Indian travellers with cost efficient travel package options to WA and then extend it to also include Melbourne and Sydney.
- Provision of economical accommodation options and subsidised local travel options for senior citizens.
- A telephone helpline to help Indian travellers get the information they need. Very few elderly travellers research travel options online. As a conventional means, they would rather call.
- Easy access to government approved tour guides.
- Reduced airfare option for parents of Indian students travelling to meet their children.
- Discounted visit passes to Perth mint and showcase of WA's Gold mining sites. India's love for gold consumption we believe should be considered as a potential avenue for tourists to make purchases.
- Unlike Sydney which showcases the iconic Opera House, WA should focus particularly on Kangaroos, dolphins, whales, cruises and restaurants by the beach.
- Collaboration with more tour agents in India to promote WA inclusive tour packages.
- Promote WA as a tourism destination through commercial advertisements, reduced airfare packages and possibly a relatable cricket personality as Tourism Ambassador alongside Mr Adam Gilchrist.

Western Australia's Economic Relationship with India

3. Minerals and Energy

India's need for energy and electricity is expected to double within the next 2 decades. Taking advantage of the lack of domestic infrastructure to cater to this growing demand, WA has a major role to play in this sector. India's rising pollution levels is forcing the government to explore renewable and sustainable energy. Although conventionally the country has relied on coal generated power, it has since beginning of this decade shifted focus to low-carbon energy sources and natural gas. There's also concerted efforts being made to increase market share of natural and sustainable energy over the next 10 years till 2030.

India also has an immensely fast-growing LNG market with more people subscribing to the idea of using gas to power vehicles instead of petrol or diesel. Since the advent of electric cars and popularity of Tesla as an iconic brand, Indian manufacturers such as Tata Motors has been exploring the manufacture of electric powered vehicles.

We see an immense opportunity and benefits in becoming a dedicated trade partner for:

- Supply of LNG and lithium to Indian buyers
- Invest and/or set up Joint Ventures for production of end product and supply in India
- Research & development in Renewable energy with focus to help farming/ agriculture sector
- Collaborate for production of solar panels and specialised solar enabled glass panels for building industry
- Set up of dedicated hub for manufacturing electric powered vehicles for Australian consumers along with catering to India's transport industry domestically.
- Academic research to study feasibility of WA's involvement in long term investment plans

Western Australia's Economic Relationship with India

4. Advanced Manufacturing

Although India's manufacturing performance is claimed to have revived since 2013-14, it is a long way from achieving the targets set under the 'Make in India' program. The National Manufacturing Policy (NMP) 2012 envisaged a 25 percent share of overall GDP to come from manufacturing. While India's share in global GDP increased from 2.2 percent in 2009 to 2.5 percent in 2013, its share in global manufacturing decreased from 2.2 percent to 2.0 percent during the same period. Despite 'Make in India' campaign, manufacturing still contributes just 17 percent of India's GDP – a figure that seems to be quite stagnant. The consistency of the campaign is somewhat helping and may continue to help the country to secure some FDIs. It is to be noted that the investors range from not only western nations but also other Asian nations such as China, Taiwan and Singapore. India has also walked the walk by introducing several key reforms to further attract foreign investments such as creating additional capacity in power generation, building new highway roads, implementing dedicated freight corridors, construct new shipping ports and develop inland and coastal waterways. With an eye on India's strategic expansion as a key Asian player and long-term partnership opportunities, we propose:

- Investing in Shipping, Maritime and Port projects
- Collaborating with technology companies to build high end robots for mining and manufacturing operations
- Manufacturing of Railway infrastructure for installation and use in Australia – to further strengthen train routes in WA and that with other states
- Manufacturing of maritime infrastructure, industrial equipment and electric powered vehicles for Australian roads.
- WA could further look at ways of tapping into India's immense ability to produce basic metals; medical, precision and optical instruments, watches and clocks; electrical machinery, textiles, chemicals and furniture.
- Collaborate with leading manufacturing companies to form JV
- Collaborate with Research institutes and universities to find innovative cost-effective ways to develop advanced equipment at low cost such as ventilators for medical industry.

Western Australia's Economic Relationship with India

5. Agri-business

India's requirement for food is immense and growing. Despite India's 3 objectives – 'food security, food self-sufficiency and income support for farmers', its current gap between demand and supply is set to grow further. This provides an immense opportunity for WA to look at export options for oilseeds, pulses, grains, tinned and long shelf-life products and wine.

However, care should be taken as India's protectionist sentiment may make it difficult for WA investors and suppliers to have hassle-free business experience. Such hassles may come in forms such as imposition of higher tariffs on certain products from time to time, sudden restrictions and related policy changes. For WA businesses to get into this sector, we believe, will need adequate intervention by WA at the government level to ease these fluctuations.

Andhra Pradesh, WA's sister state is one which records a high number of suicides among farmers who get affected by drought. WA's intervention through drone technology to help improve water sourcing and management may be seen as a key initiative to help foster long term partnership.

On the other hand, we also believe WA is a lucrative destination for Indian businesses to invest in our agricultural sector. While there should be adequate protection for local farmers, investments could help boost our production and create a supply chain for India high-end consumers who wouldn't mind paying a premium price for organic food, milk and cattle products.



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