

FOCUS ON BUSINESS

Speakers zoom in on surviving change

By NICK GENTLE

How relatively small players could survive in a rapidly changing world was the focus on day one of the Canberra and Region Focus on Business yesterday.

Hundreds of delegates, including international guests, local and national business leaders, entrepreneurs, innovators and academics, swarmed through the National Convention Centre networking and chatting with exhibitors in between various speeches and industry sessions.

While the conference's primary focus was on showcasing the diversity of business activities and opportunities the Canberra region had to offer, the topics discussed were rele-

vant to entities of all sizes — from infant biotechnology start-ups, to the ACT, to Australia as a whole.

Drawing from years of watching businesses both thriving and failing, the international keynote speaker, *Fortune* magazine's Geoffrey Colvin, outlined his vision of what organisations needed to get right if they were to survive today's rapidly changing business environment.

"I've observed that the great companies, the great executives, the most successful places understand four fundamentals of running a business," Mr Colvin said.

"And I've observed that the failures always fall on at least two of them."

The first, and most important fundamental, was

an ability to attract, cultivate and retain good people through thick and thin.

"The fact is this is where competitive advantage comes from today."

Having good people on board meant the next three fundamentals — understanding when the business model needed to be changed, understanding wealth creation within the company, and making sure that commitments were executed every day at all levels of the business — were easier to achieve.

"Doing these things well leads to competitive dominance, industry success and, dare I say it, greatness," Mr Colvin said.

"Those who take their eyes off this ball, even for a moment, will get hurt."

Australian Stock Ex-

change managing director Richard Humphry discussed the problem of scale and how a lack of it hindered the ability of small, innovative companies, and the Australian market as a whole, to access capital.

Mr Humphry was concerned that if current trends continued, there would be a lack of investment options within Australia in the not-too-distant future, and that this would precipitate a massive movement of funds offshore.

The full sale of Telstra, as well as establishing joint ventures with overseas markets, would benefit the market immensely.

In the case of small companies with saleable, worthwhile products, Australia was missing many



Richard Humphry: concern.

opportunities because the venture capital market here was underdeveloped.

"We have the technology, we have the skills — but we still lack full potential

in venture capital markets," Mr Humphry said.

Advancement in this area would not only broaden the country's economic base, but would also help create more local product to help absorb the excess of superannuation savings which would otherwise go offshore.

Investment was also a theme touched on by the director of the US Institute of Genomic Research and biotechnology commentator, Dr Tom Schneider.

But his concern was more with how public investment could assist Australia's scientific competitiveness.

While a small, underdeveloped venture capital market meant there were few opportunities for taking products to market, a

lack of funds for basic scientific research, and the equipment with which to conduct it, was an even bigger threat to our future.

"This is the type of thing as a nation you need to invest in," Dr Schneider said.

"You need to make sure your universities, your basic infrastructure, is well-funded."

"One of the greatest things the Government could do in this country is to build a computational centre."

Dr Schneider characterised such an investment as easily as important to the national interest as funding roads, railways and airports.

His words, in particular those about the need to adequately fund education,

were echoed to some extent by one of the few anti-globalisation protesters outside the meeting.

Activist Ben Keaney was protesting at the amount of money spent on the military when important areas such as schools and health were in dire need of assistance.

"On the one hand I agree with what [Dr Schneider] said," Mr Keaney said.

However, he was very concerned about potentially helpful discoveries being locked up, or priced out of the range of people in need because of an economic imperative.

"I think copyright is a particularly problematic area," he said.

"It shouldn't be done on a corporate level."

ASX boss pushes full Telstra sale to add market depth

By NICK GENTLE

Australia's position as the fastest growing market in the developed world was in jeopardy unless action, such as the full sale of Telstra, was taken to prevent it being starved of investment options, the head of the Australian Stock Exchange said yesterday.

ASX managing director Richard Humphry told the Focus on Business conference that if Australia was to maintain or build on its current ranking as the tenth most highly capitalised market in the world then ways needed to be found to increase the depth of the local market.

It was to this end he advocated a full sale of Telstra, saying it would add about \$40 billion in value to the market, which would be equivalent to about 0.1 of 1 per cent on the Morgan Stanley Capital Index — the index global fund managers used to identify which markets to place their money in, and which currently has Australia sitting on 1.6.

But it wasn't just overseas fund managers Mr Humphry was concerned about.

With the advent of compulsory superannuation, the level of

domestic savings had increased dramatically — to a point where there was about \$500 billion in super funds flowing through the system, about 60 per cent of which was invested locally.

"But there's another \$500 billion that's coming by the year 2005," Mr Humphry said.

"And my major concern at the moment, there is not enough product, or investment product, to absorb that money, and therefore, if it hasn't got that product, it's got to go offshore."

Such a major loss of capital would have dramatic consequences for the future economic wellbeing of Australia, and the development of regions such as Canberra's.

He also canvassed the idea of forging joint ventures, like the one currently enjoyed with the Singapore stock exchange, whereby trades in the respective countries could take place in real time over fully transparent markets.

However, there were regulatory issues, such as differences in disclosure rules which needed to be ironed out before any more of these could be executed.

One positive side-effect of the

Enron collapse in the United States was that industry regulators there were taking a good long look at their disclosure rules. There were representatives of the ASX currently in discussions with them.

"And so we're trying to work now towards encouraging the alignment of these standards, again to facilitate that capital flow, not to adopt US GAAP [Generally Accepted Accounting Principles], but to build on a base of international accounting standards," Mr Humphry said.

In addition to that, fostering the growth of venture capital would be an important next step, especially for businesses from smaller regions like Canberra — currently represented by just four of the 1400 companies on the ASX's board.

The Ralph reforms had gone a long way to facilitating that growth, but there were still cultural obstacles, such as the tall poppy syndrome, to further growth.

"It is still an issue and I think it is a great shame," Mr Humphry said. "To take a successful person and to pull those people down is not very encouraging."

Basic research essential to cutting-edge success

By NICK GENTLE

Establishing a pool of money to fund basic scientific research would be the key to long-term success in the global biotechnology market, a United States expert told the Focus on Business conference yesterday.

Dr Tom Schneider is the director of the US Institute for Genomic Research, a biotechnology consultant, and was business adviser to Celera Genomics, the company that decoded the lion's share of the human genome.

Dr Schneider told a seminar on biotechnology in the capital region that the rate of discovery was increasing at an astronomical rate, and that companies would need to harness speed, scale and partnerships in order to succeed in what was an extremely competitive global market place.

In terms of harnessing the economic potential of biotechnology, speed was of the essence and Australia was lagging behind in the ability of companies to get research and trials done in a timely manner.

What was needed to assist research was a massive increase in computing power and the only entity with the funds to do that was the Federal Government.

"What's driving the revolution is the creation of knowledge and that is the something the public has a role to do," he said.

While recognising Australia's different demographic and economic circumstances, he highlighted the case of the US where there was now a \$US27 billion (\$A52 billion) pool of public funds for basic research.

"One of the greatest things your Government could do in this country is to build a computational centre and then sell time on it."

Dr Schneider said at the current rate of change, products that seemed like winners were "going from cutting edge to Model T in 18 months" and that investors, already wary after the dot-com debacle, were very edgy about placing money with biotech prospects.



Gretel Harrison, of Fink and Co, at Focus on Business in Canberra yesterday.

Picture: PETER WELLS

Qbn firm showcases its water jug: design icon and highly functional

By GRAHAM DOWNIE

From its design and manufacturing base in Queanbeyan, Fink and Co has produced what it claims to be its famous water jug.

It's only one of 12 products made by the company, but one which Gretel Harrison proudly showed yesterday to illustrate the nature of Fink's work.

"We are quite famous for our water jug," she said.

"It has been described as an Australian design icon."

The jug could be found in many of Australia's most up-market restaurants, she said.

The operation can be traced to her business and relationship partner, Robert Foster.

He trained as a gold and silversmith at the Canberra School of Art. Ms Harrison said he established a reputation for his aluminium teapots in particular.

After some time doing commissions, he developed a range of products. "Our philosophy has been to challenge typical utilitarian objects and make them a little bit more quirky and highly functional," she said.

The water jug, made from anodised aluminium, had proved to be so popular in restaurants, "because it pokes so exquisitely".

Queanbeyan was a most suitable base for the business, she said. The town had tradespeople, such as metal benders and powder

coaters, to whom work was outsourced. "It is a very good and supportive community," she said. Being outside Sydney and Melbourne had given Fink more independence.

Fink was one of five design and manufacturing Queanbeyan companies at the Canberra and Region Focus on Business yesterday. Ms Harrison said the event gave Fink the opportunity to reach many large companies, to which there would have been no access otherwise.

"We are quite small and we want to let them know that we produce a lot of one-off pieces, or a range of corporate giftware for them," she said.



Dr Tom Schneider: role for government.

ACT wasn't kicked off council, say Libs

The ACT had not been kicked off the Ministerial Council for Corporations while the Liberals were in government, as it had never been a part of the council, Opposition Leader Gary Humphries said yesterday.

Chief Minister Jon Stanhope said last week that he was working to get the ACT readmitted to the council after it was removed during the term of Mr Humphries's government. He had received in-principle agreement for the ACT to be readmitted as long as it did not affect the weighting of the other states' votes.

Mr Humphries said the ACT had never been on the council. The previous government had received the same assurances as Mr Stanhope. Just as it had been hard to consummate that agreement then, it would be now, too.

A spokesman for Mr Stanhope



Gary Humphries

said the Chief Minister was confident the ACT's situation was being taken seriously by the council. No work had been done on ensuring the ACT was readmitted, but it would be now.

ACT flourishing thanks to PS cuts: PM

By EMMA MACDONALD

Canberra and its economy had flourished as a result of his Government's cuts to the Public Service, Prime Minister John Howard said last night.

Addressing the Canberra and Region Focus on Business dinner, Mr Howard said he'd had mixed reviews, and the occasional "set to" in the territory after changes to the public/private sector mix, but the economy had been transformed as a result.

"There's not the slightest doubt that the private sector now bulks far larger in the life and the economy of the ACT than it did only five or six years ago, and certainly far more than it did 15 or 20 years ago," Mr Howard said.

"That is not to in any way denigrate or down play the public-sector importance and

the special role of government in the economy of the ACT and the special place in the Public Service in the life and the aspirations of the Australian Capital Territory," he said.

"I think the ACT has adjusted extraordinarily well to many of the changes that my Government was responsible for, many of them in the face of ... criticism and opposition at the time."

Mr Howard noted that the unemployment rate in the ACT was lower than in any other jurisdiction in Australia and the participation rate of the labour force was higher than in any other part of Australia. He paid tribute to Canberra's business sector for restructuring, revitalising and regenerating the ACT's economy over the past few years.



Jon Stanhope and John Howard at the dinner last night. Picture: MARTIN JONES

It's time to be free of ACT stereotype

By GRAHAM DOWNIE

It was time Australia's business leaders took notice that Canberra was a place of substantial and innovative business and a wonderful place to live, Chief Minister John Stanhope said yesterday.

In his opening address to the Canberra and Region Focus on Business, Mr Stanhope challenged Australian business leaders to rethink the Canberra stereotype. "While Canberra is frequently in the national headlines, it is too often for the wrong reasons," he said. "...the headlines rarely tell the real Canberra story — that Canberra, with its unique blend of public administration, educational and academic excellence and business enterprise, is well placed to lead Australian innovation."

Mr Stanhope said the Government's aim was for the ACT to be a natural home for intelligent business in a world where future economies were knowledge-based. "To this end we are aggressively campaigning to win Canberra the headquarters of the national Biotechnology Centre of Excellence and significant parts of the Information and Communications Technology Centre of Excellence," he said. Canberra was an ideal choice for these institutions.

"Aside from our dominant portion of research in both fields, we are home to 6 per cent of Australia's IT companies and 4.3 per cent of biotechnology companies, despite the fact that we form only 1.6 per cent of the Australian population."

These institutions would position the Canberra region as a major originator and developer of information and communications technology and biotechnology products and would considerably increase commercial research and development expenditure, driving company formation and employment.

"It's time we left behind the notion that Canberra research institutions undertake the basic research for other Australian states or other countries to commercialise. The Government is working closely with these institutions to help turn good ideas into companies..."

The region was perfectly placed to attract people and business. "Our unemployment level is the lowest in Australia, at 4.5 per cent, against a national average of seven per cent," he said. "We are predicting gross state product to grow by 3 per cent this financial year, with increases predicted for business profits."

In the 12 months to September 2001, state final demand in the ACT had increased by 2.3 per cent against the equivalent Australian Domestic Final Demand of 1.3 per cent.

"We are also the best educated workforce in the country. We are very proud of the fact that nearly all children who start school in Canberra participate in Years 11 and 12, and more than 90 per cent of our young people achieve Year 12 certification, the single most relevant educational outcome affecting employment prospects."

Stock market chief calls for Telstra sale

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The sale of the rest of Telstra would ensure Australia's capital market remained on fund managers' radar screens for some time, he said.

"It's going to be quite a battle for Australia in the years ahead because you've got other markets which will eventually mature — China, India and so on."

The boost Telstra's further sale would give Australia's market capitalisation — the total value of all the companies listed on it — would make it a more attractive destination for investment flows, Mr Humphry said.

If Australia could not maintain its relative size, huge investment portfolios such as those managed by superannuation funds would flow out of the country and into foreign markets.

About 60 per cent of Australia's \$500 billion superannuation sector was invested domestically.

"We know that that figure will rise to \$1 trillion before 2010."

"Unless there is investment product available in this market, the money must go offshore."

Mr Humphry acknowledged the ASX would gain financially from the sale of the rest of Telstra, as it earned its income from the volume of trades it processed.

"Of course I have an interest in the majority of these listings taking place but I also think it's not only good for ASX, it's good for Telstra and the country."