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Joint Standing Committee on Trade and Investment Growth

Inquiry into the understanding and utilisation of benefits under Free Trade
Agreements

23 August 2024

QoN Number: 2

**Subject: Analysis of costs associated with digital verification and Certificates
of Origin**

Asked by: Richard Colbeck

Question:

Senator COLBECK: I want to go on to some of the work that you are doing around certificates of origin. You also mentioned some of the work that is happening round digital documentation and guarantees that is what it says it is, as part of the verification systems that are being developed. Particularly in respect of significance of origin, have you done any analysis, or is there any analysis, around the costs that might be attributed to businesses in providing that information?

Ms Vithanage: To clarify, are you speaking there about Australian businesses exporting or international businesses importing?

Senator COLBECK: It probably tends to merge a little bit. Although there has been some change in probably the last three or four years since COVID, the trend over the last decade or so has been for much more trade to be component driven. A lot of businesses in Australia are part of global supply chains for example. I'll make up something for the sake of the conversation. Somebody might be making rearview mirrors or side mirrors for a car here in Australia that are being sent to Korea to form part of a vehicle; that then goes into a global market. In an automotive trade sense a lot of component manufacturers are now supplying into a global supply chain rather than to an Australian manufacturing sector. The requirement for all these verifications and systems become part of an overall cost. My question is based on trying to minimise cost in the system. Digitisation is a terrific tool in that sense, and efficiency and productivity gains and all of those things are recognised. I was curious as to whether there has been any assessment for the cost for business to do that, looking at it in the context of trying to drive efficiency and cost gain by digitisation. So you've got an argument to make when you're talking with our trading partners, and it doesn't matter whether it's coming or going quite frankly because it has a benefit both ways. If some of the materials that are being used by Australian manufacturers in their componentry is being imported anyway, any cost in the supply chain is a cost in the end product.

Ms Vithanage: Absolutely.

Senator COLBECK: It's probably complex, but is there any assessment of cost or assessment of cost benefit for going down the track of the new systems?

Ms Vithanage: I'll take advice from my team on this. We have certainly assessed the cost of administrative burden and the requirement for paper-based certificates of origin. We have assessed that obviously there is a benefit not only to us as the Australian government but also to importers and exporters alike. In terms of the requirements or the ability to verify documents, we have found that some of our

partner countries still prefer to verify those certificates of origin with the appropriate seals and markings and so on. That idea of being able to digitally verify them becomes really important. For Australian importers, my understanding is that the ability to make a declaration is much simpler and takes away the need to require these documents. As to that question about whether we have actually calculated the cost in time and in dollars, I don't think we have done the analysis around the digital verification of certificates of origin. If I've got that wrong, we'll come back to you today with a dollar figure.

Answer:

Paper-based trade documents and manual processes contribute to an administrative burden on Australian business. These include costs associated with processing, handling, transporting, correcting and re-issuing.

The Digital Verification Platform (DVP) is a tool that supports Australia's transition to paperless trade by promoting and testing the acceptance of digital trade documents with key trading partners. The Department of Home Affairs, including the Australian Border Force (ABF) has not conducted a specific cost-benefit analysis of the DVP's implementation to support digital acceptance of Certificates of Origin.

The value of the initiative lies in its ability to reduce risk, enhance security and build trust between cross border trade enforcement agencies and industry to support a move towards a paperless trade cross border environment. The qualitative benefits include greater confidence among stakeholders, mutual recognition of digital certificates at government level, and strategic investment in the longer-term integrity and efficiency of Australia's operations and systems.