

Tradegate Submission

Joint Standing Committee on Foreign Affairs, Defence and Trade

*Inquiry into Australia's trade and investment relations with Asia, the
Pacific and Latin America*

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Executive Summary

Tradegate is an independent, not-for-profit industry organisation that is owned by members of the international trade and transport community. It was established 20 years ago following a series of inquiries into Australia's waterfront under the Hawke Government. Its membership includes shipping lines, stevedores, consolidators, airlines, customs brokers, freight forwarders, depots, container parks, stevedores, transport companies, importers and exporters. Additionally, a number of leading associations in the international trade and transport community are members of Tradegate including The Australian Institute of Export (AIEX), Shipping Australia Limited (SAL), Customs Brokers and Forwarders Council of Australia (CBFCA), and Australian Federation of International Forwarders (AFIF), Council of Asia Pacific Express Couriers (CAPEC)

Since its inception in 1989 Tradegate has focused on the use of electronic commerce technologies to streamline supply chain processes in the international trade and transport logistics industry. As a result of this focus Tradegate has delved into the myriad of business processes required to undertake an import or export transaction.

As a trading nation, it is in Australia's interests that the export of goods and services be achieved in the most cost effective and timely manner as possible. To achieve this, it is imperative that Australia develop a focused national approach to trade facilitation.

Trade facilitation requires a long term perspective to be successful as changes to trading environments and government decision making can take several years to implement. While Australia has done much to improve its access regime for trade – reduced tariff barriers, improved processing at the barrier – there is much still to be done.

The World Bank ranks Australia as the 34th easiest economy for trade access. Many of our trading partners are significantly lower, while others are ranked higher. This provides significant opportunities for a whole of government trade facilitation approach to improve exporters' access to international markets.

As globalization increases and concerns continue over supply chain security, trade facilitation will become increasingly important for two reasons. First, to ensure that current impediments to trade are further reduced. Second, and more importantly, that under the guise of supply chain security recent trade facilitation gains are not rolled back and barriers increased.

Removing unnecessary regulation and requirements will substantially reduce export transaction costs. The international trade supply chain is clogged with a myriad of regulations – private and public – requiring up to 30 parties to a single consignment and up to 40 different documents. The Australian Customs Service in 2008 study for the proposed international trade single window (ITSW) – which has been put on the backburner - discovered that there are 41 Commonwealth and State government agencies involved in international trade collecting over 7640 different pieces of data. A lot of this data is required on paper forms – some 275 of them. Forms do not allow fast and efficient processing as data from a form has to be re-keyed into a computer.

Of these 7640 data items, when harmonised across all agencies only 637 core data items were needed. That is, less than 10 per cent of the data was unique, a massive 90 per cent of duplication.

Australia needs to set a goal of paperless trading so that all data required for exports and imports is electronic by 2020. That is government and industry will send and receive electronic data, not electronic documents.

The International Trade Single Window is an important trade facilitation activity. However, it needs to be elevated as a priority. Significantly, industry needs to be directly involved as a partner with the Government else there is a risk that this trade facilitation activity could achieve a less than successful outcome. Perhaps an International Trade Single Window will remove much of the duplication that currently exists between Commonwealth and State Government agencies involved in international trade.

While there are over 25 ports around the world where a single manifest can be submitted and various parties access the data they need, in Australia we have the ridiculous situation where there is one manifest for port authorities and a different one for Customs.

The Commonwealth Government also needs to become directly involved with the setting of international standards for trade. The UN/Centre for Trade Facilitation and Electronic Business (UN/CEFACT), an agency of the UN Commission for Europe (UNECE) has been ongoing for over 20 years. Australian industry has been a significant participant in this body – Tradegate chaired UN/CEFACT from 1998-2000 and was the chair of the Transport Working Group from 1991-1998. However, the Australian Government's involvement has been relatively insignificant. This is reducing the effectiveness of trade facilitation activities undertaken by industry. A joint industry Government approach and commitment is required.

Government also needs to address the issue of user pays in the context of trade facilitation. Two agencies of the Commonwealth Government – Customs and AQIS – charge importers or their agents over \$300 million each year for the privilege of making import declarations. Customs charges \$50 per entry while AQIS currently charges \$33. When other charges are included – permit requests etc. – who knows what the accumulated fees are.

Additionally many governments, primarily State governments, have set up their agencies as quasi-corporate entities. These entities, especially port authorities, charge their customers and remit profits as dividends to their Governments. Together this is well over \$100 million per annum.

Is this what trade facilitation is really about? Are we as a nation facilitating trade by enabling a government monopoly to make supernormal profits to support the general revenue of government?

Finally, consistent with a whole of nation trade facilitation strategy, there needs to be an independent organisation charged with implementing the strategy. As the strategy will be a partnership between industry and government, an independent organisation with substantial government and industry support needs to be in place.

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About Tradegate

History

Tradegate was formed in 1989 as a result of a federal government inquiry into shore based shipping costs. The National Communications Working Party (NCWP), a sub-committee of the Webber Task Force, and the then Inter-State Commission, recommended that a national communications network allowing electronic interchange of documents and other information be established.

The NCWP envisaged a two part network, a backbone network providing a common communications infrastructure and a series of value added services tailored for specific applications including cargo booking and tracking, electronic funds transfer, customs and quarantine functions, carrier information and vehicle booking services at container terminals and depots.

The NCWP further recommended that the control and administration of the network should be in the hands of the industry and that a community company be established for that purpose. The community company established as a not-for-profit organization was Tradegate Australia Limited. It was incorporated as a limited by guarantee company under the Corporations Law.

Tradegate was formed and funded by a number of organizations providing “loan funds” to Tradegate. These funds were to be repaid once Tradegate became self-funding. This occurred by 1997. The original organizations were:

- Association of Australian Port and Marine Authorities
- Qantas (representing IATA)
- Customs Agents Federation of Australia Limited, (now the Customs Brokers and Forwarders Council of Australia Inc);
- Australian Federation of Air Freight Forwarders Ltd (now Australian Federation of Freight Forwarders Limited)
- Australian National Maritime Association
- Australian Chamber of Shipping (now Shipping Australia Limited)
- Australian Road Transport Federation
- Austrade
- Railways of Australia

Tradegate has over 250 members representing customs brokers, freight forwarders, consolidators, shipping lines, express couriers, stevedores, importers, exporters, port authorities, airlines, depots, empty container parks, importers, exporters, and software companies involved in the industry. Over 1000 companies use Tradegate’s on-line services.

Tradegate's Experience and Expertise

Since its inception, Tradegate has focused on the provision of e-commerce services to the international trade and transport industry's service providers. However, a number of importers and exporters also use Tradegate's services. Tradegate's services have centred around the provision of:

Communications networks for electronic data exchange;

Web-based software for reporting of regulatory information to Customs;

Web-based software for transmission of commercial information for cargo release and cargo acceptance;

On-line payment systems for electronic funds transfer to commercial enterprises;

On-line code repositories for the storage, accumulation and presentation of commercially required information;

Highly secure storage of digital certificates and private keys to enable customers to meet their regulatory requirements for declaration of cargoes for Australian Customs' purposes; and

Development of international standards for the electronic submission of international trade related documents.

In 1990 Tradegate signed a contract with the Australian Customs Service (Customs) for the exclusive marketing of all Customs' electronic commerce services. This contract remained in force until 2005 when it ceased as a result of the introduction of Customs' Cargo Management Re-engineering (CMR) initiatives.

During the period of the contract well over 99 per cent of imports and exports were electronically reported via the Tradegate network.

MOU with Customs

In 2007, Tradegate signed a Memorandum of Understanding (MOU) with the Australian Customs Service. This MOU allows Tradegate to host Type3H digital certificates on behalf of customs brokers in accordance with the Federal Government's Gatekeeper PKI environment.

Tradegate is the only organisation that currently has such a MOU with the Australian Customs Service.

Under the terms of the MOU Tradegate must comply with a security regime for its transaction services that complies with the Federal Government's IT security policies and processes. Tradegate is audited annually to ensure adherence to these policies and processes.

Trade Facilitation

As a trading nation, it is in Australia's interests that the export and import of goods and services be achieved in the most cost effective and timely manner as possible. To achieve this, it is imperative that Australia develop a focused national approach to trade facilitation.

What is trade facilitation? Whilst no definition of "trade facilitation" can be precise, the World Trade Organisation's definition is "the simplification and harmonisation of international trade procedures". APEC defines trade facilitation as "the simplification and

rationalization of customs and other administrative procedures that hinder, delay or increase the cost of moving goods across international borders”¹.

The APEC Committee on Trade and Investment identifies trade facilitation as, “cutting red tape at the border for importers and exporters so that goods are delivered in the most efficient and cost effective manner. To the benefit of business (and consumers) generally, trade facilitation is especially important for Small and Medium Enterprises (SMEs), on which the impact of inefficient and uncertain government regulation can be greatest because of their relatively small scale of operation”.²

These definitions primarily relate to a government view of the world rather than a business view of the world. From a business perspective, trade facilitation involves all of the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods and services across international borders.

Unfortunately, trade facilitation requires a long term view as it can take several years for facilitation policies to be adopted and implemented.

As globalization increases and concerns continue over supply chain security, trade facilitation will become increasingly important for two reasons. First, to ensure that current impediments to trade are further reduced. Second, and more importantly, that under the guise of supply chain security existing trade facilitation gains are not rolled back and additional trade impediments put in place.

Why trade facilitation is important

Trade transaction cost estimates are not a perfect science. The OECD has estimated that trade transaction costs range from around 1 per cent to 15 per cent of the value of the goods traded when both import and export procedures are taken into account.³

The OECD found that an average trade transaction goes through 27 to 30 parties, including brokers, vendors, banks, carriers, and freight forwarders. It also needs at least 40 documents, not only for government agencies but for related businesses. Over 200 data elements are typically requested of which 60 to 70 per cent are re-keyed at least once with 15 per cent being re-typed up to 30 times.⁴ Refer to figure 1 for an example of the complexity.

Australian Customs has estimated that there are 41 Commonwealth and State government agencies involved in the collection of data about international trade. These agencies use 275 forms to collect over 7,640 data elements. Customs has further estimated that there is 637 core data elements required.

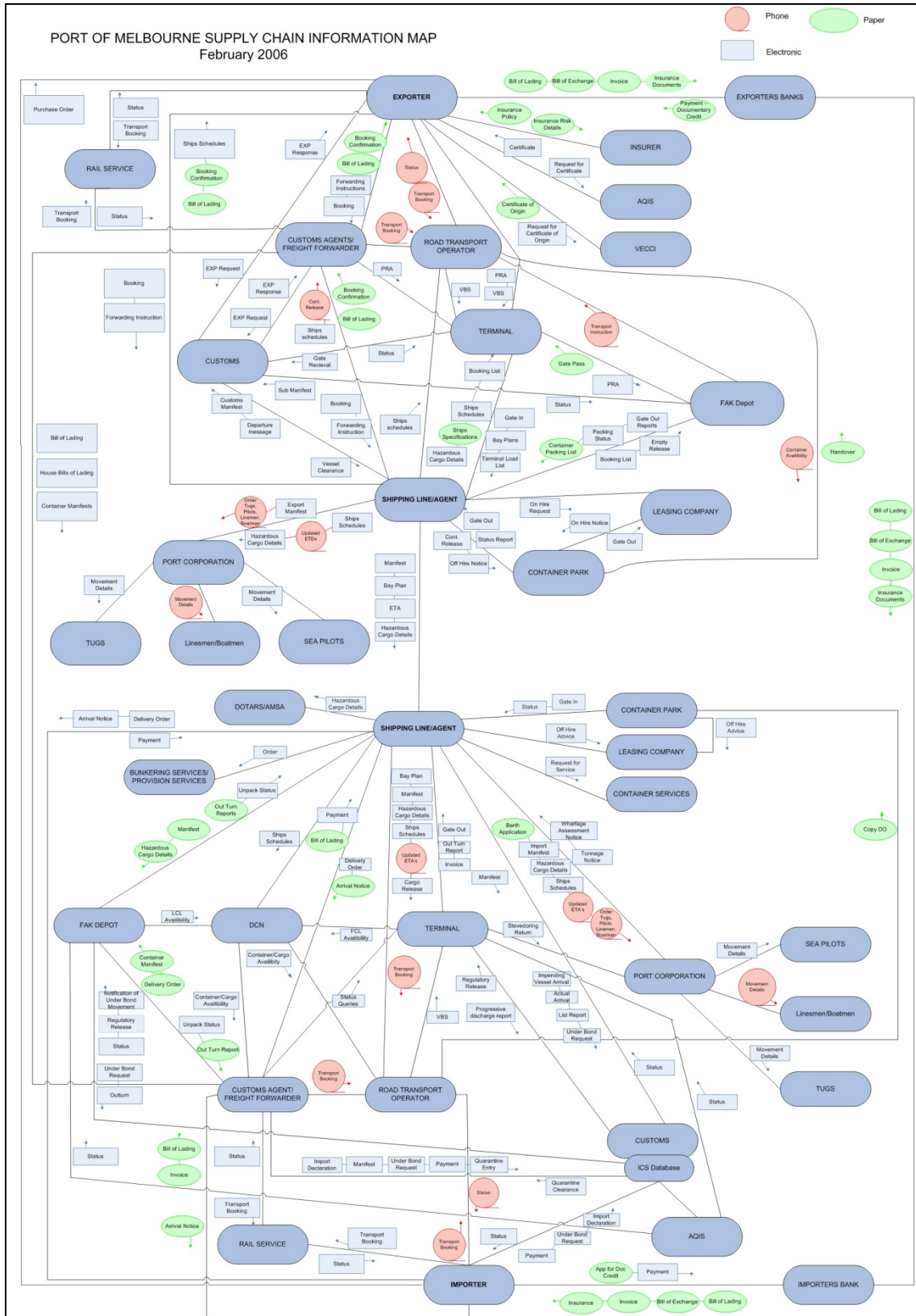
¹ APEC, Committee on Trade and Investment, *APEC’s Second Trade Facilitation Action Plan*, Sep 2007, p1 available at http://www.apec.org/apec/apec_groups/committee_on_trade.html

² *Ibid*, p1

³ OECD, *Quantitative Assessment of the Benefits of Trade Facilitation*, TD/TC/WP (2003)31/Final, 13 Nov 2003, pp4, 6-7.

⁴ Quoted in ACCI, “Trade Facilitation”, *ACCI Review No 104*, October 2003.

Figure 1: Port Of Melbourne Supply Chain



Agri-food products generally incur higher trade transaction costs than other manufactured goods, especially into the importing country. The OECD has estimated that these costs could be 50 per cent higher than those for other manufactured products.⁵

Similarly a late 1980s study concluded that SMEs, that is firms with fewer than 250 employees in the European Union, incur trade transactions costs 30-45 per cent higher per consignment than those falling on larger firms.⁶

The Department of Foreign Affairs and Trade (DFAT) calculated that savings are “highest for smaller shipments rather than bulk shipments. This is due to the high fixed cost of completing paperwork requirements manually. These costs are estimated by traders at between US\$75-US\$125 per transaction, irrespective of the size of the transaction. Savings are also projected to be higher for perishable food items due to the need for additional health certification or phytosanitary certification”.⁷

Assuming DFAT’s numbers to be reasonably accurate then Australian exporters face paper trade transaction costs of well over \$100 million per annum.

Just two agencies of the Federal Government cost importers and exporters in excess of \$300 million per annum. Importers or their agents pay \$50 per import declaration to Australian Customs, a cost of \$165 million per annum while AQIS currently charges \$33 per import declaration. Newspaper reports indicate that these charges may well increase to \$47 per import declaration in the May Budget.⁸

Trade facilitation has been an important agenda item within APEC. APEC leaders have recently endorsed the Second Trade Facilitation Action Program with a target of a further reduction of 5 per cent in trade transaction costs by 2010. This builds on the original target of 5 per cent reduction which was achieved in 2006. A key issue is cross border paperless trading.

The APEC agenda for trade facilitation encompasses a broad range of activities including customs procedures, standards, business mobility and the use of e-commerce.

Trade Facilitation was added to the DOHA Round of Multilateral Trade Negotiations in 2004. Under the WTO auspices focus is on clarifying and improving the General Agreement on Tariffs and Trade Articles V (Freedom of Transit), XIII (Fees and Formalities connected with Importation and Exportation) and X (Publication and Administration of Trade Regulations).

Emerging Trends

China is now Australia’s largest single trading partner and our second largest export market. India is an emerging significant trading partner. Fifty per cent of Australia’s imports and exports is derived from 10 Asian countries.⁹ As these countries become more important as

⁵ OECD, *op cit*, p 11.

⁶ *Ibid*, p 12

⁷ Department of Foreign Affairs and Trade, “Paperless Trading Benefits to APEC, The Potential of the APEC Paperless Trading Initiative”, 2001, p 19

⁸ Sam Collyer, “Box fee storm brewing”, in *Lloyd’s List DCN*, April 30, 2009, pp1 and 3.

⁹ China, Hong Kong, Macao, Japan, Korea, Malaysia, Thailand, Singapore, Taiwan, Philippines.

trading partners, there is an increasing need for Australian exporters to have access to those markets without being hampered by overly complex border procedures.

Secure trade and border security are significant components of Customs control and compliance procedures. It is imperative that security is not used as a non-tariff barrier to legitimate trade. Compliance burdens placed on business need to be kept in a proper perspective and ensure that trade facilitation perspectives are not ignored.

Quarantine and Biosecurity are important issues to ensure the Australian environment is both protected from imported diseases as well as ensuring that our export products meet overseas requirements. While this subject was reviewed by the Government recently, it is vitally important that processing of information relevant to Quarantine and Biosecurity be done in a manner that utilises latest information technology to ensure efficiency.

Australian Performance

While Australia has done much to improve Customs procedures, there appears to be no overall trade facilitation program. If there is one, it receives little publicity or recognition. Nor is there a Government recognised organisation that has a major focus on trade facilitation. Over the past 19 years Tradegate has been one key organisation that has been actively involved in achieving trade facilitation benefits through its e-commerce standards work.

Australia's overall performance in trade facilitation ranks it at number 34 compared to Singapore at No 1, and the United Kingdom at No 27. Using the World Bank's *Doing Business 2008 Report* and Australia's major export markets as identified by the Review's Issues paper (pp1-2), it becomes clear that a major focus on trade facilitation could have a significant impact on our export performance.¹⁰

One area where Australia has performed significantly is in the area of electronic business and documentation. Since its inception, Tradegate has taken a leadership role in the development and promotion of the use of international standards to facilitate international trade. Tradegate has actively promoted and adopted the UN/EDIFACT standards developed by the UNECE's UN/CEFACT organisation.

Today many of the electronic documents used in international trade are based on the use of those standards. The Australian Customs Service's Integrated Cargo System extensively uses UN/EDIFACT messages.

However, while Australia is regarded and accepted as a recognised leader in these standards, in the past few years this arena has been largely ignored by successive Australian governments.

Recommendation

That the Commonwealth Government develop a whole of government Trade Facilitation strategy;

¹⁰ See <http://www.doingbusiness.org/economyrankings/>

Table 1: Ease of Trade

Trading Community	Economy	Trading Across Borders
ASEAN	Singapore	1
	Thailand	50
	Malaysia	21
	Brunei	36
	Vietnam	63
	Indonesia	41
	Philippines	57
	Cambodia	139
Non-aligned	Australia	34
	New Zealand	16
	United States	15
	Hong Kong, China	3
	Japan	18
	Korea	13
	India	79
	China	42
European Union	Norway	4
	Finland	5
	Sweden	6
	Estonia	7
	Belgium	48
	Germany	10
	Netherlands	14
	Latvia	19
	Austria	12
	Lithuania	23
	Denmark	2
	United Kingdom	27
	Ireland	20
	France	25
	Portugal	31
	Spain	47
	Luxembourg	32
	Hungary	45
Romania	38	
Italy	62	
Czech Republic	30	
Poland	40	
Greece	65	

Source: World Bank, *Doing Business 2008 Report*, <http://www.doingbusiness.org>

Trade Facilitation Objectives

Paperless Trade – Electronic data, not electronic documents

While much information associated with an export or import consignment is electronic e.g. Export Declaration Numbers (EDNs), online permits, EXDOCS (AQIS Export documentation) etc, there are others where faxes or PDFs or scanned images attached to an email remain the fundamental way of doing business. Essentially, this is the electronic sending or receiving of a paper form.

While Customs has done much to focus on electronic data, the ship pre-arrival information is still required on a paper form as is the final ship clearance form. These are but two examples of where paper forms are still being used.

Recommendation

The Commonwealth Government take a lead role to eliminate all paper, and faxed documents used within the export import supply chain.

That the Commonwealth Government set a target, to be achieved by 2020, that all data required for an export/import consignment is to be electronic, that is electronic data, not electronic documents;

An overall objective should be a complete paperless trading environment where electronic data is received, rather than electronic documents.

Governments can assist in this by implementing such an objective itself and working with the private sector to ensure similar objectives. Government will receive substantial benefits from such an approach as Government agencies rely on commercial information for border protection profiling, clearance assessments, and the issuing of export and import permits.

Governments also have a role to play in working with the private sector to eliminate paper documents. The Certificate of Origin is an example of a document that is required in approximately 30 per cent of export consignments. However, it requires a signature of the exporter and a signature from an authorised entity, either the Australian Chamber of Commerce and Industry (ACCI) or the Australian Industry Group. This could form a key part of bi-lateral free trade agreements.

Overseas countries are prepared to accept certificates of origin as electronic data signed with a digital certificate.¹¹ Taiwan is one such country. Indeed there is a project underway within APEC to achieve such a goal. However, Australia is not as yet involved in that project. As certificates of origin are generally issued by a Customs authority, or in Australia's case an authorised agency, it is imperative that government-to-government arrangements are put in place.

Where trade related documents are generated by Government, Government and industry should work together to publish a standard for electronic data that is made available to software developers for incorporation within their applications. Government should

¹¹ A digital certificate is used as a digital signature that binds the certificate to the user. This is the technology that has been deployed by the Australian Customs Service under the Commonwealth Government's Gatekeeper Public Key Infrastructure.

develop systems that send permits and authorities in electronic data format rather than paper format.

It is clear that Government and the private sector working together will be more successful than either working alone. Asian countries in particular recognise the need for government support. This support has not always been forthcoming from the Commonwealth Government.

Single Window

There is increasing interest in the adoption of a “single window” for trade. Over the past few years, the Commonwealth Government, through the Australian Customs and Border Protection Service, commenced a study on the implementation of such a service. However, it appears that this is now on the backburner.

The study undertaken by Customs as part of the Standardised Data Set for trade project, has discovered that there are 41 Commonwealth and State Government agencies involved in international trade. There are over 7600 individual data items collected by these 41 agencies, from 275 paper forms and “an uncounted number of electronic screens.”¹² Customs harmonised the data across all 41 agencies to derive a core data set of 637 items. Unfortunately, industry’s experience is that there is little discussion or consultation between these agencies and so the burden of regulation on industry continues to grow.

These data demands divert scarce resources away from productive commercial export/import activity. This acts as a significant inhibitor to trade growth.

It is imperative that any “single window” development involve close consultation with industry, especially importers and exporters, as it is data provided by industry which is provided to government for its processing requirements. There is much that government can learn from industry in this regard. An ITSW provides an opportunity to critically analyse why certain data is required. An objective should be to reduce the data requirements to those needed to do the job, rather than data that is “nice to have”.

A single window, a laudable objective, needs to be elevated within the government’s priorities so that data can be submitted once only and various government agencies can then access that data for their own benefit. The important issue is that a single window is designed to reduce trade transaction costs; that is to facilitate trade. It is not an exercise in government seeking to impose additional red tape on industry.

Recommendations

That the international trade single window be made a high priority;
That the Commonwealth Government use the development of the international trade single window as a means of reducing unnecessary red tape and data collection between government agencies (Commonwealth and State);

Commonwealth v State

A constant criticism of industry is the myriad of State Government requirements that appear to conflict with or are additional to, Commonwealth Government requirements. Today,

¹² Catherine Ashbridge, “International Trade Single Window”, Customs presentation to CBFA NSW Convention, Newcastle, 5 April 2008.

there are different requirements for state port authorities for the submission of a manifest compared to requirements for Customs. Industry would welcome a situation where it can submit one manifest and the relevant data required by different parties can be accessed by those parties, or sent to those parties. That is the rational use of a single window.

While there are over 25 ports around the world where a single manifest can be submitted and various parties access the data they need, in Australia we have the ridiculous situation where there is one manifest for port authorities and a different one for Customs.

The movement of dangerous goods by sea transport has different requirements at a State level compared to a Commonwealth level. Additionally there are variations between the States. How can this be so? Surely, a dangerous good does not change its “danger” based on an arbitrary state border? Each difference imposes costs on industry and as a result is a cost on the economy.

A situation where parties in the supply chain – importers, exporters, shipping lines, freight forwarders, customs brokers etc. - could access a single service for all relevant information would substantially reduce the cost of information supply and access and enable industry to make better informed commercial decisions because of the accuracy and timeliness of the information.

Additionally, it would provide government agencies with access to better information at a very low cost, improving the efficiency of government administration.

As no one party in the supply chain has all the relevant information, it would require a co-operative effort by industry and government to source the information from different parties and make it available to those who need it.

The fact that this is being done in over 20 ports around the world indicates that Australia is not adopting international best practice. Success stories in Singapore, Rotterdam, Hamburg, Hong Kong, Busan and Valencia indicate that Australia still has much to do.

Such a system would work in co-operation with a government single window as discussed above.

Tradegate draws the attention of the Sub-committee to the Port of Felixstowe’s Destin8 system (www.mcplc.com), Singapore’s Portnet (www.portnet.com) and Port of Le Harve’s SOGET Cargo Community System (www.sogetccs.com). Singapore estimates that its port community system can save S\$100 million over a three year period.

Recommendation

That a single trade information system be established to improve the flow of information between governments and industry.

Standards

Australian industry has adopted the UN/EDIFACT electronic data standard as the predominant electronic business data exchange standard. This standard is widely used both within the international trade and transport industry, and within the local manufacturing, wholesale and retail industries.

UN/CEFACT, an agency of the UN Economic Commission for Europe (UN/ECE) is the agency charged with the development of the UN/EDIFACT standard and the business rules associated with paperless trade and simplified trade documentation. It is the key international agency for facilitating paperless trade.

Australia has been involved with UN/EDIFACT since the late 1980s with Australian industry being heavily involved in the development of the UN/EDIFACT standard. Tradegate itself has been involved with the Transport Working Group for 19 years, seven of them as Chairman and was instrumental in the development of the International Trade and Transport Implementation Guidelines Group. Many of these Guidelines are used by Australian industry.

Australia, through Tradegate, chaired UN/CEFACT in 2000-02. In fact, this is the only period in which a non-European or non-American has chaired UN/CEFACT. However, since that time, support for UN/CEFACT by the Commonwealth Government has been almost non-existent reflecting the lack of priority accorded to this vital trade facilitation issue.

Over the past 20 years, there has been limited support by the Australian Government for UN/CEFACT. As a result there has been less than optimal input by Australia for the broader objective of trade facilitation. Australia is one of only two countries currently that does not have official accreditation with UN/ECE.

UN/EDIFACT is a truly global international standard that is widely used by industry and government. It is used in Australia by Customs and AQIS.

Recommendation

That the Government actively support the adoption and promotion of the UN/EDIFACT international standard for trade and actively support the work of UN/CEFACT;

User Pays

There are a myriad of fees and charges imposed on the trading environment. These fees range from \$50 per import entry (Customs), to AQIS cost recovery fees, to charges for wine export permits etc. The sum of these fees and charges is significant. Tradegate has not undertaken a detailed analysis but it recommends that this would be a fruitful area for further research by the Committee.

Many of these fees and charges are nothing but a way for government bodies to fund themselves. And because they are government, there is no market contestability, hence the efficiency of the delivery of service is questionable.

User pays within the trading community has become a dirty word because industry has no choice. If there is a toll road, industry has a choice as to whether it uses that road or takes a non-toll road. However, if I am an importer, or an exporter of a particular commodity, I have no choice but to pay whatever fee is demanded by the government agency concerned. The only choice I have is not to trade at all.

Where services are provided as a direct result of government policy for the benefit of the whole community e.g. border security/screening activities, the whole community should bear that cost, not a specific sector of the community.

If we as a nation are serious about trade, there needs to be a fundamental re-think about the application of user pays.

Recommendation

That the concept of user pays needs to be re-assessed in the context of trade facilitation.

Tradefacilitation v Profits

Many government agencies are established to provide various services that support the movement of goods and services. One example is the role of port authorities that are responsible for the management of various facilities within the environs of the port. Most of these port authorities have become quasi corporations operating under various state legislation. They charge a fee for the service and make dividend payments to their governments.

Is this what trade facilitation is really about? Are we as a nation facilitating trade by enabling a government monopoly to make supernormal profits to support the general revenue of the government?

The amount of profits being provided by port authorities to state governments is now running into tens of millions of dollars per annum.

Recommendation

That the role of port authorities and other trade related agencies of government be reviewed to ensure their role is focused on facilitating trade, not maximising profits or dividends.

Trade Facilitation Organisation

There would be significant benefits for exporters, importers and their service providers for the Commonwealth Government to recognise and support a single national trade facilitation body with balanced industry and government representation, in accordance with Recommendation 4 of UN/CEFACT. Such an organisation could be based on the United Kingdom's SITPRO or Sweden's Swedish Trade Procedures Council (SWEPRO).

The functions of such an organisation could be:

- identify issues affecting the cost and efficiency of Australia's international trade;
- develop measures to reduce the cost and improve the efficiency of international trade;
- assist in the implementation of those measures;
- provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation; and
- participate in international efforts to improve trade facilitation and efficiency.

The organisation could become Australia's co-ordinator for UN/CEFACT.

Trade facilitation activities must be approached in a co-ordinated manner to ensure problems are not created in one part of the supply chain by introducing solutions to another part. As mentioned earlier, this is not happening in Australia at the moment.

OPENING STATEMENT

BY

PETER BLANCHARD
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TO

**JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE
TRADE SUB COMMITTEE**

**INQUIRY INTO AUSTRALIA'S TRADE AND INVESTMENT RELATIONS WITHH ASIA, THE PACICIC
AND LATIN AMERICA.**

SYDNEY 5 MAY 2009

MR CHAIRMAN,

Thank you for the invitation to present to the Committee today. My opening remarks, a copy of which I have provided to the Secretary for ease of reference for the Committee, will cover the following issues:

- A brief introduction about Tradegate;
- The need for a whole of Government approach to trade facilitation;
- The need for a national single window for Government for Trade;
- Commonwealth v State overlap
- Government activity in relation to support for and adoption of international standards;
- User pays and trade facilitation; and
- Profits v Trade facilitation

Tradegate is an independent, not-for-profit industry organisation that is owned by members of the international trade and transport community. It was established 20 years ago following a series of inquiries into Australia's waterfront under the Hawke Government. Its membership includes shipping lines, stevedores, consolidators, airlines, customs brokers, freight forwarders, depots, container parks, transport companies, importers and exporters. Additionally, a number of leading associations in the international trade and transport community are members of Tradegate including The Australian Institute of Export (AIEX), Shipping Australia Limited (SAL), Customs Brokers and Forwarders Council of Australia (CBFCA), and Australian Federation of International Forwarders (AFIF), Council of Asia Pacific Express Couriers (CAPEC)

Since its inception in 1989 Tradegate has focused on the use of electronic commerce technologies to streamline supply chain processes in the international trade and transport logistics industry. As a result of this focus Tradegate has delved into the myriad of business processes required to undertake an import or export transaction.

The chart in front of me is an example of that import/export process through the Port of Melbourne. I have provided printed copies of this chart to the Secretary.

I think it is fair to say that any business analyst, policy advisor, engineer or process developer that designed such a process either would fail their course or be roundly condemned as incompetent for designing such a process. Yet this is the reality of every day work.

It is not sexy. It does not grab headlines. As a result it rarely, if ever, makes it onto the radar of policy makers and politicians.

Let me say, even this "bowl of trade spaghetti" is not complete as many of the 41 agencies of government that have some involvement with international trade are not outlined on this chart.

As a trading nation, it is in Australia's interests that the export of goods and services be achieved in the most cost effective and timely manner as possible. To achieve this, it is imperative that Australia develop a focused national approach to trade facilitation.

Trade facilitation requires a long term perspective to be successful as changes to trading environments and government decision making can take several years to implement. While Australia has done much to improve its access regime for trade – reduced tariff barriers, improved processing at the barrier – there is much still to be done.

The World Bank ranks Australia as the 34th easiest economy for trade access. Many of our trading partners are significantly lower, while others are ranked higher. This provides significant opportunities for a whole of government trade facilitation approach to improve exporters' access to international markets.

As globalization increases and concerns continue over supply chain security, trade facilitation will become increasingly important for two reasons. First, to ensure that current impediments to trade are further reduced. Second, and more importantly, that under the guise of supply chain security recent trade facilitation gains are not rolled back and barriers increased.

Removing unnecessary regulation and requirements will substantially reduce trade transaction costs. The international trade supply chain is clogged with a myriad of regulations – private and public – requiring up to 30 parties to a single consignment and up to 40 different documents. The Australian Customs Service in a 2008 study for the proposed international trade single window (ITSW) – which I understand has been consigned to the backburner - discovered that there are 41 Commonwealth and State government agencies involved in international trade collecting over 7640 different pieces of data. A lot of this data is required on paper forms – some 275 of them. Forms do not allow fast and efficient processing as data from a form has to be re-keyed into a computer.

Of these 7640 data items, when harmonised across all agencies only 637 core data items were needed. That is, less than 10 per cent of the data was unique, a massive 90 per cent of duplication.

Australia needs to set a goal of paperless trading so that all data required for exports and imports is electronic by 2020. That is government and industry will send and receive electronic data, not electronic documents.

The International Trade Single Window is an important trade facilitation activity. However, it needs to be elevated as a priority. Significantly, industry needs to be directly involved as a partner with the Government else there is a risk that this trade facilitation activity could achieve a less than successful outcome. Perhaps an International Trade Single Window will remove much of the duplication that currently exists between Commonwealth and State Government agencies involved in international trade.

While there are over 25 ports around the world where a single manifest can be submitted and various parties access the data they need, in Australia we have the ridiculous situation where there is one manifest for port authorities and a different one for Customs.

The Commonwealth Government also needs to become directly involved with the setting of international standards for trade. The UN/Centre for Trade Facilitation and Electronic Business (UN/CEFACT), an agency of the UN Commission for Europe (UNECE) has been ongoing for over 20 years. Australian industry has been a significant participant in this body – Tradegate chaired UN/CEFACT from 1998-2000 and was the chair of the Transport Working Group from 1991-1998. However, the Australian Government's involvement has been relatively insignificant. This is reducing the effectiveness of trade facilitation activities undertaken by industry. A joint industry Government approach and commitment is required.

I believe Government also needs to address the issue of user pays in the context of trade facilitation. Two agencies of the Commonwealth Government – Customs and AQIS – charge importers or their agents over \$300 million each year for the privilege of making import declarations. Customs charges \$50 per entry while AQIS currently charges \$33. When other charges are included – permit requests etc. – who knows what the accumulated fees are.

Additionally many governments, primarily State governments, have set up their agencies as quasi-corporate entities. These entities, especially port authorities, charge their customers and remit profits as dividends to their Governments. Together this is well over \$100 million per annum.

Is this what trade facilitation is really about? Are we as a nation facilitating trade by enabling a government monopoly to make supernormal profits to support the general revenue of government?

Finally, consistent with a whole of nation trade facilitation strategy, there needs to be an independent organisation charged with implementing the strategy. As the strategy will be a partnership between industry and government, an independent organisation with substantial government and industry support needs to be in place.

Thank you Mr Chairman, that concludes my opening remarks.