

Tackling Australia's Uncompetitive Supply Chain

Australian APEC Study Centre Conference

*Is Australia managing?
The impact of the Global Financial Crisis & the
Outlook for Australia's Trade & Competitiveness*

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Overview of presentation

- Regulation & trade transaction costs (TTCs)
- Implications for Australia
- Priorities for policy reform

Regulation & Trade Transaction Costs

What are trade transaction costs?

- Resource costs in completing an import or export transaction
 - Contrast to cost to make what is exchanged
- Resource costs include
 - Time taken in complying with 'red tape'
 - Time taken in moving merchandise
 - Expenses incurred in process (eg. fees & charges)
- Are largely/completely due to regulation of
 - merchandise (eg. collection of tariffs & taxes)
 - its movement across national borders

Where are trade transaction costs incurred?

- TTCs incurred at 4 logistical stages
 - Preparation of documentation required for border clearances
 - Obtaining clearances from border protection agencies
 - Moving merchandise by land to/from port
 - Loading/unloading merchandise at port
- TTC estimates APEC economies for 2006-10

Implications for Australia

Trade transaction costs in Australia, 2006, US\$ billion, mid-2011 prices

Logistical Stage	TTC on Merchandise Exports	TTC on Merchandise Imports
Document preparation	8.5	6.0
Customs clearance	1.9	4.2
Ports & terminals	2.7	4.8
Inland transport	4.8	3.1
Total	17.9	18.1

Trade transaction costs in Australia, 2010, US\$ billion, mid-2011 prices

Logistical Stage	TTC on Merchandise Exports	TTC on Merchandise Imports
Document preparation	9.2	6.1
Customs clearance	1.8	2.2
Ports & terminals	2.6	4.7
Inland transport	4.4	4.8
Total	18.0	17.9

Trade transaction costs in APEC economies, as % of traded value

APEC Economy	TTC on Merchandise Exports	TTC on Merchandise Imports
Australia	13.7%	11.3%
Hong Kong	7.0%	5.2%
Singapore	4.2%	3.5%
United States	5.8 %	4.0%
APEC average	9.5%	9.0%

Australia compared to rest of APEC (1)

- Major difference: time taken to prepare customs documentation
 - Export: 5 days per TEU in AUS
 - ❖ 2 days in HKG
 - ❖ 1 day in SGP
 - ❖ 2 days in USA
 - Import: 3 days per TEU in AUS
 - ❖ 2 days in HKG
 - ❖ 1 day in SGP
 - ❖ 2 days in USA

Australia compared to rest of APEC (2)

- Significant difference: time taken in land transport & port stages
 - Import: 4 days per TEU in AUS
 - ❖ 2 days in HKG
 - ❖ 2 day in SGP
 - ❖ 2 days in USA

Priorities for Policy Reform

Framing the reform priorities

- TTCs significantly restrict merchandise trade
 - => loss international competitiveness for traded goods sectors
- Impact of TTCs on imports > trade policy measures
 - i.e. tariffs, import quotas, import licensing
- Time taken accounts for > 80% TTCs
 - => transit delays for traded merchandise
 - transit delays at all logistical stages

Key priorities for policy reform (1)

- Reduce & streamline 'red tape' for a border clearance
 - AUS: 6 documents (export), 5 documents (import)
 - FRA: 2 documents (export), 2 documents (import)
- Reduce time taken to obtain clearances by border agencies
 - C&BPS should conduct annual Time Release Surveys
 - use results to target bottlenecks

Key priorities for policy reform (2)

- Monitor infrastructure for ‘bottlenecks’
 - road & rail links to major freight terminals & ports
 - major shipping container ports (SYD, MEL, BNE & FRE)
 - major airports (KSA, MEL, BNE & PER)
- ‘Fast track’ expansion of critical freight infrastructure to relieve ‘bottlenecks’
 - including development of new container ports & new runways at existing airports
 - only ‘tax’ congestion as a short-run solution

Thank you!

***We welcome questions &
comments***