

**The Voice for
Australia's exporters**



Submission to the Productivity Commission public inquiry into the regulatory burden on farm businesses

March 2016

Submission by the Export Council of Australia

Response to the Inquiry

The Export Council of Australia (ECA) is pleased to be able to respond to the Productivity Commission’s Inquiry into the regulatory burden on farm businesses.

The Export Council often engages with agricultural businesses that export produce to international markets. These companies regularly speak about the significant costs and arduous processes they have to go through in order to be able to export their goods. While there will always be a cost to export and certain regulatory processes that must be adhered to, the ECA believes improvements can be made to streamline these processes and ultimately reduce the complexity and cost associated with exporting agricultural products.

Below is an example of the steps an exporter of potatoes has to follow in order to export to Thailand, and where particular costs are incurred.

- 1) Enquiry is received from overseas buyer in Thailand for supply of 1 X 20 FT container (approximate 24000 kgs) of Potatoes.
- 2) A quote is sent by Exporter.
- 3) The quote is accepted by the buyer and a Purchase Order is sent to the Exporter.
- 4) The Exporter checks the terms and conditions of the Purchase Order and sends back an Order Confirmation.
- 5) The exporter arranges for the shipment. In order to meet the Quarantine requirements for Thailand for Potatoes, the exporter checks the MICOR (Manual of Importing Country Requirements) database (<http://micor.agriculture.gov.au/Pages/default.aspx>). The Exporter looks for the Destination country, Thailand, and product, potatoes, under the Plant Commodity and finds the below link.

http://micor.agriculture.gov.au/Plants/Pages/Thailand_TH/Potatoes.aspx

The MICOR entry should clearly state the documentation requirement for exports of Potatoes to Thailand.

Documentation

Document Type	Required?
Import Permit	Yes
Phytosanitary Certificate	Yes
Additional Declaration/Endorsement	Yes

In addition, it also states the type of clauses that are required to appear on the Phytosanitary Certificate.

Additional Declaration/Endorsements

Option 1 (EXDOC Endorsement No 1298)

- 1) The potatoes in this consignment were produced in Australia in accordance with the conditions governing entry of potatoes for processing to Thailand and inspected and found free of quarantine pests,
- 2) The potatoes in this consignment have been washed.

Option 2 (EXDOC Endorsement No 1300)

- 1) The potatoes in this consignment were produced in Australia in accordance with the conditions governing entry of potatoes for processing to Thailand and inspected and found free of quarantine pests,
- 2) The potatoes in this consignment were treated with a sprout inhibitor.

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- 6) If an import permit has not been sent by the buyer, the exporter requests the copy of the import permit. On receipt of the import permit from the buyer the exporter checks the details on the permit with the MICOR requirements. The import permit will detail the clause(s) which should be defaulted on the Phytosanitary certificate.
 - 7) If the MICOR system and the import permit do not match at this stage, then the exporter is required to email the import permit to DAWR for an amendment to the MICOR system or an advice that the import permit terms and conditions cannot be met. There are often terms on the import permit that are outside the MICOR regulations and these also need to be addressed at this point. ***This part of the system is all done by email, requires manual intervention, and can take up to 3 weeks or more to be addressed.***
 - 8) If the exporter is not the approved grower with DAWR the exporter contacts a DAWR approved/accredited grower and sources the produce. ***There are significant regulatory processes and a fee to be an approved grower and an accredited facility with DAWR.***
 - 9) In parallel, the Exporter raises a Request for Permit (RFP) in order to prepare for the inspection. The RFP is raised using a compulsory commercially purchased software package (provided by companies such as ImpexDocs-www.impexdocs.com.au) which interfaces to the EXDOC system of DAWR. Either the exporter can raise the RFP on their own, or request an agent to raise an RFP on their behalf. Along with the RFP, the exporter can also request an Export Declaration Number (EDN) from the EXDOC system. The RFP contains preliminary information known to the Exporter at that point of time, such as Inspection Establishment Number, Consignee details, Destination details, Product details and approximate quantity details. The RFP number is then used by the Exporter to arrange for the inspection. ***As noted there is a cost for the EXDOCs licence and software to be purchased or if using someone else's licence there is a fee associated with accessing the software.***
 - 10) When the product is ready, the exporter arranges for the goods to be transported from the grower to the DAWR approved warehouse for inspection. ***There are transport costs involved.***

- 11) The Exporter makes an appointment with a DAWR officer for a booking. The RFP number is used as a reference to arrange for a booking.
- 12) Alternatively, the grower could apply to be an authorised third party inspector. ***There is a cost for this accreditation, which requires periodic renewal and fees to be paid.***
- 13) The Department officer or accredited inspector on site visits the DAWR approved warehouse for inspection. On successful inspection, the inspection officer fills up an Export Compliance Record (ECR) and gives a signed copy to the exporter. ***Inspection fees apply unless the inspector is part of the grower's internal organisation.***
- 14) After inspection, the exporter arranges for the goods to be loaded into the container and to be transported to the terminal. ***There are transport costs involved. These are usually quite high as the majority of authorised inspection premises are outside of the metropolitan areas.***
- 15) The exporter updates the RFP with the final quantity and container details. ***There are fees associated if using someone else's licence.***
- 16) The exporter sends a copy of the RFP, Export Compliance Record and Import Permit to the Plant Exports, National Documentation Hub (NDH) by email (plantexportsNDH@agriculture.gov.au) and requests they authorise the RFP.
- 17) The NDH checks all the documents and if the details in the RFP align to the other documents, it authorises the RFP. The RFP status changes to 'complete' and an export permit number is generated along with the phytosanitary certificate.
- 18) The phytosanitary certificate can be collected by the exporter from any of the DAWR offices or alternatively, in case the exporter is allowed to print remotely, this certificate can be printed by the exporter in their office using commercial software (provided by companies such as ImpexDocs-www.impexdocs.com.au). ***There is a cost for the software and alternatively there is a cost to travel to the main city centres to pick up the manual certificate. There are also fees to send the manual document, whether printed off on site or picked up from DAWR, to the buyer in the importing country for clearance purposes. Some of our trading partners can accept electronic quarantine documents but not all as yet.***
- 19) The exporter then prepares other commercial documents, such as the Commercial Invoice, Packing List, Certificate of Origin (CoO) and also arranges for the Bill of Lading from the shipping company.
- 20) Based on the destination country a preferential CoO may be required such as TAFTA (Thailand Australia Free Trade Agreement) or a non-preferential Certificate of Australian Origin. The CoO are issued by various Chambers of Commerce across Australia. ***There is a fee charged for the CoO. There is no cost associated with a declaration of origin, which is sometimes all that is required.***
- 21) Documents such as the Certificate of origin / Halal Certificates / HACCAP Certificates / other required Certificates issued by approved authorities are all

done as separate arrangements. *There is no direct link to one system to do all of this.*

There are many steps involved in getting agricultural products approved for export and multiple touchpoints with government along the way. While some processes have moved to an online, self-regulated system, other manual administrative steps remain a necessity, which can cause delays and additional costs.

The costs associated with exporting can be prohibitive, especially to small and medium sized exporters. By way of example, a business exporting beetroot to Dubai from Gippsland, Victoria revealed that to export 1 x 20ft container of beetroot door-to-door from Gippsland to the United Arab Emirates would cost approximately AUD12,000. The actual sea freight cost from Melbourne to Jebel Ali would be in the vicinity of AUD4,000, while the balance of AUD8,000 is needed to cover the land based transport costs and the documentation costs for quarantine arrangements.

Systems, such as EXDOCs, are beneficial and have improved efficiency for businesses. In order to use the EXDOCs system, a business either has to purchase it directly from a software provider or pay an operator who already has the software available for use. The cost of EXDOCs does not differentiate depending on the size of the business nor the amount of export documentation processed. While this cost alone may not be prohibitive, when combined with the other regulatory and commercial costs, it adds up to the point where exporting may not be a viable option for a small or medium size business. That is probably part of the reason why only eight per cent of Australian grown vegetables are exported.

The ECA believes more can be done to reduce the regulatory burden placed on exporters of agricultural goods, particularly the small and medium sized businesses that are less able to absorb these costs. In its 2015/16 Trade Policy Recommendations, the ECA recommended that government prioritise developing a single window electronic platform to process all import, export and transit-related regulatory requirements in Australia, as recommended by the 2015 B20 Trade Taskforce. A single window for trade is defined by the United Nations Economic Commission for Europe as, "a facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements." Many countries already have a single window for trade including the US, New Zealand, Mexico, Singapore and South Korea. Implementing such a facility could serve to improve trade facilitation by simplifying procedures and formalities for document submission and data collection saving government and business time and money. Indeed, the South Korean Customs Services estimates that introducing its single window generated roughly USD18 million in benefits in 2010. Singapore's single window was created in 1989 and brings together more than 35 border agencies providing significant productivity and monetary gains. The ECA believes that, among others, these examples provide an indication that there is value in developing a single window for trade in Australia to reduce complexity for businesses and improve efficiency.

The ECA supports and endorses the recommendations made in the submissions put forward by the National Farmers Federation and the Australian Food and Grocery Council.

About the Export Council of Australia

A not-for-profit, membership based organisation, the ECA is the peak industry body representing Australia's exporters and importers, particularly SMEs. With a membership base of 1,000 and a reach of 15,000, the ECA represents companies of all sizes and across a wide range of industry sectors, including services exporters. The ECA's core activities include research, advocacy, skills development and events. Some details on the ECA's work are provided below.

The ECA works collaboratively with a number of Federal and State Government Departments to advance the interests of its members and the broader business community. These include Efic, the Department of Foreign Affairs and Trade (DFAT), Austrade, the Department of Immigration and Border Protection (DIBP), the Department of Industry and Science, the Office of Transport Security, and the

Department of Agriculture and Water Resources. The ECA is represented on many of the advisory groups administered by the above listed agencies.

The ECA regularly provides submissions to government and its agencies on various reviews, as well as to parliamentary inquiries. These have included submissions relating to:

- the Korea-Australia Free Trade Agreement (KAFTA) and the KAFTA Customs Bills
- the Japan-Australia Economic Partnership Agreement (JAPEA) and the JAPEA Customs Bills
- the China-Australia Free Trade Agreement (ChAFTA)
- the EMDG Review
- the Inquiry into Australia's Treaty Making Process
- the Inquiry into the Business Experience in Utilising Australia's Free Trade Agreements
- the Productivity Commission review into barriers to growth in Australian services exports

The ECA also releases annual Trade Policy Recommendations (TPR), and the latest document, TPR 2014/15, includes commentary and recommendations regarding leveraging the Government's Free Trade Agreements (FTAs), improving infrastructure and supply chain efficiencies, advancing trade development, and growing services exports.

In 2014 the ECA launched a longitudinal survey, Australia's International Business Survey (AIBS), with Austrade, Efic and the University of Sydney, designed to capture data on the international business activity of Australian companies. The first survey captured data from over 1,600 Australian exporters, making it the most comprehensive investigation into Australia's international business activity in more than 15 years.

AIBS 2015 (which was released on 30 July 2015) resulted from the collection of fully completed and validated responses from 1,237 companies involved in international business. The findings of this report are distinctive and significant because they provide key insights into the nature, needs, concerns and future plans of the overall Australian international business community from the company perspective.

The ECA recently also released its *Advancing Trade Development* report, which examines the trade promotion activities offered by 10 of Australia's key export competitors including the United States, United Kingdom, New Zealand, and Singapore in a bid to encourage government to take a long-term, strategic approach to developing Australia's international trade.