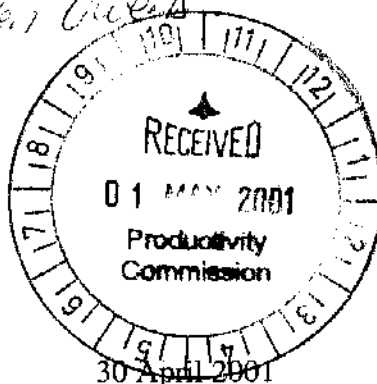


*Copied to Helen Owens
Original for
CR Team*

*Subj: MariTrade
ID No - 1422*

Mrs Helen Owens
Presiding Commissioner
Productivity Commission
Locked Bag 2
Collins Street East
Melbourne Victoria 8003



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Dear Mrs Owens

Cost Recovery by Commonwealth Agencies

I read with interest the draft report into cost recovery arrangements, particularly in relation to the Australian Bureau of Statistics. MariTrade has been a customer of the ABS since 1982 when we began buying the raw data on exports known as Exports 1. Over the years we have developed several databases to enable users to interrogate the data and to draw up meaningful reports and information from the raw data using our databases.

Until recently the cost of the data was about \$2 000 to \$2 500 a year and it was supplied on the condition that any processing and analysis recognised that the source of the data was ABS and that the ABS was absolved from any liability which might arise from using the data.

In fact the source of exports data is the export companies which are required to prepare returns for Australian Customs describing the goods with various extra information such as names and addresses. Customs relays the data to ABS which processes it, strips out or suppresses confidential items and then releases the data to distributors such as MariTrade. We are not a research organisation but earn our income from providing databases to enable others to research the raw data.

When the policy of cost recovery was announced, ABS introduced a scale of charges which has increased the cost of raw exports data to us from less than \$3 000 to more than \$35 000 a year. We are now required to pay two fees, one for the cost of the raw data, a basic flat fee of \$15 000 plus GST and another which is a 25% royalty on the prices we charge to our customers for the use of the database including the data.

I can understand the need to recover "costs" which are undefined but I do not understand why we must pay twice, particularly since the total is now outrageously high. I have read ABS comments about the majority of users being other government departments. It seems to me that other government departments would have very little price sensitivity since they can allocate the higher ABS charges to "cost recovery".

Enclosed is a copy of my letter appealing the charges and the ABS reply.

Yours sincerely

David Bendall
Director



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Dear David

Thank you for your letter of 22 February 2001 reiterating your concerns about our current Licence Agreement. I note your misunderstanding in relation to the need to pay for the data in addition to making royalty payments based on your services to your clients.

Your comments are being considered as part of a review of our policy in relation to intermediaries and the requirement that they purchase our data before being permitted to on-provide it to their own customers. The outcome from this review will be known within the next couple of months and we will then be in a position to let you know one way or the other, exactly what your longer term financial commitments to the ABS will be.

Any change of policy will effect future subscription periods with intermediaries rather than being applied retrospectively. In this regard and under the terms and conditions of our contract signed in August 2000, Maritrade has an obligation to pay ABS annually for the data. Therefore I ask you that you meet this obligation for the current subscription period. As stated in Sue Sutton's letter of 18 December 2000, ABS will accept payment through four quarterly instalments or if some other alternative is preferable to you, then please let us know. Should the review result in a change to the policy then the obligation in the contract to pay for the data for future subscription periods will be amended accordingly.

We are currently looking at the sample service software that you provided at the meeting. ABS is most unlikely to be interested in utilising the software given our current electronic dissemination development strategy and plans. As I mentioned at our meeting, ABS is also most unlikely to enter into partnership arrangements for the dissemination of Australian exports data. However, as you are aware, we have listed Maritrade and other intermediaries on our website as an alternative source for ABS data.

I am sorry that I cannot be more specific at this stage. We will be in contact with you before the next subscription renewal to let you know what your future financial commitments will be.

Yours sincerely

R.A. Crockett
Assistant Statistician
Information Services Branch

20 March 2001

22 February 2001

MariTrade

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Dear Dick

Thank you for meeting me last Friday.

The new contract for our subscription is now in effect and we have submitted the first return summarising our invoicing for databases containing exports 1 data to Sue Sutton. Sue has authorised ABS invoice #137984 which indicates that our royalty payments for the year will be about four times \$4 700 or \$18 800 which in turn implies that our royalty-related sales will be about \$75 000 net of GST. This is roughly the amount we have earned from database sales for many years and reflects the very specialised market for our service.

We have bought exports 1 data from ABS ever since we developed the first PC based database in 1982. We have established a steady market for our service over the years by providing a database which enables users to analyse exports data by separating air and sea freight components of the exports records. This database has been improved over the years by constant reinvestment and upgrades and there are now two separate databases offering monthly or quarterly analysis.

When I signed the contract I was under the impression that the royalty would be replacing the annual fee for exports 1 data. I realise now that I was mistaken and the contract requires that we buy the data in addition to paying the royalty on sales. This means that we will be paying more than \$35 000 for access to the raw data before we load it into our database for our clients. In effect the cost of raw exports data has increased from less than \$3 000 four years ago to \$35 000 now. While we have been able to pass on some of this huge increase to our clients, several have cancelled subscriptions already and others will not accept any more increases.

The difference between the cost of raw data and our sales income, \$40 000, is clearly insufficient to cover one person's salary cost for maintaining the service to our clients. We have invested heavily in the databases to incorporate the features and flexibility our clients require. We have also invested heavily in human resources to maintain the quality of personal service which our clients value. The Bureau's officers have even drawn on our experience for advice on commodities because we have such detailed knowledge of the export statistics.

This depth of experience and the core business itself is now under extreme pressure because of the very high charges for raw data which the new contract requires.

I understand that the Bureau's policy is to charge for the data and to collect a royalty from distributors but I believe that this policy discriminates against specialist distributors in the private sector such as ourselves. We load the raw data into one of our databases and distribute it to others to facilitate their research.

Is there any way that the policy could be made a little more flexible to accommodate specialist distributors such as MariTrade? I believe we have provided a useful retail service to users of export data for many years and we want to continue to provide that service and to preserve the expertise we have built up over the years. However we cannot continue to carry the burden of the cost of raw data which we are now required to pay.

I would appreciate a sympathetic review of the policy or at least its application in our case to ease the financial burden of accessing trade data.

I would like to take this opportunity to outline our development program, assuming you can help us with the cost of data.

As part of our ongoing investment in the databases, we are considering a new version to accommodate Eurostats, the European exports and imports records. The concept is to modify our existing monthly and quarterly databases to incorporate Eurostats data directly for Australian researchers.

Our databases can be modified to provide internet access. This is a major commitment but is in line with the access demands of many users and researchers. On line access to the trade databases is already in demand from overseas users. We occasionally receive requests for access to Australian trade data in this form from researchers overseas through the MariTrade web site which has a hot link to the ABS web site.

I look forward to your comments

Yours sincerely



David Bendall
Director