

SUB NO - DR171
ID NO - 1422

CR Team
Copied to HO

MariTrade

257 Clarence Street
SYDNEY NSW 2000
AUSTRALIA

PO Box Q177
QVB POST OFFICE
SYDNEY NSW 1230

Tel: (02) 9264 1606
Fax: (02) 9267 2976
maritrade@maritrade.com.au

29 July 2001

Mrs H Owens
Commissioner
Productivity Commission
Locked Bag 2
Collins street East
Melbourne Vic 8003



Dear Mrs Owens

Cost Recovery Inquiry

Thank you for the opportunity to present our case about the impact of ABS' current cost recovery policy on MariTrade. The transcript indicates that you and the members of the Commission, including Professor Sloan, clearly understand the destructive effect of this policy on a private sector provider.

In fact the cost recovery policy, as applied by ABS in this instance, has placed Australian organisations which use and interpret the data at a significant disadvantage to their colleagues in other countries. A representative of The Economist magazine recently referred to this practice as one which means that the private sector in Australia is constrained from developing much of the critical analysis of trade statistics that is routine in the US because of the cost of raw data.

Enclosed for your information is a copy of a letter to the ABS requesting a review of the current agreement which requires MariTrade to pay both a royalty and a fee for the raw data to which we add considerable value.

Yours sincerely

David Bendall
Director

MariTrade

257 Clarence Street
SYDNEY NSW 2000
AUSTRALIA

PO Box Q177
QVB POST OFFICE
SYDNEY NSW 1230

Tel: (02) 9264 1606
Fax: (02) 9267 2976

maritrade@maritrade.com.au

29 July 2001

Mr Dick Crockett
Assistant Statistician
Australian Bureau of Statistics
P O Box 10
Belconnen ACT 2616

Dear Dick

Subscription to ABS trade statistics

I read with interest the transcript of the Productivity Commission interviews covering your statements relating to MariTrade. I would like to correct one minor mistake, we do not buy the whole imports database, only the exports database described as Exports 1.

In reply to the questions from Mrs Owens and Professor Sloan about why ABS charges MariTrade a fee and a royalty, your comments indicate that there is some considerable misunderstanding of the value-adding service which we provide. We appear to have been treated as a simple "on-seller" which seems to imply that we are adding no value at all.

In fact we have argued consistently and for some time that we add a great deal of value to the raw data which ABS provides. Furthermore we do not use the data for private research as the cost of the raw data is prohibitive. Nevertheless we have been forced to sign a contract for ongoing supply of the data which incurs an extremely onerous cost penalty. The penalty consists of a royalty on sales plus a fee for the cost of the raw data, a pricing policy which, when applied to us, "seems pretty steep" as Professor Sloan commented on page 1113.

On page 1114, in relation to complete value adding, you remarked that "you may decide ... that the nature of the service hides, disguises, ABS data and we won't charge a royalty." Surely this is the relationship we have with ABS now. MariTrade's core service is to add considerable value to raw trade data by sweeping, cleaning and incorporating it in one of two customised databases.

A major part of our value added is the quality of personal service offered to our clients. There is extensive consultation to ensure that the database is tailored to each client's needs. We spend considerable time talking through with the client their research/reporting requirement so that the database specification meets the desired outcomes of the client. MariTrade also provides our clients with on-going support and database maintenance which arises due to changing commodity classification coding.

The raw trade data has been collected from a government regulatory body, ACS, which in turn compulsorily acquires the data free of charge from importers and exporters. The raw data has the nature of a public good and the supply of this data after confidentiality processing to value added organisations such as ours, does not violate non-exclusivity or non-rivalrous characteristics of a public good.

Because of the flexibility of the MariTrade databases and the quality of our service we have created over the years an additional market for ABS trade statistics. There are considerable positive externalities created as our users in the private and public sectors make informed and timely decisions on resource use. As an information agency the ABS charter is to disseminate information and we are making a positive contribution to this role.

The value of our databases is such that, despite the ten-fold increase in price for the raw data and the introduction of a fee plus commission price structure, we have retained a core group of clients. However we have lost about 30% of our long-standing clients who could not afford the price hike necessitated by the ABS new structure of prices.

I am encouraged by the claim that you are "reviewing that particular policy – particularly in respect of MariTrade-type operations" also on page 1114. I would respectfully request that the current arrangement be reviewed and either the commission element or the fee element or both be removed as the combination of these charges is manifestly inappropriate to our situation.

In the meantime we have received an agreement to renew our subscription to 2001/2002 exports data. This agreement is styled a consultancy whereas the data provided is not a consultancy, it is the sale of raw data, to which we add considerable value. We would appreciate your assurance of the continuation of supply of raw data until the current arrangement is reviewed.

I believe the transcript of the Productivity Commission's inquiry and the submissions made have helped considerably to clarify our understanding of ABS policy and motivation. I trust that you will be able to review the current oppressive agreement and return our commercial relationship to one based on mutual benefit.

Yours sincerely

A handwritten signature in black ink, reading "Helen B Bendall". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Dr H B Bendall
Director

cc Mrs H Owens
Presiding Commissioner
Cost Recovery Inquiry
Productivity Commission