

Customs Trade and Transport Update

11 May 2011

Federal 2011 – 2012 Budget highlights for the Australian Customs, Trade and Transport sectors

Introduction

In and among the wider agenda of the Australian Federal Budget for 2011 – 2012 and the predictable Government rhetoric as to the aims of Government agencies, a preliminary review of the Portfolio Budget Statements reveals no significant changes in the Customs, Trade and Transport sectors.

As may be expected the majority of new funding allocated for the border authorities is given over to border security issues such as funding for measures against people smuggling and to provide vessels used by the border protection agencies. However, a preliminary review of the Budget Statements does provide the following information which may be of interest.

Australian Customs and Border Protection Service

The Budget Statement for the Australian Customs and Border Protection Service (“Customs”) contains the usual expectations of near perfect compliance with statutory and client standards in the delivery of services, including processing of electronic reports and delivery of Tariff and Valuation advices. Some details are set out below.

- Increases in the reporting of Import Declarations, Export Declarations, air cargo consignments and sea cargo manifest lines for the 2011-2012 and subsequent years.
- Levels of inspection, examination and audit remain consistent to those set in the 2010-2011 Budget except for a 50% reduction in the examination of mail items from 40 Million to 20 Million in 2011-2012. A note

to the Budget Statement says that the revised level of inspection more accurately reflects the level of mail being utilised and the risks associated with the use of mail.

- An allocation of funding for the implementation of revised rules of origin under the ANZCERTA. Legislation to implement these changes has been cleared for introduction to the parliament.

In terms of expenses and revenue, there is a slight reduction in funding for “Trade Facilitation” activities at the same time as an expectation of a significant increase in revenues to be collected by Customs.

Australian Quarantine and Inspection Service

The Budget Statement identifies some important developments.

- The allocation of funding of \$425.5 Million over 3 years to maintain the Quarantine Border Security Program commencing in the 2012 – 13 financial year. Of that sum, Customs is to receive \$205.6 Million for provision of its services to the Program.
- An allocation of \$4.2 Million for the development of a business case to enhance the ICT system.
- The introduction of new Biosecurity legislation later this year. This has been promised for some time and is only now being delivered.

DFAT and Austrade

Together these 2 Government agencies have roles in developing and negotiating Australia’s trade agenda and then ensuring that Australian businesses benefit from the implementation of that agenda.

The Budget Statements for the 2 agencies reveal the following highlights.

- Decreases in funding for DFAT and Austrade generally compared to the 2010-2011 Budget.
- A trade negotiating agenda for Australia which attempts to exploit current FTA opportunities as well as pursue the new agenda as set out in the Trade Policy Statement released in April (referred to in our Update of 10 May 2011).
- Austrade’s international activities “*will be more clearly directed towards growth and emerging markets that offer commercial potential and provide opportunities aligned with Australian capability (including education), and where there is a clear role for Government through Austrade*”. Presumably this will include the Government’s new engagement with Africa. The Budget Statement also includes reference to enhanced trade and investment representation in Mongolia.

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- Austrade's funding in established markets such as the US and Northern Europe is to focus on attracting inbound investment and supporting the development of the education services industry.
- The level of funding for the EMDG program is to remain at levels consistent to the 2010-2011 Budget.

Industry Innovation, Science and Research

A new "Buy Australian at Home and Abroad" program has been announced together with funding of \$34.4 Million. This is to provide funding to assist Australian industry to sell goods and services to those companies in the resources industry. The associated media release refers to the following aspect of the program.

- The concern that some Australian suppliers are missing out on providing goods and services to major resource projects due to established global vendor lists and the trend towards pre assembled modules.
- The program is being provided to maximise the returns from the mining boom by more effectively linking Australian suppliers to Australian projects.
- Increased funding of \$1 Million per annum will expand the reach of the Industry Capability Network making it easier and cheaper for buyers and suppliers to do business.
- The creation of a new "Resources Sector Supplier Advisory Forum" and the appointment of a "Resources Sector Supplier Envoy".

Transport and Infrastructure

As expected, the Budget Statement reflects a continued focus on investment in transport and infrastructure including ports, rail and roads. That includes funding both to initiate new projects as well as completing existing projects. For example there is Federal funding for a contribution towards the commencement or completion of intermodal facilities at Altona, Somerton and the Wimmera facility at Doon. However, it is noteworthy that in Victoria the RACV has suggested that Victoria has largely been ignored in the provision of necessary additional funding.

Conclusion and what is NOT in the Budget

As mentioned above, the revelations in the Budget Statements are far from surprising and are generally consistent with past policies and recent statements made prior to the release of the Budget. However, what is interesting are the topical issues which are not addressed in the Budget Statements. This includes the following issues on which we are yet to hear further.

- Any response to the Productivity Commission Report into the Australian Anti Dumping and Countervailing Systems. According to a release by Minister O'Connor on 5 May, any decisions on reform will be held over pending the completion of the current Inquiry by the Senate Economics Committee into 2 new Bills seeking to amend the anti dumping legislation. I appeared before that Committee Inquiry last week and it seems clear that the interests of members of the Committee (and the ALP caucus) is leaning towards a broader reform of the current system to better assist (or "protect") the Australian manufacturing industry.
- Any additional changes to the system to grant/review Tariff Concession Orders or By Laws which provide concessional entry for goods. Policy changes by Customs has made the job of applicants for such benefits all the more challenging. Additionally, Australian industry is now more mindful of the need for vigilance in reviewing applications and objecting to applications where possible.
- Any changes to the "low value" threshold for imports below which GST and customs duty is not payable. This is still subject to a review by the Productivity Commission.
- Any substantive new initiatives to facilitate trade such as a "Trusted Trader" or similar Authorised Economic Operator program. There continues to be engagement between Customs, AQIS and industry on the topic although substantive change may need to await the next Budget cycle especially if any new initiatives support the introduction of deferral of payment of customs duty.

Contact us

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