



Simplified Trade System Consultation Paper – Summary

The STS Implementation Taskforce launched a public consultation paper at the STS Summit on 26 June 2023.

Stakeholders were provided with the option to submit a public or private submission to the Consultation Paper. Submissions received representing a wide range of stakeholder groups including industry associations, technology vendors, importers and businesses, intermediaries and customs brokers, consultants, academics, and not-for-profit organisations.

The Consultation Paper sought feedback to help guide our areas of focus in developing reforms for a simpler cross-border trade environment; identify benefits to businesses of potential reforms; understand potential challenges and risks to businesses of implementing reforms and how these might be mitigated; and shape future engagement and consultation activities.

In a sense, the STS reforms are a free trade agreement with ourselves. We need to remove the self-imposed roadblocks that make trading with, and within, Australia harder than it should be.

- Business Council of Australia

Through submissions, business broadly supported:

- establishment of a Trade Single Window;
- increased digitisation of trade documentation and processes;
- increased adoption of digital identification;
- alignment and de-duplication of regulations;
- streamlining the Cargo Intervention Model;
- establishment of robust and secure data sharing mechanisms; and
- establishment of a central governance and accountability mechanism for cross-border trade reform.

High-level vision

Across all stakeholder groups, there was broad support for the high-level vision of the future state of cross-border trade in Australia and the proposed reforms outlined in the Consultation Paper. Stakeholders acknowledged the significant Government investment to drive competitiveness and support productivity in Australia through the STS reforms.

There was also strong support for continued and increased engagement with business and industry to deliver against the high-level vision.

The development of continuous improvement and feedback mechanisms leads to a symbiotic partnership, which can drive the development of streamlined systems, reform regulatory compliance, and align with the current commercial realities of the industry.

- Freight & Trade Alliance

Trade Single Window (TSW)

The TSW was identified by all stakeholder groups as a key reform to simplify the cross-border trade environment. Stakeholders agreed a TSW would significantly reduce duplication, increase accessibility of information, improve efficiency, and cut costs for both the Government and industry.

There is also broad support for the digital reforms proposed like developing the Australian Trade Single Window. It is imperative that the regulatory and digital systems are streamlined and working as efficiently as possible.

- Australian Retailers Association

Currently, information on rules and regulations is spread across multiple sources, is not always up-to-date and is often complex and difficult to understand. As a result, navigating trade-related regulations is an extremely challenging undertaking for business and can be a barrier to trade for new entrants. An example is the Tariff Concession Order System which was identified as complex to deal with due to inaccessible information, limiting business' ability to leverage tariff advantages.

Specific technologies identified which may support reform included blockchain distributed ledger technology, artificial intelligence and machine learning, internet-of-things sensors, and tokenisation of trade assets.

Trade digitisation

Many stakeholders highlighted paperless trade as a priority for cost reduction. According to an industry brief from the Asian Development Bank, paper-based documentary transactions such as Letters of Credit account for 50-60% of a business' operational costs.¹ Further, one of Australia's largest dairy exporters estimates they spend \$2.77million annually sending pieces of trade document around the world.²

Australia Post sends 41,000 documents by email to the Australian Border Force and Department of Agriculture, Fisheries and Forestry each year to facilitate the release of cargo. This process is slow and inefficient. An integrated digital platform would significantly reduce duplication, improve efficiency, and cut costs for both the government and industry.

- Australia Post

As a prerequisite to trade digitisation, Government needs to ensure the acceptance and enforceability of electronically transferable trade documentation with other jurisdictions. Businesses need to be able to confidently rely on electronic transferable documents if they are to transition to a digitised trade ecosystem. As an example, electronic bills of lading have very low adoption rates – about 0.3% to 1.2% of all bills of lading were in electronic form in 2020 and 2021 respectively. This was attributed to the lack of legislation and technical interoperability that enables cross-border recognition.³

There was broad support for the adoption of the UN's Model Law on Electronic Transferable Records (MLETR) to address the issue. Several considerations for implementation include:

- harmonisation with current domestic laws governing electronic transactions, digital signatures, and transferrable documents to provide legal clarity and consistency;
- ensuring MLETR complies with the country's international obligations and commitments; and
- consideration of interoperability with trading partners' legal frameworks.

¹ ANZ Submission

² Australian Dairy Industry Council Submission

³ ANZ Submission

Complementary approaches to the MLETR could include implementation of the provisions for paperless trade captured within free trade agreements.

The implementation of international standards and frameworks, in conjunction with the MLETR, is critical in promoting digital solutions and enabling the transfer of electronic records in cross-border trade.

- Institute of Export & International Trade

Digital identification

Stakeholders highlighted digital identification as a key enabling reform to simplify cross-border trade. Considerations for implementation were highlighted in responses, including:

- a strong identity management framework;
- strong and aligned data standards, architectural rules and assurance methods;
- integration of data and systems which Government can use to identify entities; and
- strong mutual recognition frameworks with key trading partners.

Stakeholders emphasised use of MyGovID is not practical for organisations with offshore operations. Several stakeholders suggested the use of the Legal Entity Identifier as the digital identity standard to maximise cross-border interoperability.

Alignment and de-duplication of regulations

Stakeholders provided support for the alignment of regulations such as the Fit and Proper Person (FPP) assessment to reduce duplication and streamline processes. FPP assessments were identified as an administrative burden for business due to the varying formats, methods of completion and different requirements of each government regulator. Stakeholders recommended a single issuing body, online application portal, secure data platforms and automated document verification to streamline collection and processing of information. All of which could be achieved through a TSW.

CAPEC members do not want to simply automate a process without improving the actual process itself, i.e., "digitising rather than digitalising".

- Conference of Asia-Pacific Express Carriers

Streamlining the Cargo Intervention Model (SCIM)

SCIM is broadly supported with stakeholders noting border delays as a significant cost for business. According to the World Bank, it takes an average of 43 hours to complete documentary and border compliance processes for each Australian shipment. This is well above the OECD average of 19 hours. These delays have real cost implications for business, with container detention fees estimated to cost importers \$500 million per annum⁴.

Stakeholders suggested the SCIM could build on the existing Trusted Trader Model and enable a graduated range of benefits and facilitations, including fewer interventions for trusted businesses that have track record of complying with regulations. Stakeholders also emphasised that SCIM's greater use of data would help with cargo congestion at the border. They noted that intermediaries are often able to provide data to border agencies at a much earlier point in the supply chain. This data can then be used to assess risk and, where required, place holds on consignments earlier, providing more time for businesses to address the regulatory issues.

⁴ Freight & Trade Alliance Submission

Data sharing

While data sharing and the Cross-Border Trade Data Sharing Framework (Framework) are broadly supported, concerns were raised around data security and protection of privacy, particularly where data is shared outside government agencies. This risk is amplified where different businesses involved in the same movement of goods are partners on one occasion and competitors on another. The same risk applies where there are multiple parties collaborating on a declaration, and where data has been provided by multiple entities to complete different declarations at different stages of the same goods' journey.

Recommended safeguards include:

- establishing a data management capability enabling data providers to determine who or which services can access the data they shared and for which purposes; and
- audit and transparency tooling to ensure data is managed in line with the appropriate requirements.

Governance and accountability

Stakeholders noted delivery of the STS will be a complex undertaking, and that similar trade initiatives globally have been undermined or prevented as the delivery models were not able to maintain the appropriate alignment and drive the level and type of change required. They emphasised the need for a central governance and accountability mechanism with oversight powers to ensure effective delivery of the STS reform agenda. The central oversight body needs to have the authority to monitor progress and performance of the reforms to ensure Government priorities are met.

[We recommend] A governance structure led by an overarching agency such as the STS Taskforce as a permanent body in government and that involves industry. This can help show tangible benefits along the way, ensure momentum can continue, hold agencies to account, receive continuous feedback from business, and instil confidence to show that progress is being made. A permanent and continuous structure is vital. After lots of stop-start approaches, we need to get one government structure, keep going with it and make incremental change along the way.

- Business Council of Australia

AMIC seeks assurance from the Federal Government that the STS Taskforce will receive long term, ongoing financial and staff resourcing required to ensure the program is able to be carried out and ambitions goals are able to be met. With Australia now securing free trade agreements with the majority of our largest trading partners, the STS stands as one of the most significant areas that government can invest in to drive international competitiveness and support the Australian meat industry.

- Australian Meat Industry Council

Next steps

Insights gathered through this consultation process are being used to shape the STS Taskforce's advice to Government on the proposed set of regulatory, digital and data reforms, for consideration before the end of this calendar year.

The STS Taskforce will continue to engage with business to co- design and co-implement reforms with business to ensure they are fit for purpose.