



Australian Government

The Australian Government
Annual Deregulation Report
2014



Foreword



The Foreign Affairs and Trade portfolio is committed to cutting red and green tape to help increase productivity and competitiveness for businesses, individuals and community organisations. The portfolio includes a small but diverse range of regulatory functions from issuing passports to providing support to small and medium exporters. By removing unnecessary regulation and only imposing new regulation where it is absolutely necessary, the portfolio is helping the Government to reach its target of reducing red tape by at least \$1 billion a year.

We are making it easier for Australians to apply for a passport and have improved the online accreditation process for Non-Government Organisations (NGOs) delivering overseas aid. Through the new Korea-Australia Free Trade Agreement and the Japan-Australia Economic Partnership Agreement, we have given Australian exporters better market access to North Asian markets and streamlined trading paperwork. Changes to legislation associated with the Export Finance and Insurance Corporation (EFIC) will ensure better support to small and medium sized businesses seeking to capitalise on global trade opportunities.

In total, the portfolio delivered \$7 million in deregulatory savings in 2014. We look forward to contributing to this important Government priority in 2015.

**Julie Bishop
Minister for Foreign Affairs**

**Andrew Robb AO
Minister for Trade and Investment**

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Portfolio highlights

The Foreign Affairs and Trade portfolio reported \$7 million in deregulatory savings over the period September 2013 to 31 December 2014. Within the portfolio, there were a number of key regulatory savings decisions that were taken to reduce compliance costs that are yet to be implemented. These include measures that require parliamentary approval.

Key deregulatory savings included work to improve the Australian Passport application form, changes to the Export Finance and Insurance Corporation (EFIC) Act aimed at reducing the administrative burden on business, and streamlining trading paperwork as part of the newly negotiated Korea-Australia Free Trade Agreement and the Japan-Australia Economic Partnership Agreement. The upgrade of an online portal which makes it easier for businesses to comply with their obligations under Australian sanctions laws recorded both deregulatory savings and regulatory costs but resulted in a net saving.

The portfolio established a deregulation unit within the Department of Foreign Affairs and Trade in early 2014. The Unit conducted regular meetings with portfolio regulators throughout the year.

The Trade and Investment Policy Advisory Council (TIPAC) was established in May 2014 to facilitate an ongoing dialogue with the business community on the challenges and opportunities inherent in advancing Australia's trade and investment interests. TIPAC also provides advice on regulatory reform and policy specific to tourism, services and international education.



Reducing costs for Australian exporters

The Export Finance and Insurance Corporation (EFIC) complements the private banking market by providing financial solutions for Australian exporters, when their bank is unable to assist.

Currently, EFIC may only lend directly for the export of 'capital goods' as defined by the EFIC Act. For example, currently EFIC can only lend for the export of dairy cows but not milk. Other goods for which EFIC cannot currently lend directly include wine, food, fibre, pharmaceuticals and consumer goods.

Only 5 per cent of Australia's exports are classified as 'capital goods' by the Australian Bureau of Statistics. When an exporter requires working capital for the export of non-capital goods, EFIC must provide a guarantee to the exporter's bank rather than lend directly. This duplicates fees, charges and processing time, and restricts the pool of SME exporters EFIC can support.

By amending the Export Finance and Insurance Corporation Act, EFIC will now have the flexibility to lend directly to support all types of goods - reducing business costs and processing time. On average, this would save SMEs over \$25,000 in reduced fees, charges and documentation costs compared to a guarantee facility. However, the savings will vary depending on the terms and size of each individual transaction.

Summary of key deregulatory savings and regulatory costs implemented in 2014

Table 1: Summary of key deregulatory savings implemented between September 2013 and 31 December 2014. Details on individual measures are outlined in Appendix A. Measures (totalling \$6.326 million) that were reported but have not yet been implemented are also detailed in Appendix A.

KEY MEASURES ¹	Reported
	(\$ million)
Korea-Australia Free Trade Agreement (KAFTA)	\$0.096
Japan-Australia Economic Partnership Agreement (JAEPA)	\$0.032
Upgrade of Online Sanctions Administration System (OSAS) ¹	\$0.060
Improving online accreditation for Australian Non-Government Organisations (NGO)	\$0.099
Simpler processes for small to medium enterprise (SME) clients	\$0.155
Austrade – T-QUAL Accreditation	\$0.220
Austrade - Strategic Tourism Investment Grant Programme	\$0.023
Total	\$0.685

Regulation Impact Statements

Table 2: Regulation Impact Statement compliance 2014

	RIS Compliance	PM's Exemptions	PIR Compliance
Foreign Affairs and Trade Portfolio Total	2	0	1
<i>Department of Foreign Affairs and Trade</i>	2	0	1

¹ The upgrade of an online portal which makes it easier for businesses to comply with their obligations under Australian sanctions laws recorded both deregulatory savings and regulatory costs, but resulted in a net saving.

Portfolio activity supporting the Government's red tape objective

Deregulation Unit

The Foreign Affairs and Trade Deregulation Unit coordinates deregulation work across the portfolio. It is headed by a SES officer and staffed by three officers. Duties relating to deregulation have been added to the officers' existing responsibilities and no extra costs have been incurred as part of the unit's establishment.

Ministerial Advisory Councils

The Minister for Trade and Investment, Andrew Robb, established the Trade and Investment Policy Advisory Council (TIPAC) in May 2014. Key sectors represented include resources and energy, food and agribusiness, banking and finance, international education and tourism.

Name of Ministerial Advisory Council	Meeting date(s)
Trade and Investment Policy Advisory Council (TIPAC)	6 June 2014 5 November 2014

TIPAC's terms of reference includes consideration of portfolio deregulation opportunities. The membership of TIPAC is limited to 20 members with initial membership terms of two years. The inaugural members of the TIPAC were: Mehrdad Baghai, Mauro Balzarini, Graham Burke, Robin Chambers AO, Mark Chiba, Rowen Craigie, Paul Espie, Claire Field, Colette Garnsey OAM, Professor Sandra Harding, Alex Harvey, Ashok Jacob, David Knox, Roy Krzywosinski, Joy Linton, Peter O'Brien, Philippa Purser, Jason Yeap, Yasushi Takahashi and Alison Watkins.

Letters of Expectation

In April 2014, the Minister for Foreign Affairs, Julie Bishop, and the Minister for Trade and Investment, Andrew Robb, wrote to the Foreign Affairs and Trade portfolio's regulators outlining the Government's expectations in regards to the deregulation agenda.

These regulators included the Secretary, Department of Foreign Affairs and Trade; the Chief Executive Officer, Austrade; the Managing Director, Tourism Australia; the Chairman, Export Finance and Insurance Corporation (EFIC); the Chief Executive Officer, Australian Council for International Agricultural Research (ACIAR); and the Director-General, Australian Safeguards and Non-Proliferation Office (ASNO).

The Audit of Regulations – major findings

Stage one

The Foreign Affairs and Trade portfolio conducted an audit of its existing legislation and regulation in early 2014. The portfolio developed a catalogue of existing regulation, ranked by burden. This process helped the portfolio identify regulations with the highest potential for reform.

Regulation Type		Counts of Regulations			Grand Total
		High Burden	Medium Burden	Low Burden	
Frameworks	Frameworks	1	2	5	8
	Primary Legislation	(2)	(2)	(9)	(13)
	Subordinate Instruments	(0)	(1)	(22)	(23)
	Quasi-regulations (administrative processes)	(0)	(0)	(0)	(0)
	Quasi-regulations (all other)	(0)	(2)	(3)	(5)
Individual Regulations	Primary Legislation	0	5	2	7
	Subordinate Instruments	0	22	12	34
	Quasi-regulations (administrative processes)	0	3	11	14
	Quasi-regulations (all other)	1	5	28	34

Stage two

The second stage of the audit of portfolio regulation involved determining the regulatory cost imposed by Foreign Affairs and Trade on business, individuals and the community.

Foreign Affairs and Trade chose to cost the entirety of the portfolio's regulatory footprint. The costings were completed in accordance with the guidelines issued by the Office of Deregulation within the Department of Prime Minister and Cabinet. The costing model applied the assumptions of the Regulatory Burden Measure designed by the Office of Best Practice Regulation.

The portfolio's total regulatory burden was costed at \$351.9 million annually. This was determined by the Department of Prime Minister and Cabinet to be 0.5 per cent of the total cost of regulation across the Commonwealth.

Appendix A: Measures implemented in 2014

Deregulatory savings

Korea-Australia Free Trade Agreement (KAFTA)

- The Korea-Australia Free Trade Agreement entered into force on 12 December 2014.
- KAFTA is a comprehensive free trade agreement, which substantially liberalises Australia's trade with a major market. It gives Australian exporters significantly improved market access in goods and services and substantially streamlines trading paperwork through a simplified certificate of origin process. For example, a potato farmer exporting to Korea will have the option to self-certify the origin of produce and will not require a certificate of origin, saving up to \$70 per certificate.
- The Office of Best Practice Regulation has agreed that this will lead to an annual saving of \$0.096 million in compliance costs.

Japan-Australia Economic Partnership Agreement (JAEPA)

- The Japan-Australia Economic Partnership Agreement began on 15 January 2015.
- JAEPA will substantially liberalise Australia's trade with a major market. It will give Australian exporters significantly improved access to Japan's goods and services and reduce regulatory burden by consolidating trading paperwork through a simplified certificate of origin process. Exporters to Japan will have the option to self-certify the origin of their goods and will no longer be required to pay up to \$70 for certification of origin by third-party industry bodies. In addition, the agreement will deliver significant benefits to Australian farmers, manufacturers, exporters, service providers and consumers. More than 97 per cent of Australia's exports to Japan will receive preferential access or enter duty-free when JAEPA is fully implemented.
- The Office of Best Practice Regulation has agreed that this will lead to an annual saving of \$0.032 million in compliance costs.

Upgrade of Online Sanctions Administration System (OSAS)

- On 5 February 2014, the Department of Foreign Affairs and Trade released an upgrade of the OSAS.
- OSAS is the portal through which an applicant can make an inquiry about whether a proposed transaction is subject to Australian sanctions laws, and apply for sanctions permits to engage in activities regulated by these laws. The release of the upgraded OSAS makes it easier for businesses to comply with their obligations under Australian sanctions laws.
- This upgrade recorded both deregulatory savings and regulatory costs. In total, the Department of Foreign Affairs and Trade has estimated that this will lead to an annual net saving of \$0.06 million in compliance costs.

Improving online accreditation for Australian Non-Government Organisations (NGO)

- On 1 July 2014, the Department of Foreign Affairs and Trade implemented a new online accreditation process for Non-Government Organisations (NGOs) delivering overseas aid.
- The new online accreditation application system reduces duplication, requesting at least 10 per cent less information. Better guidance and requests for more targeted information decreases the need for NGO applicants to supply unnecessary documentation. The online system also automatically generates reports, requiring fewer interactions between the department, independent assessors and NGOs, leaving more time for quality assessment. Accredited NGOs must reapply for accreditation every five years. As at 1 July 2014, 49 Australian NGOs are currently accredited.
- The Department of Foreign Affairs and Trade has estimated that this will lead to an annual saving of \$0.099 million in compliance costs.

Simpler processes for small to medium enterprise (SME) clients

- During the period January to July 2014, the Export Finance and Insurance Corporation (EFIC) phased in a series of improvements to the way it provides services to SMEs.
- These improvements simplify the assessment of transactions for SMEs to better service smaller emerging exporters and have reduced the average execution time by 40 per cent. With continued reform, EFIC expects further reductions over time. EFIC estimates that an SME will save an average of \$5,000 per export contract supported under the new process.
- EFIC has also simplified legal documentation for Performance Bonds and Export Working Capital Guarantees. SMEs will now benefit from shorter, simpler documentation with clients receiving standard terms and conditions and 3-5 pages of contract details specific to their facility, a significant reduction in documentation.
- The Department of Foreign Affairs and Trade has estimated that this will lead to an annual saving of \$0.155 million in compliance costs.

Austrade – T-QUAL Accreditation

- T-QUAL Accreditation ceased to operate on 30 June 2014. Austrade has estimated that this will lead to \$0.220 million in compliance costs.

Austrade - Strategic Tourism Investment Grant Programme

- Uncommitted funds from the T-QUAL Grants programme (including T-QUAL Strategic Tourism Investment Grants) and the Tourism Industry Regional Development Fund (TIRF) programme have been refocussed to support Tourism Demand Driver Infrastructure (TDDI). Austrade has estimated that this will lead to \$0.023 million in compliance costs.

Measures Reported but not Implemented in 2014	Saving reported \$million	Status
Changes to Passport Application Forms	-\$4.668	Yet to be introduced
Amendment to the EFIC Act 1991 to allow direct lending for export transactions involving all goods not just capital goods	-\$1.300	Before the Senate
New Colombo Plan Update (Amalgamation of PM's Australia Asia Awards and undergraduate AsiaBound under NCP)	-\$0.06	Partially implemented
Austrade – Tourism Industry Regional Development Fund	-\$0.228	Partially implemented
Austrade – Tourism Quality Projects Grant Programme	-\$0.07	Partially implemented

Appendix B: Legislation administered

Anti-Personnel Mines Convention Act 1998
Australian Centre for International Agricultural Research Act 1982
Australian Civilian Corps Act 2011
Australian Passports Act 2005
Australian Passports (Application Fees) Act 2005
Australian Passports (Transitional and Consequential) Act 2005
Australian Trade Commission Act 1985
Australian Trade Commission (Transitional Provisions and Consequential Amendments) Act 1985
Autonomous Sanctions Act 2011
Charter of the United Nations Act 1945
Chemical Weapons (Prohibition) Act 1994
Comprehensive Nuclear Test-Ban Treaty Act 1998
Consular Fees Act 1955
Consular Privileges and Immunities Act 1972
Diplomatic and Consular Missions Act 1978
Diplomatic Privileges and Immunities Act 1967
Export Finance and Insurance Corporation Act 1991
Export Finance and Insurance Corporation (Transitional Provisions and Consequential Amendments) Act 1991
Export Market Development Grants Act 1997
Export Market Development Grants (Repeal and Consequential Provisions) Act 1997
Foreign Passports (Law Enforcement and Security) Act 2005
Intelligence Services Act 2001, except to the extent administered by the Prime Minister, the Attorney-General and the Minister for Defence
International Development Association Act 1960
International Fund for Agricultural Development Act 1977
International Organisations (Privileges and Immunities) Act 1963
Nauru Independence Act 1967
Nuclear Non-Proliferation (Safeguards) Act 1987
Nuclear Safeguards (Producers of Uranium Ore Concentrates) Charge Act 1993
Overseas Missions (Privileges and Immunities) Act 1995
Papua New Guinea Independence Act 1975
Papua New Guinea (Staffing Assistance) Act 1973, except to the extent administered by the Minister for Finance
Registration of Deaths Abroad Act 1984
Security Treaty (Australia, New Zealand and the United States of America) Act 1952
South Pacific Nuclear Free Zone Treaty Act 1986
Tourism Australia Act 2004
Tourism Australia (Repeal and Transitional Provisions) Act 2004
Trade Representatives Act 1933
United Nations Educational, Scientific and Cultural Organization Act 1947
United States Naval Communications Station Agreement Acts
US Free Trade Agreement Implementation Act 2004