

## FEATURE ARTICLE :

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### THE EFFECT OF CUSTOMS CHANGES ON EXPORT STATISTICS

#### INTRODUCTION

On 1 July 2002 new Customs legislation to modernise the administration of Australia's international trade came into effect. The legislation underpins the Customs Cargo Management Re-engineering (CMR) program, which will have significant implications for Australia's importers and exporters.

One change made is the introduction of a new export threshold, the level below which Customs entries are not required, which will affect Australia's export statistics. Details of the change in export threshold were included in Australian Customs Notice No 2002/19: *New reporting requirements for export cargo*. This can be found on the Customs web site <<http://www.customs.gov.au>> under Customs Notices.

The threshold for the reporting of an export entry was raised to \$2,000 per consignment, from the previous \$500 per line entry. In addition, all goods that require a permit, regardless of the value of the goods, must be reported to Customs using an export entry. A consignment covers goods exported by a single owner in a single shipment, and consists of one or more line entries. Each line entry represents a unique combination of the fields reported that cannot be aggregated e.g. commodity, destination, state of origin, etc.

The new export threshold will affect export data included in future issues of this publication. The purpose of this article is to detail the changes involved, explain how the ABS will deal with them, and to assess their impact on future merchandise export statistics. For most users and uses of the data, the changes are not expected to have a significant effect.

#### CUSTOMS CHANGES

Customs records lodged by importers and exporters are the data source used to compile Australia's international merchandise trade statistics. Prior to the recent change, an export entry was required by Customs for goods exported via sea or air with a value of \$500 or more, with the threshold applied to each line within a consignment.

From 1 July 2002, the reporting threshold was raised to \$2,000 per consignment. The new threshold applies to the consignment as a whole, rather than to each line within a consignment. If the total value of a consignment is \$2,000 or greater, a Customs entry is now required regardless of the number of individual lines in the consignment. The export threshold change brings the air and sea cargo reporting thresholds into alignment with the \$2,000 reporting threshold for postal consignments, which is unchanged.

A further change in export reporting requirements was that, from 1 July 2002, all goods that require an export permit must be reported to Customs via an export entry, regardless of the consignment value. Export permits are required for a range of goods. Examples include certain fruits, animals, cultural heritage items, drugs, arms and publications.

Previously only permissible goods over the \$500 threshold required an export entry. These new permit reporting requirements are being implemented to assist Customs and the Permit Issuing Authorities (PIAs) enforce export controls.

Under the new system, some export entries required previously will no longer be lodged with Customs e.g. a single entry consignment valued at \$1,000 does not now require a Customs entry (unless the export is a permissible good). However, a consignment consisting of five entry lines, each valued at \$450, giving a consignment value of \$2,250, will now require an export entry, whereas none was needed previously as each line was below the previous \$500 threshold.

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#### ABS TREATMENT

With the previous threshold, the ABS excluded from its merchandise export statistics all transaction lines under \$500. For consignments with multiple line entries, each individual transaction line under \$500 was excluded. While such records were not required by Customs, some exporters continued to lodge them. The ABS action was taken to ensure a clear and consistent coverage in merchandise export statistics across all types of goods and over different time periods.

From 1 July 2002, the ABS will exclude all consignments below the \$2,000 threshold from its merchandise export statistics. It will therefore exclude permissible goods below the \$2,000 threshold and any other records below the threshold that are lodged. The reason is, again, to ensure consistent coverage over time and for all goods. The value of the goods so excluded is not expected to be significant and their exclusion will reduce processing costs.

TABLE F1: ABS TREATMENT OF TRANSACTIONS BEFORE AND AFTER THRESHOLD CHANGES

<i>Item</i>	<i>Pre 1 July 2002</i>	<i>From 1 July 2002</i>
Line under \$500	Excluded	Excluded <u>unless</u> line is part of a consignment with total value of \$2000 or more
Line between \$500 and \$1999	Included	Excluded <u>unless</u> line is part of a consignment with total value of \$2000 or more
Line of \$2000 or more	Included	Included
Consignment of \$2000 or more	Individual lines over \$500 included	Included

#### STATISTICAL IMPACTS

The ABS estimates that approximately \$327 million of exports per annum (0.27% of total exports) will be excluded from its merchandise trade statistics as a result of applying the new threshold. This figure has been derived by analysing export consignments lodged with Customs during 2001-02. It takes no account of any changes that might occur in the way exporters form consignments in the future as a result of the Customs changes.

These figures slightly overstate the trade lost, because under the previous threshold rules, the ABS discarded all lines under \$500 during processing. No information on these lines was stored and therefore cannot be included in this analysis. There would be some instances of consignment totals calculated as being under \$2,000, which would have been over the threshold, if discarded lines under \$500 had been included.

Export commodities are shown classified by SITC Division in this publication. Table F2 shows the SITC Divisions most affected by the export threshold changes. There are 15 SITC Divisions where the value of trade lost is over \$5m. In only two of these Divisions (SITC 89 and SITC 84) is the percentage of trade lost greater than 2%.

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STATISTICAL IMPACTS *continued*

TABLE F2: DIVISIONS WHERE VALUE OF TRADE LOST IS \$5M OR MORE

SITC Division	Export value 2001-02 \$m	Value dropped \$m	SITC value dropped %
89 Miscellaneous manufactured articles, nes	1,499.9	46.1	3.07
93 Special transactions and commodities	2,247.8	42.7	1.89
77 Electrical machinery, apparatus, appliances, parts	1,669.3	27.0	1.61
74 General industrial machinery and equipment, nes and machine parts, nes	1,315.9	21.2	1.60
72 Machinery specialised for particular industries	1,389.9	19.9	1.43
78 Road vehicles (incl. air-cushion vehicles)	4,297.8	17.4	0.40
87 Professional, scientific and controlling instruments and apparatus, nes	1,335.9	17.1	1.27
75 Office machines and automatic data processing machines	1,656.8	16.6	1.00
69 Manufactures of metals, nes	755.4	11.0	1.45
84 Articles of apparel and clothing accessories	348.0	7.7	2.19
11 Beverages	2,281.7	7.6	0.33
65 Textile yarn, fabrics, made-up articles, nes, and related products	535.7	7.3	1.37
88 Photographic apparatus, equipment and supplies and optical goods, nes; watches and clocks	932.8	7.1	0.76
71 Power generating machinery and equipment	707.1	6.5	0.91
76 Telecommunications and sound recording and reproducing apparatus and equipment	1,079.6	5.7	0.53
Other	99,122.4	64.6	0.05
Total	121,175.8	327.0	0.27

Table F3 shows the 10 countries whose exports from Australia are most affected by the export threshold changes. For only three of these countries is the value of trade lost greater than 1%.

TABLE F3: TOP 10 COUNTRIES AFFECTED BY THRESHOLD CHANGES

Country	Export value 2001-02 \$m	Value dropped \$m	Total dropped %
New Zealand	7,656.4	111.5	1.46
United States Of America	12,013.6	33.7	0.28
Singapore	4,943.6	21.1	0.43
Papua New Guinea	1,012.6	20.9	2.06
Japan	22,808.3	12.6	0.06
Hong Kong (SAR of China)	4,006.8	12.6	0.31
United Kingdom	5,204.0	10.7	0.21
Fiji	527.6	10.0	1.90
Indonesia	3,197.5	9.5	0.30
Malaysia	2,525.3	7.8	0.31
Other	57,280.1	76.6	0.13
Total	121,175.8	327.0	0.27

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#### STATISTICAL IMPACTS *continued*

For detailed export statistics information is classified to the Australian Harmonized Export Commodity Classification (AHECC). For only three AHECCs is the value of trade lost greater than \$10m. They are 98090001 (\$42.3m), 87089990 (\$11.7m), and 84733001 (\$11.0m).

#### OTHER ABS STATISTICS

The changed threshold will not introduce discontinuities in trade statistics published on a balance of payments basis.

Monthly exports data published in *International Trade in Goods and Services, Australia* (Cat. No. 5368.0) will include estimates for transactions that are below the new Customs export threshold.

For further details about the threshold changes, and their impacts, please contact Carol Ward on (02) 6252 5401.

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