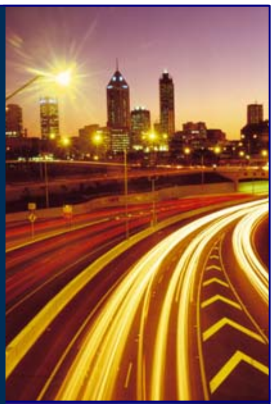
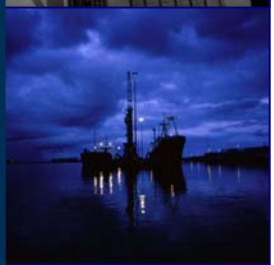
Australia

A Guide to the Market

2012 Edition

A guide for foreign suppliers and Australian importers





Chamber of Commerce and Industry of Western Australia (Inc)

Unless otherwise indicated, all values in this report are in Australian Dollars (A$). On 14 February 2012, A$1.00 was equivalent to US$1.07.

Trade Statistics in this report are sourced from the Australian Bureau of Statistics (ABS) and the Department of Foreign Affairs and Trade.

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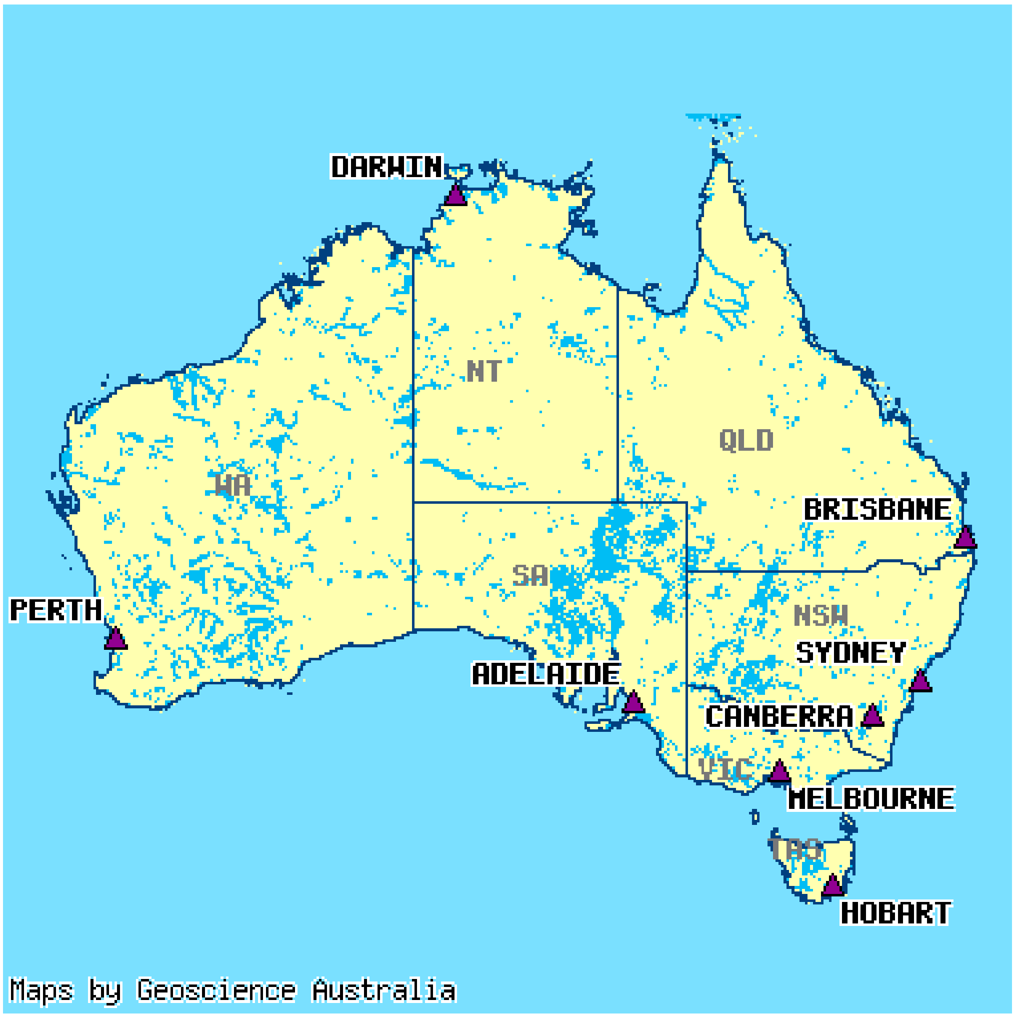
Introduction

The Australian market offers both opportunities and challenges for new foreign suppliers of goods and services. While the country is almost as large as mainland USA, the population of 22.8 million is only around half that of the State of California. Whilst the population of Australia is small, it is a significant importer with goods and services worth $A276.6 billion imported in financial year 2010-11. Australia's exports of goods and services in 2010-11 were valued at $A297.5 billion.

The Australian market offers opportunities for new overseas suppliers because it depends on a wide range of imported industrial and consumer products. The market is also very open to overseas suppliers - there are no import quotas and most import duties are 5 per cent (general rate), and zero for eligible developing countries.

Australia is, on the other hand, a very challenging market for new overseas suppliers. The average Australian importer will require reasonably small volumes but will expect to be offered lower prices than buyers in the USA or most European countries. In addition, the Australian importer will be strict about delivery on time and has very high standards.

This guide to the Australian market outlines the key factors that must be considered by potential overseas suppliers if they are to take advantage of the opportunities in this competitive market.


DARWIN
NT
WA
QLD
BRISBANE
PERTH
SA
NSW
SYDNEY
ADELAIDE
CANBERRA
VIC
MELBOURNE
TAS
HOBART
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AUSTRALIA

Size and Nature of the Australian Market

Most Australians live in cities or towns on the coastal fringe of the country. The two major cities are Sydney and Melbourne and most imports enter through these ports. Other major general cargo ports are Brisbane, Fremantle (Perth) and Adelaide.

The average Australian consumer is very conscious of "value for money" and is particular about quality. Australian importers who expect competitive prices, relatively small volumes, consistent quality and delivery on time also reflect these attitudes.

Major population centres

Despite the country's large area and small population, most Australians live in the large cities or towns. The low inland rainfall means that the population is centred on the coastal fringe, in particular the southeast corner of the country. In fact, almost half of the total population live in the major cities of Sydney and Melbourne and nearby towns and cities.

The major cities are:

Sydney

With a population of over 4.58 million, Sydney is the largest city in Australia and the centre of economic activity in many areas. As the capital of the State with the largest population (New South Wales) the import volumes through Sydney's ports are substantial.

Sydney is a lively city and very similar in nature to cities like San Francisco. It has reasonably large Asian immigrant communities who have been attracted by not only the business opportunities, but also by its warm summers and mild winters. A large number of importers are located in Sydney and overseas suppliers must include this city in any visit to Australia.

Melbourne

Melbourne, the capital of the State of Victoria, is Australia's second largest city with a population of around 4.0 million. Melbourne is a vibrant, cosmopolitan and ethnically diverse city yet retains a quiet character and relaxed lifestyle. It has traditionally been the centre for finance and banking and eight of Australia's ten major companies have their headquarters in Melbourne. The port of Melbourne is Australia's major general cargo port and the largest container port in the Southern Hemisphere.

A large number of importers are located in Melbourne with many supplying national distribution networks. They will be equally demanding as their Sydney counterparts but do reflect a slightly different market. There is, for example, a better market in Melbourne for woollen knitwear mainly because of the cooler climate, while in the household decorator market segment the tastes are more like those of Europe and there is not the same level of interest in causal, outdoor household furniture.

Brisbane

Brisbane is the capital of the northern State of Queensland. It has a population of around 2.0 million. Brisbane has a sub-tropical climate with temperatures in December, January and February similar to many Southeast Asian countries. The lifestyle in Brisbane is more relaxed with a more casual form of dress.

When compared to Sydney and Melbourne, there is only a small number of large importers located in Brisbane. Most of the retail outlets in Queensland are supplied with imported merchandise, either directly or indirectly, through importers/wholesalers based in the southern states. There are, however, opportunities for overseas suppliers in Brisbane, particularly for products relating to tourism (souvenirs, giftware etc), the hospitality industries (construction, furniture, building materials etc), mining and agriculture.

Perth

Perth is the capital of Australia's largest state in area, Western Australia, and is a four and a half-hour flight from Sydney - it is sometimes regarded as the most geographically isolated capital city in the world. The city has a population of about 1.7 million people, which represents over 70 per cent of the entire population of the State. Perth has a Mediterranean climate with hot, dry summers and cool, wet winters and the lifestyle is generally casual and relaxed.

Because of its isolation from the other Australian cities, there is an increasing number of Perth-based companies that import direct, many of which distribute nationally. While Perth can be seen as an independent market for some imported products, the biggest difficulty for overseas suppliers of consumer products will be the small volumes required by the importers servicing a total State market of only about 2.3 million people.

As Australia's leading producer of minerals, oil and gas, as well as such agricultural commodities as wheat and wool, the Western Australian market offers particular opportunities in the mineral resources and energy sectors, both onshore and offshore, and in the agricultural sector. In manufacturing, shipbuilding, particularly of large aluminium passenger/vehicular ferries, is significant.

Adelaide

Adelaide has a population of 1.2 million with a relatively limited manufacturing industry and only a small number of large importers. Adelaide is however one of

Australia's major automotive manufacturing centres. The total population of South Australia, of which Adelaide is the capital, is only around 1.6 million.

Most overseas suppliers would not consider Adelaide to be an important market. The importers located in the city usually only service local retailers and their volumes are quite small. The bulk of Adelaide's import requirements are sourced through Melbourne-based importers.

Canberra

Canberra, the national capital, has a population of only around 350,000 people. It is a totally planned city and the main activity revolves around Government and the bureaucracy.

Canberra should not be considered as a significant potential market for overseas suppliers. There is little manufacturing industry, the population is small and most of the city's needs are supplied by Sydney or Melbourne based manufacturers and importers.

Hobart

Hobart, the capital of the island State of Tasmania, has a population of 217,000 and the whole State's population is only 507,000 people. Melbourne importers supply most of Hobart's requirements - the few importers in Tasmania are small-scale.

Darwin

Darwin, in the far north, is the capital of the Northern Territory. It has a tropical climate and is a very relaxed, casual city. With a population of only 127,000 people in the greater Darwin metropolitan area, the volumes required by the small number of importers are usually quite low. Darwin however supports important military bases and is a rapidly developing base for offshore oil and gas operations in the Timor Sea. The Northern Territory also has substantial mining, and pastoral industries.

A transcontinental railway linking Darwin via Alice Springs with southern capital cities has enhanced the potential of Darwin as an entrepôt port for imports and exports as shipping links between Darwin and Asian ports develop.

In summary, the two most important cities for overseas suppliers are Sydney and Melbourne. While Australia is almost as large in area as the USA, it does not have the same number of geographically separate market segments and most overseas suppliers will find that a visit to Sydney and Melbourne covers the key markets, particularly for consumer products.

The Australian Consumers' Tastes and Preferences

The average Australian consumer could be described as reasonably conservative and very conscious of "value for money". There has been a noticeable trend over recent years to consider consumer products more on a "value for money" basis rather than simply on price. In several market segments, the cheap end of the market has declined as the consumer is prepared to pay more money for a product that will last. This is not to say the Australian consumer is prepared to pay high prices; in fact most consumers will compare prices from different retailers before making important purchase decisions.

The average Australian also has a reasonably open attitude towards imported products. However, when locally made products are considered to offer good value for money consumers will often purchase the Australian-made product. They are, however, familiar with a wide range of imported products and will usually make their final decision on issues such as quality, style and price rather than the country of origin.

On the other hand, there is a preference for certain imported products in the more expensive and fashionable segments of the market. Women's fashion-wear and shoes from Italy and France, for example, retail at relatively high prices and motor vehicles from Europe also sell at a premium price.

One final point relates to the quality expected by Australian consumers. Many retailers in the country operate on 'money back' or exchange policy, even if the consumer has simply changed their mind about the purchase.

The Australian consumer therefore has very high quality standards that are supported by a wide range of consumer protection legislation in all States. The importers and retailers reflect this attitude and will not accept products that do not pass their quality control standards.

Importers' Attitudes

Overseas suppliers will find that the main concerns of Australian importers are price, quality, reliability, on time delivery and minimums. However, some experienced overseas suppliers have claimed that there are three golden rules about selling to Australia, and these are "price, price and price".

Whilst this is not completely accurate, it is true that the average importer's first question to a new overseas supplier will usually relate to the FOB/FCA price of the product. Australian importers will usually expect to pay less than their US or European counterparts but will insist on consistently good quality and deliveries on time. They will also place smaller orders than importers in many other markets. Some of the reasons for this tough attitude by Australian importers are: -

- The strong competition in the import and retail sectors, with quite low "net" profits;
- The open nature of the Australian import regime;
- The large number of suppliers in neighbouring countries trying to sell to Australia;
- The fact that the Australian buying seasons are the reverse of the northern hemisphere and many overseas suppliers are prepared to offer "off season" discounts for seasonal merchandise sales to Australia.

Most Australian importers are slow to change to new overseas suppliers. They are, on the other hand, prepared to work closely with their established suppliers to keep the business going and are not likely to suddenly drop a regular supplier.

When first dealing with a new overseas supplier, the Australian importer will often place two or even three trial orders to ensure the supplier meets quality standards. Once the business is going well, repeat orders will be handled by e-mail or facsimile and the volumes may become reasonable.

The Australian importer will, however, not tolerate their suppliers breaking any agreement not to sell to other importers. "Going behind the back" of the Australian importer can be a serious mistake in this small market because the importer will soon discover what is happening.

Another important characteristic of the Australian importer is a dislike of bargaining. Importers are prepared to negotiate an acceptable price but will not "bargain" down a price by 20 per cent or more. If an overseas supplier offers an unrealistic price, the Australian importer is likely to not even consider the offer. When quoting for Australia it is therefore important to offer the "best price" first and this price would normally have to be lower than those offered to US or European buyers with no more than a 3 per cent to 5 per cent negotiating level in the price.

The final point about Australian importers is their attitude to new suppliers. As already mentioned, most importers do not like to move away from their established suppliers because of the difficulties they expect to face when trying to develop business with a new suppler. While Australian importers will be initially attracted by a competitive price, they will be reluctant to deal with a supplier who does not provide them with some confidence in relation to consistent quality, reliable delivery and regular communication.

The Australian Economy

Over the past year, the Australian economy has continued its recovery from the worldwide economic downturn in 2008.

Over the course of 2010-11, the Australian economy grew by 2.1 per cent, down slightly from 2.3 per cent in the previous year. Australia has continued to outperform the other developed economies across the globe, which averaged growth of 1.6 per cent over the same period.

The following analysis looks at Australia's trade performance and partners as well as the industrial structure of the economy.

Merchandise Trade

Australia has a dynamic, open economy wholly integrated into both global and Asia-Pacific trade. Over the past 20 years, Australian trade in goods and services (exports plus imports) have increased by an average of 6.1 per cent per annum (in real terms).

Having had strong comparative advantages particularly in the mining and agricultural sectors for over a century, Australia is developing new competitive strengths as an international supplier of advanced goods and services.

In 2010-11, the total value of merchandise trade to and from Australia grew by 13.7 per cent to $460 billion. This was driven by a strong export earnings, which grew by 22.4 per cent (or $45 billion), primarily due to a pick up in mineral exports to the developing world, and rising commodity prices.

Meanwhile, the value of merchandise imports into Australia rose by 5.2 per cent (or $10.5 billion) in 2010-11.

Australia recorded a merchandise trade surplus (exports less imports) of around $31.6 billion in 2010-11 as the strong rise in exports offset a smaller rise in imports. In 2010-11, Australia recorded a merchandise trade deficit of $2.9 billion.

In terms of trade partners, Asia is Australia's most important region.

In 2010-11, China remained Australia's largest single trading partner, after overtaking Japan in recent years. In 2010-11, China accounted for 26.4 per cent of total exports and 19.2 per cent of total imports.

However, China's importance as a trade partner has really taken off in the past 10 years. Merchandise trade between China and Australia has risen by an average of 20.3 per cent per annum over the past decade, making it Australia's fastest growing trade relationship. The rapid growth is reflected in the fact that trade with China accounted for only 2.5 per cent of total Australian merchandise trade in the late 1980s.

In the late 1980s, it was Japan that dominated Australia's trade profile, accounting for as much as 22 per cent of total merchandise trade. However, as the rest of Asia's economies developed, Japan has lost some of its share of Australian trade. In 2010-11 Australia's merchandise exports to Japan totalled $47 billion (19.3 per cent of the total), while imports amounted to $16.7 billion (7.8 per cent of the total).

India has become an increasingly important trade partner for Australia, particularly in terms of merchandise exports. Over the past 10 years, Australia's merchandise exports to India have grown by an average of 25.5 per cent per annum, with India now our fourth-largest export market. In 1988-89, Australia's exports to India amounted to just $549 million (representing just 1.3 per cent of total merchandise exports), whereas in 2010-11 they totalled $15.8 billion (or 6.4 per cent). However, merchandise imports from India are less important, accounting for just over $2 billion in 2010-11.

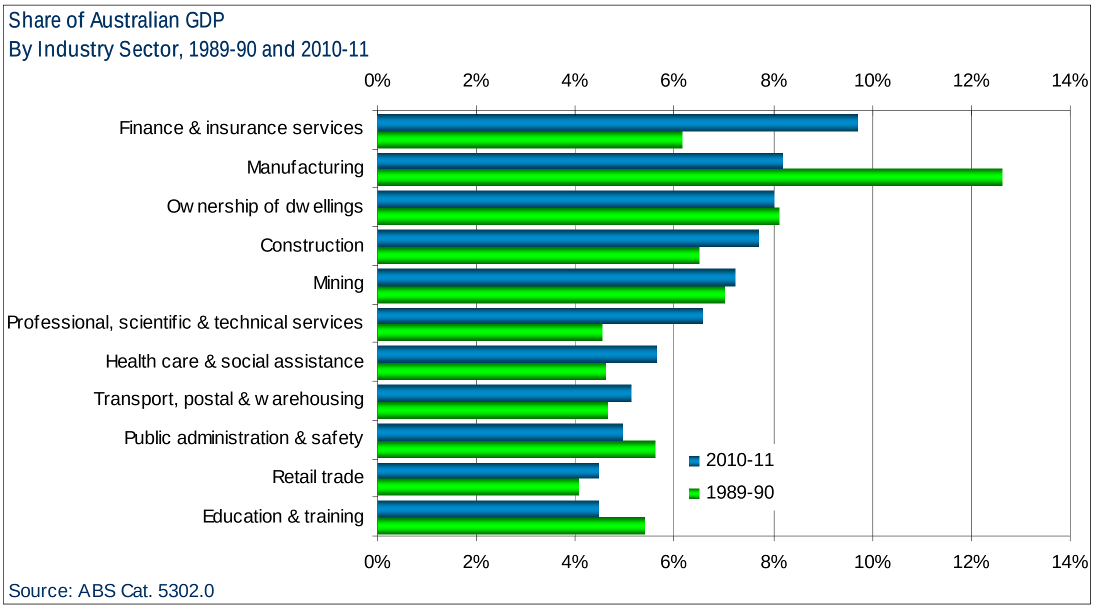
One clear trend has been the shift from developed to developing nations for Australian exporters over the past twenty years. In 1989-90, OECD nations (the United States, most of Europe, Japan and others) accounted for just over 73 per cent of total merchandise sales from Australia, whereas developing nations (the balance) were just under 27 per cent. In 2010-11, the OECD accounted for 40 per cent of merchandise export earnings while developing nations (led by China and India) made up 60 per cent.

Despite this changing dynamic, the European Union (EU) still remains very important to Australia's overall trade profile. The group of nations accounted for 8.4 per cent of total Australian merchandise trade in 2010-11 (imports plus exports), which is third behind China and India. The reason for this is the importance of European imports, which include sophisticated capital equipment (computers, machinery, trucks and aircraft) and consumer goods (televisions, motor vehicles and other electronics).

Key Industries

Services

Like most other developed economies, the services sector is the most dominant in the Australian economy. Over the past 10 years, the services sector has accounted for around 47 per cent of total output.



Australia's service sector has expanded significantly in recent decades. This sector covers a large and diverse proportion of economic activity, and output from this sector has expanded by an average of 3.7 per cent per annum over the five years and was worth $50.7 billion in 2010-11.

The rise of Australia's services sector has been largely due to growth in demand for new and more sophisticated services as well as in the application of new technologies to meet this demand, particularly in the areas of financial and business services, transport, telecommunications, entertainment and recreation.

Tourism is a major export earner for Australia, with tourism related exports valued at $33.7 billion in 2010-11, however this is down 5.1 per cent on the previous year due to the strong Australian dollar. Tourism also contributes significantly to job creation and regional development in Australia.

Exports of education services represent another important area for growth in service exports. International education is Australia's third-largest service export behind tourism and transportation and was worth $18.3 billion in 2010-11. Australia has not only achieved success in traditional Asian markets but has built on this success by expanding into many emerging markets, including North and South America, Africa, Europe, Bangladesh and the Philippines. A growing worldwide recognition of the quality and value of an Australian education have contributed to growth in this sector.

The professional, technical and scientific services sector is also growing in importance for Australia. This sector encompasses a wide range of services – from the relatively traditional accounting, property, legal and architectural professions to market research, business management and IT services.

The Australian financial sector has also displayed steady growth and stability and has capitalised on global growth in financial services through more open and deregulated financial markets.

The deregulation of the Australian financial sector in the mid 1990s has enabled it to participate in the global market place and a number of foreign banks have increased competition in the domestic market for financial services.

Dynamic and efficient financial markets, cost competitiveness, political and economic stability and ongoing reforms are some of the predominant factors that have helped secure Australia in its position as a major financial centre in the Asia-Pacific region.

Mining and Energy Resources

Australia's rich endowment of mineral resources has made it a key commodity exporting nation. It is estimated that over $174 billion worth of mineral resources were exported out of Australia in 2010-11, an increase of 29 per cent from the previous year.

The recovery in Australian mineral exports was due to higher world commodity prices as well as resurgence in demand from the nation's key trading partners, underpinned by a stronger global economy.

Australia's major mineral resource commodities include coal, petroleum, gold, iron ore, alumina, aluminium, natural gas and copper. Exports of heavy mineral sands have also recently grown in importance because of their wide applications in industry.

The mining of these resources are all extensively developed and the Australian mining industry is among the most efficient in the world.

Agriculture and Fisheries

Australia's major agricultural exports include wheat, barley, beef and veal, wine, sugar and wool. It is estimated that Australian agricultural exports totalled around $11.8 billion in 2010-11.

Most of Australia's agricultural commodities are shipped to Japan, China, Korea and the United States. Over recent years there has been a trend towards diversification of agricultural production, and Australia now produces and exports a wide range of agricultural products ranging from rice to citrus fruits.

The fisheries sector is also well-developed. Australian tuna, prawns, lobsters, abalone and pearls are all exported to world markets. In 2010-11, fisheries exports from Australia had an estimated value of $685 million, which is largely unchanged from the previous year.

Overall, rural exports (agriculture and fisheries) accounted for 1.3 per cent of total merchandise exports in 2010-11.

Manufacturing

Much of Australia's manufacturing base was assisted by protective tariffs in the first half of this century and the early post-war period. However, many of the industries, which grew up behind tariff walls, had little inducement to improve efficiency or look beyond the domestic market.

Over the past decade, the competitiveness of many manufacturing industries has been enhanced by a combination of currency depreciation, wage restraint and benefits from the Government's program of microeconomic reform. The winding back of Government assistance has provided a major spur for many industries to seek to improve their competitiveness, particularly with a view to producing for exports.

The Australian manufacturing industry has made significant efficiency gains in recent years through major industry reforms like tariff reductions and technological advancements. A more globally competitive and outward-looking manufacturing sector is now emerging as a major driving force behind export growth with emphasis on elaborately transformed goods.

Australia's manufacturing exports totalled $83.8 billion in 2010-11, although this is down 5.3 per cent from the previous year. Manufactures typically represent around 40 per cent of all merchandise exports from Australia.

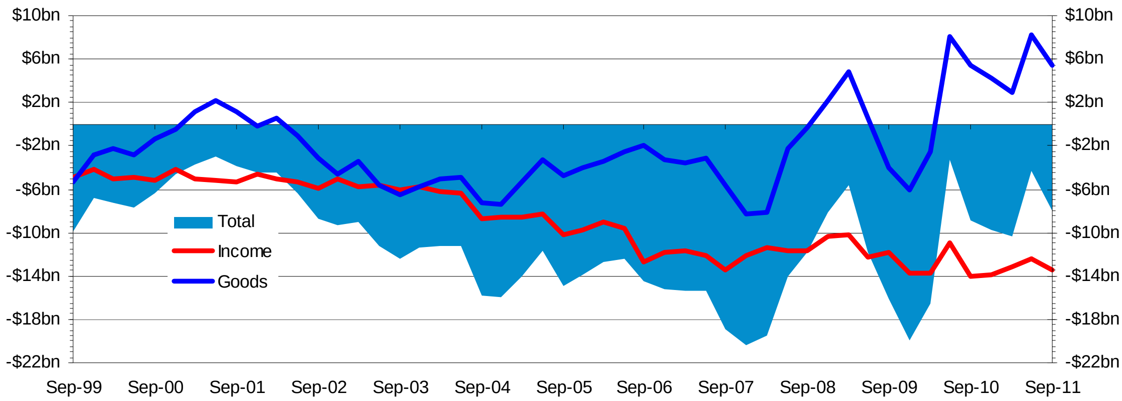
International Trade and Balance of Payments

Australia has traditionally been a capital importing country and has therefore usually operated with deficits in its current account.

The current account deficit eased in 2010-11 to an average of 2.5 per cent of GDP, which is down from 4.3 per cent of GDP in 2009-10. It is also below the long term average of more than five per cent. In aggregate, the deficit on the current account eased to $33.2 billion in 2010-11, which is 40.7 per cent lower than the deficit recorded in 2010-11.

The easing in the current account deficit over the past financial year was reflected in the country's trade balance. In nominal terms, the goods and services balance recorded a surplus of $20.9 billion, compared to a $4.6bn deficit in 2009-10.

Chart 2
WA Exports by Destination, 2010-11
Value, in $ Billions



Source: ABS Cat. 5302.0

Meanwhile, the balance on the income account deteriorated further, falling by 6.5 per cent in 2010-11 to a deficit of $53.6 billion. The rising deficit reflects the heavy reliance on foreign capital in the Australian economy, with the income account containing payments made abroad on investments in Australia.

Economic Outlook

Economic growth across Australia is expected to accelerate going forward, as demand for Australia's natural resources gathers pace amidst the global recovery.

Consensus forecasts expect Australia's GDP to increase by 3.5 per cent in both 2011-12 and 2012-13.

Household consumption expenditure is expected to increase by 3.5 per cent in 2012-13 before easing to three per cent in 2012-13.

The consumer price index is expected to ease in 2011-12, to 2.8 per cent. However, in 2012-13, the CPI is expected to come back up to three per cent.

Dwelling investment is expected to tick up by one per cent in 2011-12 before rising by a further 3.5 per cent in 2012-13.

The investment outlook has remained firm for the nation as a whole. Business investment is expected to grow by 17.3 per cent in 2011-12, and 12.3 per cent in 2012-13. This is being driven by a record level of investment in the expansion of the resources sector.

High commodity prices and the booming resources sector are expected to support a stronger export performance in 2011-12. Exports are forecast to increase by seven per cent in both 2011-12 and 2012-13. Meanwhile, imports are forecast to grow strongly in the near term, aided by a strong Australian dollar. Growth of 11.5 per cent is expected in 2011-12, and 8.5 per cent in 2012-13.

The nation's job market is also expected to remain tight, with labour availability likely to be a significant concern for the economy over the period ahead. Overall, employment is forecast to increase by one per cent in 2011-12, before rising to two per cent the following year. This will mean the nation's unemployment rate will remain low, staying at 5.3 per cent for both 2011-12 and 2012-13.

The looming tightness in the labour market will see wages growth begin to accelerate over the period ahead. As a result, consensus forecasts point to AWOTE growth of 5.3 per cent in 2011-12, and 4.5 per cent the following year. The Wage Price Index, the preferred measure of earnings growth, is expected to grow by 3.8 per cent in 2011-12 and 2012-13.

Australian Imports and Overseas Suppliers

Despite its relatively small population, Australia is a substantial importer of a wide range of products. Since 2005-2006, imports of goods and services have increased at an average rate of 5.3 per cent per annum.

The major suppliers of merchandise over the last few years have been, in descending order, China, USA, Japan, Singapore, Germany, Thailand, New Zealand, Malaysia, Korea, United Kingdom, Indonesia, Italy, France, Taiwan, Papua New Guinea, United Arab Emirates, Vietnam, Switzerland, Sweden, Canada, Ireland, India, Spain, Belgium, Mexico, Netherlands, Hong Kong, Brunei, South Africa, Denmark, Brazil, Gabon, Austria, Finland, Israel, Russia, Qatar, Turkey, Philippines, Argentina and Saudi Arabia.

Australia's merchandise imports have always been dominated by manufactures. The major categories of imports during the 12 months ending 30 June 2011 were as follows:

MAJOR IMPORT ITEMS	$A MILLION (FOB)
Machinery & Transport Equipment	80,839
Other Manufactured Goods & Articles	50,929
Mineral Fuels & Lubricants	33,555
Chemicals & Related Products	23,616
Food, Agricultural Products & Crude Materials	13,767

Source: DFAT Composition of Trade, Australia 2010-11

Australia's merchandise imports over the previous six years were as follows:

YEAR	$A MILLION (FOB)
2005-06	167,503
2006-07	180,801
2007-08	202,307
2008-09	219,487
2009-2010	203,595
2010-2011	214,157

Source: DFAT Composition of Trade, Australia 2010-11

Import Trends and Future Developments

Since 2005-06, imports have increased at a trend rate of 5.3 per cent per annum. Imports of primary products increased 17.4 per cent to $47.3 billion in 2010-11 (reflecting increases in energy products, such as crude petroleum), manufactures rose 3.4 per cent to $154.9 billion, other goods imports decreased 11.2 per cent to $11.9 billion (reflecting a 27.6 per cent decrease in gold imports) and imports of services rose 7.4 per cent to $57.4 billion.

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Personal travel (excl education) services ($21.7 billion, accounting for 7.8 per cent of total imports); crude petroleum ($19.3 billion, accounting for 7.0 per cent of total imports), passenger motor vehicles ($14.5 billion, accounting for 5.2 per cent of total imports); and refined petroleum ($11.3 billion, accounting for 4.1 per cent of total imports) were Australia's largest import items.

Principal items which recorded a rise in imports in 2010-11 included: crude petroleum, up $4.6 billion (or 31.1 per cent) to $19.3 billion; personal travel (excl education) services, up $2.2 billion (or 11.4 per cent) to $21.7 billion; electronic integrated circuits, up $1.1 billion (or 83.4 per cent) to $2.5 billion; telecom equipment and parts, up $1.0 billion (or 14.7 per cent) to $7.9 billion and passenger transport services, up $985 million (or 19.2 per cent) to $6.1 billion while gold imports fell $1.9 billion (or 27.6 per cent) to $5.0 billion.

China will probably continue to offer the strongest competition for a wide range of consumer goods including consumer electronics, toys, textiles, clothing and footwear.

Taiwan and Korea have moved into more sophisticated exports to Australia (including motor vehicles from Korea) and for many basic consumer products these countries are not as competitive in the Australian market as they once were.

New Zealand has enjoyed duty free access to the Australian market for many years as a result of the free trade agreement between the two countries. With the reductions in the global tariff protection levels, New Zealand's competitive edge is being reduced but suppliers from this country will continue to compete strongly in a wide range of product areas (furniture, paper products, textiles, household electrical appliances, foodstuffs and timber). **Singapore, USA, Thailand, Chile and ASEAN member countries** also enjoy a similar competitive advantage as a result of more recently implemented free trade agreements and imports from Singapore and Thailand in particular have grown strongly in recent years.

The **USA, Japan** and the **European Union** countries will remain important sources of Australia's machinery and transport equipment, but their exports of less sophisticated equipment to this market have been increasingly challenged by Asian suppliers.

The key message for new overseas suppliers is that Australia will remain an important market for a wide range of industry inputs, machinery etc and in consumer goods there are opportunities for developing countries to fill gaps left by the now relatively "expensive" suppliers such as Japan, Taiwan and Korea.

However, there is very strong competition from China in particular and new suppliers will have to adopt an effective marketing strategy to capture a share of the Australian market.

Major Overseas Suppliers

The major overseas suppliers to the Australian market in 2010-11 were as follows:

COUNTRY	TOTAL MERCHANDISE IMPORTS (A$ billion)	TREND % GROWTH OVER LAST FIVE YEARS
China	41,108	+11.8
USA	25,969	+1.9
Japan	16,692	-0.6
Singapore	11.418	+1.7
Germany	10,247	+3.8
Thailand	9,117	+13.6
Malaysia	8,815	+6.3
New Zealand	7,363	+6.3
Korea (Rep. of)	6,983	+2.6
United Kingdom	5,985	-1.9
Indonesia	5,751	+3.7
Italy	4,845	+2.3
France	3,798	-5.0
Taiwan	3,615	-2.9
Papua New Guinea	3,473	+8.8
United Arab Emirates	3,124	+26.6
Vietnam	2,667	-9.4
Switzerland	2,514	+8.8
Sweden	2,315	-1.3
Ireland	2,177	+3.6
India	2,083	+11.8
Canada	1,762	-3.0
Spain	1,701	+3.6
Belgium	1,644	+1.3
Mexico	1,592	+9.1
Netherlands	1,384	+0.3

Source: DFAT Composition of Trade, Australia 2010-11

Australia's Import Regime

The regulatory environment for trading has never been better with the Federal and all State and Territory governments active in reducing regulations and improving business infrastructure, including a continuation of a phased reduction in tariff levels for motor vehicles and textiles, clothing and footwear.

Customs Duties

Import duties in Australia are levied on the FOB price of goods - that is, the price of the goods packed into the container and delivered on board ship at the export port or to the airport of final export. Internal freight and insurance to the final place of export is included in the value for duty. To determine the Australian dollar value of imports quoted in foreign currency, Australian Customs use the applicable exchange rate on the day of export.

Australia operates a General Rate of tariffs for imports from the more developed economies (Japan, United Kingdom etc). In addition to this rate, certain concessions are offered to many countries either as a group (for example, to eligible developing countries and the Pacific Islands Forum countries) or under bilateral trade agreements with Papua New Guinea, Canada, New Zealand, Singapore, USA, Thailand, Chile and the Association of South East Asian Nations (ASEAN). Members of ASEAN are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand and Vietnam.

Papua New Guinea, New Zealand, Singapore, USA, Thailand, Chile, ASEAN and the Pacific Islands Forum countries are allowed duty free entry to Australia for most products provided they satisfy the relevant rules of origin. Furthermore, all goods that originate in Least Developed Countries (LDCs) and in East Timor are also eligible for duty-free entry (see table on Page 23).

Since the 1980's the Australian Government has undertaken a wide-ranging tariff reform program that has resulted in substantial reductions in protection of Australian industry.

Since 1 July 1996 the General Rate of import duty has been 5% of FOB value. The only product categories that are subject to higher rates than the General Rate include textiles, clothing, footwear and motor vehicles, but duty rates on these products are also being phased down.

COUNTRIES ELIGIBLE FOR THE LEAST DEVELOPED COUNTRY DUTY-FREE PREFERENCE		
ASIA	ETHIOPIA	ZAMBIA
AFGHANISTAN	ERITREA	**OTHERS**
BANGLADESH	GAMBIA	HAITI
BHUTAN	GUINEA	YEMEN
BURMA (MYANMAR)	GUINEA BISSEAU	
CAMBODIA	LESOTHO	EAST TIMOR
LAOS	LIBERIA	
MALDIVES	MADAGASCAR	
NEPAL	MALAWI	**PACIFIC ISLAND COUNTRIES**
	MALI	KIRIBATI
AFRICA	MAURITANIA	SOLOMON ISLANDS
ANGOLA	MOZAMBIQUE	TUVALU
BENIN	NIGER	VANUATU
BURKINA FASO	RWANDA	SAMOA
BURUNDI	SAO TOME & PRINCIPE	
CAPE VERDE	SENEGAL	
CHAD	SIERRA LEONE	
CENTRAL AFRICAN REP	SOMALIA	
COMOROS	SUDAN	
CONGO, DEM. REP	TANZANIA	
DJIBOUTI	TOGO	
EQUATORIAL GUINEA	UGANDA	

Textiles, Clothing and Footwear

Import quotas on certain textiles, clothing and footwear were abolished on 1 March 1993. The only import controls on these items since then have been import duties and the Government has been phasing TCF tariffs down over the past 20 years. Further reductions applied from 1 January 2005. The Government is committed to maintaining all TCF tariffs at the 2010 levels until 2015, and then reducing most TCF tariffs to 5 per cent. However, tariffs on apparel and certain finished textiles, which are significantly higher than those on other TCF products, will not be reduced to 5 per cent until 2015.

TEXTILES, CLOTHING & FOOTWEAR SCHEDULE OF TARIFF REDUCTIONS
(Percentage Duty of FOB Value)

	2010	**2015**
CLOTHING & CERTAIN FINISHED TEXTILES	10.00	5.00
COTTON SHEETING & WOVEN FABRICS	5.00	5.00
OTHER FABRICS, CARPET	5.0	5.0
FOOTWEAR	5.0	5.0
FOOTWEAR PARTS	5.0	5.0
SLEEPING BAGS, TABLE LINEN	5.00	5.00

There are special concessions for handicraft clothing and handmade footwear that allow for the duty free importation of these products. The criteria for these concessions are very strict and require that the goods be made by non-mechanical, non-powered tools held in the hand and, in the case of garments, they must be of at least 90 per cent natural fibre.

Under the Overseas Assembly Provisions scheme (OAP) Australian clothing companies that send pieces of Australian-made and cut fabrics to overseas countries for assembly will pay the import duty on only the overseas sew and trim costs.

General Handicraft Concessions

Apart from the special textiles, clothing and footwear handicraft concession, Australia allows duty free entry for other products, which meet the general Handicraft Concession criteria.

For products to satisfy the Australian criteria they must be "hand-made", that is, goods that have been made by one or more of the following processes:

- By hand; or
- By tools held in the hand; or
- By machine powered by foot or hand;
- Are wholly or in chief part by weight of materials traditionally used in the production of handicrafts; and
- Have obtained, by reasons of being "hand-made", an artistic or decorative character generally comparable with traditional "hand-made" products of the country in which the goods were made.

Quarantine Regulations

As an island country with an important agricultural base, Australian quarantine regulations are very strict.

All imported plants, whether living or dead, or parts of plants such as fruits, seeds, cuttings, bulbs etc., as well as timber and all articles made of wood, bamboo etc., are subject to quarantine and must be submitted to a plant quarantine officer. Imported products that are found to be infected must be treated, destroyed or reshipped at the owner's expense. Nursery stock, some seeds and fresh fruits and vegetables are subject to regulations that require prior permission to import.

Soil is a prohibited import and any goods found contaminated with soil are subject to quarantine and are not released until quarantine officers are satisfied that the risk is removed.

Below is a summary of the key quarantine regulations. Overseas suppliers should, however, check on the up-to-date regulations before attempting to export to Australia. Changes to these regulations are notified by the Australian Quarantine & Inspection Service (AQIS) at the Import Conditions (ICON) Alerts webpage:

http://www.aqis.gov.au/icon32/asp/ex_alertscontent.asp

The ICON Alerts page advises current issues and major changes to AQIS import regulations. ICON is AQIS's import conditions database. It contains the Australian import conditions for more than 20,000 plant, animal, microbial, mineral and human products. The information is frequently updated.

Mandatory Treatments

Certain goods, including those listed below, are subject to compulsory treatment immediately following import unless satisfactory evidence is produced that the goods were given the prescribed treatment before export.

- Antique furniture
- Bamboo and cane goods
- Dunnage unless re-exported
- Wooden ware from Asia and South East Asia
- Articles made from cereal straw
- Dried flower arrangements including grass
- Sphagnum moss

Timber and Logs

Timber and logs are permitted entry to Australia only at specific ports where consignments are inspected to ensure freedom from insect infestation and contaminants such as bark and soil. If a consignment is found infested or contaminated it must be treated by an approved method before it is released. To avoid costly handling procedures it is recommended that sawn timber and timber products such as mouldings, plywood doors etc, be stickered during packing. If fumigation is required, bundles will need to be adequately stickered to provide spaces to facilitate penetration and circulation of the fumigant.

Under certain circumstances pre-shipment fumigation of the timber is accepted in lieu of inspection, provided it is accompanied by approved certification.

Ports approved for importations of timber are:

Brisbane, Townsville, Rockhampton, Sydney, Goodwood Island, Newcastle, Port Kembla, Melbourne, Geelong, Portland, Hobart, Launceston, Burnie, Devonport, Adelaide, Port Pirie, Whyalla, Fremantle, Geraldton.

Packing Materials

When bags are used for the shipment of plant products they should be new, clean and durable to ensure that spillage of the contents does not occur. Second-hand bags used to transport goods are subject to quarantine control and must be destroyed by incineration or re-exported. All wood including crates, dunnage, skids and pallets is subject to inspection unless certified as treated against insect infestation by a method approved by Australian Plant Quarantine.

Packing material of plant origin is prohibited except for the following: wood-wool, sawdust, shredded papers, strawboard, granulated cork, peat. Other acceptable packing materials include perlite, vermiculite and synthetic materials. All cereal straw is a prohibited import and should not be used as a packing material.

Goods in FCL door-to-door containers are not subject to quarantine inspection if the timber components, such as the floor and linings, have been treated by an acceptable method. As far as is practical timber packing should be avoided and alternative materials such as cardboard, new jute or metals used. When crates, cases or pallets are used the timber should have been treated by a method approved by Australian Plant Quarantine.

It is essential that the container is clean and free of soil or plant and animal contaminants such as grains, flours, meat, bones, hides and skin. Straw packing, rice hulls and similar plant material are prohibited imports and should not be used as packing.

AQIS has expanded the implementation of the International Standard for Phytosanitary Measures (ISPM 15) covering ALL wood packing and dunnage used to support, protect or carry air freight cargo imported into Australia.

Compliance is mandatory either by ISPM 15 compliant packaging or evidence of offshore treatment (packing declaration/treatment certificate).

If conditions mentioned above are not adhered to, the wood/timber packing will be treated, destroyed or re exported at the importers expense.

Documentation to be supplied by the foreign supplier includes:

- Airfreight ISPM 15 Packing Declaration

This document is to be completed for all airfreight consignments. It will be used to state whether wood packing has or has not been used and if wood packing has been used, whether it is ISPM 15 compliant or not. It must be printed on the shipper/supplier letterhead, include the Air Waybill and Commercial Invoice numbers and be dated, signed and stamped.

If the wood packing is marked / stamped with the compliant ISPM 15 stamp and the Airfreight ISPM 15 packing declaration is supplied, no additional documentation is required.

Important Note

For consignments that contain wood packing and the wood is NOT ISPM 15 compliant, a valid fumigation certificate must accompany the airfreight packing declaration, otherwise the consignment will be directed to AQIS for inspection, treatment, destruction or re-exportation at the importers expense.

PLEASE NOTE: Every airfreight consignment will require an Airfreight Packing

Declaration.

Cut Flowers

Fresh cut flowers can be imported into Australia provided they do not belong to genera which are prohibited by quarantine legislation, come from regions where serious diseases occur, or are species which can be readily propagated from any part of the flower stem.

All cut flowers are subject to inspection on arrival for insect pests, snails and disease. If disease is found on the flowers they must be treated, re-exported or destroyed.

Animal Products

There are also strict regulations on animal products. These may only be imported under certain conditions and must be accompanied by appropriate documents. Below are examples of the regulations applying to certain products.

- **Animal Fodder** (plant origin)
  Animal fodder of plant origin may be imported when the fodder has been derived from stems or leaves of plants from New Zealand, or fodder comprising cereal grains or bran or pollard, derived from cereal grains from New Zealand, Canada or the USA. Other animal fodders of plant origin require prior permission to import.

- **Fish Products** (including caviar, roe and other marine life)
  Fish products, with the exception of salmonoids, may be imported from any country; products containing milk or eggs (eg batter or fish balls) may be subject to quarantine controls. Products derived from salmonoids may be imported with prior permission under specific quarantine conditions.

- **Prawns** (frozen)
  Prawns may be imported under specific quarantine conditions. Prior permission to import is required from the Health Department in each State.

- **Leather**
  Full manufactured leather may be imported from any country.

- **Meat** (uncanned)
  The quarantine requirements for the importation of uncanned meat and meat products from domestic stock (excluding pig and poultry) have been suspended pending a formal review.

  All importers affected by this suspension have been advised in writing by AQIS that their import permits have been revoked. New Import Permits cannot be issued for products affected by this suspension until the review is finalised.

The following uncanned red meat imports are not affected by this suspension:
- Red meat from New Zealand;
- Beef from Vanuatu;

All beef, beef products and food containing beef as an ingredient, imported to Australia must be free of Bovine Spongiform Encephalopathy (BSE). Bovine products will not be allowed entry into Australia unless Food Safety requirements are met. Certification with specific statements is required from the competent authority in the exporting country.

For further information regarding the importation of uncanned red meat, contact:

AQIS Biologicals Programme
Phone: +61 2 6272 4578
Email: biologicals@aqis.gov.au

Meat (canned)
An Import Permit is required and must be applied for prior to importation. The Import Permit will specify certification and documentation requirements. A Quarantine Entry must be lodged for each consignment.

Cooked pig meat may be imported from Canada, Denmark, Finland, Italy, Spain, Sweden and the USA provided it is hermetically sealed in cans, tins or other approved containers by an approved heating process and it does not require refrigeration.

Importation of cooked pig meat from countries other than those listed above may be approved subject to specific quarantine conditions being developed. However, all countries must meet the requirements outlined in the generic pig meat Import Risk Analysis published by Biosecurity Australia (www.daff.gov.au/ba) before specific import conditions can be developed.

Cooked meat of any other animals, including poultry, contained in hermetically sealed cans, tins or other approved containers, may be imported from any country subject to specific quarantine conditions.

Refer to the ICON Database for information on specific quarantine conditions:

http://www.aqis.gov.au/icon32/asp/ex_querycontent.asp

- **Trophies, Curios, Tribal Regalia etc**
  Importation of trophies, curios, tribal regalia, artefacts, ornaments and drums is permitted subject to specific quarantine conditions. Intending importers should check with quarantine authorities prior to importation. Depending on the nature of the articles, they may be subject to treatment on arrival.

Endangered Species Regulations

The Australian Customs (Endangered Species) Regulations are strictly enforced and overseas suppliers of animals, animal products or plants covered by the Convention on International Trade in Endangered Species (CITES) should be careful about attempting to export to Australia.

Overseas suppliers of artefacts and other items incorporating animal skins, bones etc. should check whether they would be permitted entry into Australia. Most crocodile skins are, for example, subject to the Australian Regulations while any products incorporating any part of an elephant are prohibited imports.

Import Channels and Distribution

The Australian import channels are very similar to those applying in other developed markets and for most products from Developing Countries, the customers will be the specialist importers or the major retail chains that purchase through their overseas buying agents.

In general terms Australian importers can be divided into the following categories:

- **Importers/wholesalers**: who import either a specialised range of products or operate as general importers and wholesale their merchandise to retailers or end-users;
- **Commission agents**: who source products for other importers or end-users, but do not import directly themselves (these agents normally receive their commission from the overseas supplier and their activities are mainly limited to commodities and textiles);
- **Manufacturers/End-Users**: a number of manufacturers or end-users will import their raw material or input requirements directly from overseas suppliers, but it is more common for these companies to source through specialist importers; and
- **Retailers**: the large retailers import up to 20% of their merchandise requirements through their buying agents overseas. The balance of their stock is sourced from either local manufacturers or through specialist importers. Few of the smaller retailers do any direct importing.

In some cases the import procedures may be more complex. A large food manufacturer may, for example, directly import some of their spice requirements and sell excess stock to other food manufacturers. A large retailer may directly import a volume selling children's wear line, source the more "difficult" sets or ensembles through an importer and buy the bulk of their requirements from up to 20 local manufacturers.

Role of Importer

Unlike many other markets there are relatively few general importers or commission agents operating in Australia. The most notable exception is in the yarn and textiles area where a number of commission agents operate.

The typical importer will specialise in a particular segment of the market (toys, household textiles, travel goods, plastic products etc.) and will not generally consider new business in areas where he has little knowledge. In the competitive Australian market importers believe that they must "stick to what they know" if they are to remain successful.

A large number of importers also specialise in particular sub-segments of the market - for example, in expensive travel goods only, educational toys or table linen only, and will often not consider moving away from their market niche.

Most importers will also insist on having exclusive Australian rights to either the full range of products from an overseas supplier or at least to particular models. This is a reflection of the small market and the high cost of national distribution. What importers/wholesalers dislike most of all is being embarrassed when offering an "exclusive" product to a retailer only to find that the same product is being offered by another importer or wholesaler.

Because of the small size and competitive nature of the Australian market, commission agents, general trading houses and bulk "cash and carry" importer/wholesaler operations have not established a strong presence in the market. Overseas suppliers of consumer products attempting to sell to Australia will therefore normally have only two options for sales - the importer/wholesaler or the large retailers. Overseas suppliers of commodities, industrial inputs, machinery etc can sometimes have more options but are usually limited to the specialist importer or the manufacturer/end-user.

Role of Overseas Buying Agents

An increasing number of Australian importers of consumer products use the services of an overseas buying agent to source the right suppliers, assist in negotiating the purchase, check quality and arrange shipment and payment. This is particularly the case when importers are buying from an unfamiliar country and they are not sure about the reliability of the various suppliers.

The major retailers have a long established policy that they will not import unless all the arrangements are handled through their appointed overseas agent. The large Australian retailers have buying agents in all the significant supplying countries and in some countries they may have more than one agent.

Most overseas buying agents for Australian importers and retailers operate on a commission of between 3 and 5 per cent on the FOB value of the orders.

Importance of the Major Australian Retailers

Another important feature of the Australian market for consumer products is the dominance of the major retailers. It is therefore worthwhile to briefly cover these retail chains' operations and attitudes.

The largest retail chain in Australia in total revenue terms is Woolworths Limited (www.woolworthslimited.com.au). The Woolworths group includes the following businesses:

- Woolworths, Safeway (Supermarkets)
- Big W (Discount Department Stores)
- Tandy (300 retail electronics stores)
- Dick Smith Electronics (196 retail electronics stores)

- Woolworths Liquor (Liquor Stores)
- Caltex Woolworths Plus (Petrol Stations)
- Australian Leisure & Hospitality Group Limited (270 licensed venues and over 450 BWS and Dan Murphy's retail liquor outlets).

The Sydney-based group has more than 3000 stores, petrol sites and hotels in Australia and New Zealand, 180,000 employees and total annual revenues of over $A49.595 billion. The Woolworths and Big W organisations have their separate buying teams and should be approached as individual organisations by overseas suppliers.

The second largest retail operator in Australia is Perth-based Wesfarmers Limited (www.wesfarmers.com.au) whose retail divisions include a portfolio of diversified retail operations covering supermarkets, general merchandise and specialty department stores, fuel and liquor outlets and home improvement and office supplies.

Wesfarmers' Coles Division has annual revenue of about A$32 billion and operates 2,231 food, liquor and convenience outlets across Australia, through the Coles, BiLo, Vintage Cellars, Liquorland, 1st Choice, Coles Express and Pharmacy Express brands, as well as a hotel portfolio.

The Wesfarmers Kmart Division (annual revenue over A$4 billion) operates 182 discount variety stores throughout Australia and New Zealand as well as 263 Kmart Tyre & Auto Service stores.

The Wesfarmers Target Division (annual revenue A$3.7 billion) operates a nationwide chain of apparel and homewares discount department stores.

However, from an overseas supplier's point of view, it must be noted that most of these retail chain subsidiaries compete against each other in the marketplace.

The buyers at Target and Kmart, for example, are completely different and are responsible for their own ordering and merchandise selection. There is a combined board of management for Wesfarmers but there is as much competition between Kmart and Target for a share of the market as there is between Kmart and the Woolworths group.

Both Coles and Woolworths operate large supermarket chains and these supermarkets account for the bulk of their retail outlets. Under Wesfarmers' ownership, Coles has managed to claw back market share from Woolworths over the past year.

The largest department store chain in Australia is Myer (www.myer.com.au), a 113 year old business which operates 67 stores Australia-wide with over 20,000 employees and annual revenue of over A$2.7 billion.

A medium sized general department store operator in Australia is David Jones Limited (www.davidjones.com.au) with annual revenue of about $A2.00 billion. Founded in

1838, the company is Australia's oldest department store company. It operates 38 upmarket general merchandise stores selling clothing, household furnishings, home appliances, toys etc.

Another department store operator with 49 stores in South Australia, Victoria, Tasmania, New South Wales, ACT and Queensland is Harris Scarfe Australia Pty Ltd (www.harrisscarfe.com.au) with total annual revenue of about $A304 million.

Metcash Limited (www.metcash.com) is a foreign controlled public company that is a leading marketing and distribution company operating in the food and other fast moving consumer goods categories. Its business pillars are IGA Distribution, Campbells Wholesale, Australian Liquor Marketers and Mitre 10, all of which are fully owned by Metcash except Mitre 10, of which Metcash has a 50.1% shareholding. The company generates the majority of its more than A$12.4 billion revenue from food, hardware, beverages and tobacco wholesaling and has nine strategically situated distribution centres carrying the dry, chilled and frozen grocery requirements of over 2,500 independent retail grocery stores in Queensland, New South Wales, Victoria, South Australia and Western Australia.

Franklins (www.franklins.com.au), a discount supermarket chain operating 80 supermarkets in New South Wales with annual sales of over A$800million was acquired by Metcash Limited in late 2011. Metcash is now in the process of selling some of the stores and converting the others into IGA

In addition to these stores there is a large number of speciality chains in Australia. These chains may specialise in furniture and home wares, foodstuffs, hardware, clothing and accessories, footwear etc.

Among the largest furniture and electrical homewares chains is Harvey Norman Holdings Ltd (www.harveynorman.com.au) with annual revenue of A$15.5 billion. It operates 195 stores throughout Australia under the Harvey Norman, Domayne and Joyce Mayne brands and 66 stores in New Zealand, Singapore, Malaysia, Slovenia and Ireland.

Australian Pharmaceutical Industries Limited (www.api.net.au) is a multi-brand wholesaler and retailer of pharmaceutical, health, and lifestyle and beauty products with annual revenue of A$3.5 billion. Group brands include Soul Pattinson and Priceline.

Specialty Fashion Group (www.specialtyfashiongroup.com.au) is a large retail group, which manages 891 stores across the nation. Annual revenue totals about $A570 million. The group operates several ladies fashion and discount consumer goods chains under the Millers, Katies, Crossroads, Autograph, City Chic and la Senza Lingerie brands.

In footwear, the major retail chains are operated by Fusion Retail Brands Pty Ltd (www.fusionretailbrands.com.au) and Betts Group Pty Ltd. Fusion Retail Brands has annual revenue of over A$465 million and operates 282 stores Australia wide under the Mathers, Williams, Diana Ferrari, Williams and Colorado names. It also operates clothing outlets under the Jag banner. Perth based private company Betts Group Pty Ltd (www.betts.com.au) operates a national chain of 113 stores generating annual revenue of about A$170 million.

The leading DIY hardware retail chain is 'Bunnings' (www.bunnings.com.au), which together with office supplies retail chain, 'Officeworks' (www.officeworks.com.au), forms a division of Wesfarmers Limited (www.wesfarmers.com.au). Bunnings operates 271 stores in Australia and New Zealand, with divisional annual revenue of $A8.25 billion. Other major hardware chains include Mitre 10 Australia Ltd (www.mitre10.com.au), is a majority-owned subsidiary of Metcash Limited which sells wholesale hardware merchandise to its 450 stores trading under the Mitre 10 and True Value brands, as well as about 540 non-aligned stores. Annual revenue is about $A797 million. J. Blackwood & Son Pty Ltd, trading as Blackwoods (www.blackwoods.com.au), is also part of Wesfarmers Limited and forms the basis of the group's business-to-business industrial and safety division, which has over 80 outlets Australia-wide, generating over A$1.5 billion in annual revenue. Woolworths Limited formed a joint venture with American hardware giant Lowe's Companies Inc. in 2009 and launched a greenfields national retail home improvement/hardware chain Masters Home Improvement Australia Pty Ltd, trading as "Masters" (www.masters.com.au), with the first store opening in Victoria in 2011. By December 2011, Masters had opened its sixth store, and its first in New South Wales. Another 17 stores were under construction Australia-wide.

Other retail chains include:

- Angus & Coote (Holdings) Limited (www.anguscoote.com.au); Jewellery; Operates over 141 stores Australia-wide and an additional 127 stores through its Goldmark division (www.goldmark.com.au); Revenue $A583 million.
- Kirby Street Holdings (Australia) Pty Ltd (www.golo.com.au www.crazyclarks.com.au); Essential household goods, toys, party goods, craft goods, gardening, furniture, camping goods and travel and carry goods. Operates distribution centres in Brisbane, Sydney and Melbourne and over 250 discount stores nationwide under the Crazy Clark's and Go-Lo brands.
- Exego Group Pty Ltd (www.repco.com.au); Automotive replacement parts; almost 435 stores; Revenue over $A980 million
- Bob Jane Corporation Pty Limited (www.bobjane.com.au); Automotive tyres and wheels; 150 franchised and company-owned stores; Revenue $A211 million
- JB Hi-Fi Limited (www.jbhifi.com.au); Hi-fi, speakers, televisions, DVDs, VCRs, cameras, car sound, home theatre, portable audio, video games, recorded music, DVD music and DVD movies; 93 stores in Australia and 12 in New Zealand; Revenue A$2.9 billion.
- Homeart Pty Ltd (www.homeart.com.au); Homewares; 140 stores; Revenue $A79.8 million

- Country Road Limited (www.countryroad.com.au); Women's and men's clothing, homewares and furniture; 60 stores and 80 concession outlets in Australia and New Zealand; Revenue $A423 million
- Steinhoff Asia Pacific Limited trading as Freedom (www.freedom.com.au; Furniture; over 150 stores in Australia and New Zealand under the Freedom, Snooze, Bay Leather Republic and Andersons furniture brands; Revenue $A396 million
- JeansWest Corporation Pty Ltd (www.jeanswest.com.au); Hong Kong-owned women's and men's clothing chain with 240 stores in Australia and New Zealand; Revenue $A142 million
- Just Group Limited (www.justgroup.com.au); Women's and men's clothing with over 900 stores under the Just Jeans, Jay Jays, Jacqui E, Peter Alexander, Dotti, Smiggle and Portmans banners; Revenue $A879 million
- Rebel Sport Limited (http://rebelsport.com.au); Part of Super Retail Group Limited; 71 stores under the Rebel Sport and Glue brands; Sporting equipment, apparel and footwear; Revenue $A693 million
- Retravision DAD Limited (www.retravision.com.au); Electrical appliances and homewares; over 450 stores in Australia and New Zealand; Revenue $A1.8 billion
- Billabong International Limited (www.billabong.com); Surfwear and sports apparel and accessories for the surf, skate and snowboard markets. BBG now has a presence in more than 60 countries; Revenue A$1.68 billion.
- Roger David Stores Pty Ltd (www.rogerdavid.com.au); Men's clothing; 100 stores; Revenue A$78 million
- EDH Pty Ltd (www.edharry.com); men's apparel and accessories national retail chain operating over 175 stores throughout Australia; Annual revenue A$70 million.
- Spotlight Stores Pty Ltd (www.spotlight.com.au); Fabrics, craft, haberdashery and other soft goods and homewares; about 100 stores in Australia, New Zealand and Singapore; Revenue $A970 million
- The Strandbags Group Pty Ltd (www.strandbags.com.au); Handbags, travel and carry goods, ladies and men's wallets, briefcases, business bags, backpacks; over 350 Strandbags and Equip stores in Australia, New Zealand, Middle East and South Africa; annual revenue over $100 million..
- Super Cheap Auto Pty Ltd (www.supercheapauto.com), part of Super Retail Group Limited; over 260 Super Cheap Auto stores Australia wide and in New Zealand; Auto accessories, spare parts, hand tools, power tools, car audio, panel and paint supplies; Revenue $A684 million.
- SRG Leisure Retail Pty Ltd, also part of Super Retail Group Limited, operates 50 stores under the BCF brand (Boating, Camping and Fishing) www.bcf.com.au, with revenue of $A150 million.
- Sussan Corporation (Aust) Proprietary Limited (www.sussan.com.au); Women's apparel and sleepwear; Operates national chains under the Sussan, Suzanne Grae and Sportsgirl brands; 550 stores; Revenue $A500 million
- Tyrepower Ltd (www.tyrepower.com.au); Automotive tyres, wheels and batteries; 262 stores in Australia and New Zealand; Revenue $A300 million

The large Australian retail chains source a significant proportion of their requirements from Australian manufacturers or suppliers. However, an increasing percentage of their stock is sourced directly from overseas. Smaller retailers on the other hand generally do not import on their own account, but source their stock from independent importers/wholesalers/distributors. Most wholesalers specialise on particular product categories eg apparel, giftware; travel and carry goods; food and beverages etc.

Retailers' preference for locally made goods, where possible, is based on a number of practical considerations.

These include:

- Shorter lead times and greater opportunity to adapt to changing fashions/consumer preferences;
- Greater ease of communication should problems arise;
- Deliveries are usually more reliable;
- The opportunity of working closely with the local manufacturer in developing the most appropriate advertising budget;
- No problems with currency fluctuations and
- An ability to discount invoices with quick payment rather than having funds tied up for some time through the issuing of Letters of Credit.

As a general rule the retailers will buy from local manufacturers unless a very similar product can be imported directly at an into-store cost at least 15 per cent cheaper than the locally made product. In other words the imported product, after freight, import duty and clearance/delivery charges, must be 15 per cent cheaper than the Australian-made equivalent before the retailer will consider importing.

Volume sales of consumer products to the Australian market will often depend on achieving orders, either directly or through an importer, from the major retail chains. As already mentioned the large chains will only import through their overseas buying agents and new overseas suppliers should make contact with these agents rather than contacting the retailers direct.

Mark-ups in the Distribution Channel

The costs of operating a business in Australia, particularly labour costs, are relatively high and the mark-ups in the import distribution chain reflect this fact.

Like most other markets, the mark-ups applied by Australian importers/wholesalers and retailers reflect not only the level of competition, but also the volumes sold by the particular company.

Wholesalers and retailers of exclusive imported giftware lines, for example, will have very high margins, while retailers of basic clothing lines are forced by the competition to apply the minimum possible mark-ups.

In general terms, however, the mark-ups in the various sectors of the market are as follows:

- Overseas buying agents/Australian commission agents: between 3-6% on FOB;
- Importers/wholesalers of volume selling consumer products: 40-80% on landed/duty paid price depending on product;
- Discount department stores: 35-40% on the sell price;
- Department stores: 40-75% on the sell price
- Small retail outlets: 50-100% on the sell price
- Supermarkets chains: 15-35% on the sell price.

What this means in practice is the retail price of basic imported clothing, for example, is usually around four times the FOB/FCA cost of the garment, while more exclusive imported clothing selling in a department store or boutique can be up to six or eight times the FOB/FCA price.

Overseas suppliers should therefore not consider the high retail prices in Australia as a guide to the lack of competition in the market. The Australian retail industry is actually one of the most competitive in the world and buyers will try to obtain the best possible price from overseas suppliers.

In simple terms, the final retail prices in Australia are generally higher than in the USA but the price the buyer will accept from the supplier is usually lower than US buyers would accept.

Goods and Services Tax

A Goods and Services Tax (GST) of 10 per cent is payable by importers on taxable importations of goods. The Australian Customs and Border Protection Service collects GST from importers of goods at the time of importation although a scheme allows deferral of payments of GST for qualified importers.

There is no registration requirement for taxable importations, and the importer need not be carrying on an enterprise.

There are certain non-taxable importations including repair and warranty-related importations, goods below a certain value, ship and aircraft stores and certain concessions for passengers and transport crews. Fresh and unprocessed foodstuffs are GST-free.

The GST on taxable imports is 10 per cent of their value. The value of the goods is the sum of:

- the customs value of the goods (FOB value)
- the amount paid or payable to transport the goods to Australia and to insure the goods for that transport to the extent that this is not already included in the customs value
- any customs duty payable on the importation of the goods.

Buying Periods and Order Volumes

Two of the more important characteristics of the Australian market which should be noted by new overseas suppliers are the different buying periods for seasonal merchandise and the relatively small order volumes by most importers.

Buying Periods

The Australian seasons are the reverse of the Northern Hemisphere viz:

- Summer is from December to February;
- Winter is from June to August.

This obviously affects the buying patterns for seasonal merchandise such as clothing. It is, in fact, one of the reasons why the Australian market is so competitive - many overseas suppliers are prepared to offer cheaper prices for Australia during their slow periods in the Northern Hemisphere.

It should also be noted that because of the relatively mild Australian climate, there are not the four seasons that apply in the US or European markets. Importers and retailers generally think of only summer and winter as distinct buying seasons and usually do not buy especially for spring and autumn. Retailers may refer to "early summer" or "late summer" but there is little difference in the products they buy for the overall summer season.

For seasonal merchandise such as clothing, the usual buying periods are as follows:

- Summer: orders placed October to January for delivery to the Australian port in May/June; and
- Winter: orders placed April to July for delivery to the Australian port in December/January.

In other words, summer clothing orders are usually placed during the previous Australian summer season for delivery to the Australian port in winter. Summer merchandise is generally displayed in the retail stores as early as late July or early August when the weather is often at its coldest. In the same way, winter orders are placed during the Australian winter with delivery in summer.

The other important buying periods in the Australian market are the same as those in other Western markets, viz:

- Christmas (December): a key selling period for gift items, toys etc. Most Christmas season products are ordered in the January/February period for delivery to the Australian port in September.

- Mother's Day (May) and Father's Day (September): retailers often run special promotions for these events and expect deliveries to their stores up to two months in advance; and

- Easter (March/April): key selling period for confectionery and stuffed toys but not a significant clothing sales period as it coincides with the Australian autumn and not spring as it does in the Northern Hemisphere.

Overseas suppliers should also note that the December/January period is the summer holiday season in Australia and a large number of companies close down for at least half of January. Also the Australian financial year ends on 30 June and the period from mid June to mid July are usually not a good time to visit Australia for business.

Order Volumes

As already mentioned Australia's small population means that most orders placed by importers and retailers will be smaller than those for the USA or Europe. There are, on the other hand, a number of large importers and retailers who are prepared to place reasonable sized orders for popular products.

A guide to the volumes usually required by Australian importers:

- Clothing: up to 300 dozen per style over 3 colour ways but can be as low as 50 dozen per style;
- Shirting Fabrics: up to 1,000 metres per colour way or 3,000-4,000 per design over 3-4 colour ways;
- Sheeting: 3,000 metres for a new design or 800 metres from existing pattern, large importers will accept minimums of 6,000-10,000 metres;
- Towels: 3,000-5,000 pieces, one width, 4-5 colour ways;
- Cushion Covers: 3,000-4,000 covers per order;
- Sports Shoes: trial order of 4,500-5,000 pairs, usual order 10,000 pairs over 2-3 colours;
- Toys: smaller importers 50-200 dozen; larger importers up to 10,000 dozen; and
- Sawn Timber: 20-200 tonnes but can be as low as 10 tonnes from a new small-scale supplier.

It can be seen from the above examples that the order volumes from Australia importers can frequently be smaller than the minimum requirements of some overseas suppliers. While there is potential to sell reasonable volumes to Australia once the business relationship with the importer has been established, new overseas suppliers must accept the fact that the overall export volumes they can achieve in Australia will not be large.

Other Important Regulations and Standards

In addition to import duty and quarantine there are several other important regulations relevant to selling to the Australian market, including the type of packaging and labelling requirements and safety and health standards.

Packaging and Labelling Regulations

There are several major trends that will affect the packaging industry in Australia over the next decade, and it is important that companies seeking to export to Australia are aware of these influences. Packaging sells products and the trends listed below place an even greater importance on the appearance, marketability and quality of retail packaging in the highly competitive Australian market.

Electronic Business Processes

This technology will eventually link the entire supply chain from raw material suppliers, packaging manufacturers, retailers and consumers. Effective utilisation of electronic processes such as digital artwork will generate a more integrated approach for packaging from concept through to the final product in the supply chain.

The Impact of Social Change

Changes in family structure, along with the ageing population, will continue to affect the way products are packaged. Single or smaller portions for convenience foods is a growing trend and a by-product of this trend will be an increase in the amount of packaging per food unit. In addition, the aging of the Australian population will place even greater emphasis on the design, packaging and labelling for this growth market.

The Environment

For some time now, consumers' attitudes towards environmental issues have had a strong impact on the packaging industry in Australia. To address this issue a range of strategies is being adopted which target recycling objectives for different packaging materials. Whilst there is no current legislation relating packaging, it is important nonetheless to be aware of this issue when considering entry into the Australian market.

Consumer Demands

Importers should be very conscious of the following consumer demands:

- Recyclable or biodegradable packing
- Single or smaller portion packages in convenience food
- Freshness and quality
- Tamper proof packaging

- Ergonomic tops and packages
- Informative and clear labelling

General standards for all imported packaged products

Packaging and labelling regulations are imposed on all packaged products, both locally made and those imported into Australia for the retail market. A summary of these regulations is as follows:

All labels must:

- be written in English
- have wording that is clear, easily read and permanent
- be easily seen by a person reading the label
- have type face in standard type size of minimum 1.5mm
- be of a colour that provides a distinct contrast to the background

The label must also display:

- country of origin
- a true and factual description of the goods
- a quantity statement — mass, volume, length, area or count of the product. The package must not contain less than the quantity stated on the label and units of measurement must be metric.
- packer identification — the label must state the name and address of the packer and/or importer.

Note: It is an offence to knowingly apply or carry false trade descriptions on goods. A description that is likely to mislead on matters such as weight, origin, manufacturer, preparation, contents, copyright, etc. is considered a false trade description and is liable to prosecution.

Specific products

As well as the general requirements for imported packaged products, there are additional requirements for specific products. These include food and beverages, medicines, fertilizer, agricultural seeds, plants, textiles, clothing, footwear, jewellery, brush ware, porcelain, earthenware and enamelled hollow ware, electrical appliances, toys, tobacco products, Portland cement, sanitary ware, wall, hearth and floor tiles, watches and clocks and goods that are imported in the packages in which they are customarily offered for sale. A few examples are detailed below.

(i) Cosmetics, Toiletries and Soaps

Imported cosmetics, toiletries and soaps must comply with the Trade Practices (Consumer Product Information Standards, "Cosmetics") Regulations that require compulsory labelling of ingredients. This is administered by the Australian

Competition & Consumer Commission (www.accc.gov.au) and does not cover toiletries that are classified as therapeutic goods or sunscreen products.

- The ingredients in a cosmetic product should be listed in descending order by either volume or mass (but not by a mixture of volume and mass measurements).

- While the list of ingredients should preferably be identified on the container of the product or on the product itself, all ingredients should be disclosed in the one list. The quantity or percentage of each ingredient need not be disclosed.

Alternatively, the ingredients may be listed in the following order:

- Ingredients (except colour additives) in concentrations of 1% or more in descending order by volume or mass; and
- Ingredients (except colour additives) in concentrations of less than 1% in any order; and
- Colour additives; in any order.

If the supplier cannot comply with the above, the product's ingredients must be shown in another way that ensures that a consumer is informed about the ingredients in the product eg. a swing tag. The list of ingredients in a cosmetic product may include a reference to a colour additive that it is not in the cosmetic product if it is added to some batches of the product for the purposes of colour matching or used in one or more of a range of cosmetic products.

Flavours and fragrances in a cosmetic product must also be shown in the list of the product's ingredients.

(ii) Food Products

The following are general labelling requirements for all imported packaged food products, as specified in the Food Standards Code administered by Food Standards Australia New Zealand (www.foodstandards.gov.au).

- Name of the Food
  All packaged food must have a food name or an appropriate description which clearly indicates the nature of food. The minimum print height of the food name is 3mm.

- Lot Identification
  Packaged food must show "lot" identification, which is a quantity of food prepared under the same general conditions. "Use by" or packing dates may satisfy this requirement. The lot identification may be either marks or codes devised by the manufacturer. There are no set requirements for type size or colour contrast.

- Date Marking
  All packaged foods imported into Australia that have a durable life of less than two years must be marked with a date indicating the minimum durable life of the product. This is the period during which it can be reasonably expected that the food, when appropriately stored, will retain its nature and quality. Date marking should be in capital letters and figures of not less than 3mm high and displayed in clear and prominent manner.

Where special storage conditions are required to ensure that the minimum durable life or use by date of the food is accurately stated, those conditions of storage must be stated on the label.

Exemptions

Some foods are exempt from ingredient labelling. These include foods where the name of the food identifies all of the ingredients and single item foods such as frozen fish fillets, desiccated coconut etc. Alcoholic beverages, flavourings and soft drinks in bottles with crown seals are also exempt from ingredients labelling.

In addition, there are certain claims that cannot be made on food labels. These include:

- Any statement that a food is a slimming food
- The word "health" in conjunction with the name of the food
- The words "vitamin enriched" or similar claims
- Therapeutic claims

Certain other claims are strictly regulated and may only be used in specific circumstances. These include:

- Use of a trade name
- Statements relating to nutritional properties eg. low fat, high fibre, cholesterol free or similar terms must be supported and justified
- The terms "low alcohol" or similar words require the accompanying statement "CONTAINS NOT MORE THAN X% ALCOHOL"
- The word "pure" is restricted to single ingredient foods which contain no additives

There are also additional provisions for individual products that should be considered when developing labels. Examples Include:

- The label of the packaging on alcoholic beverages must contain a declaration of the ethanol content at 20 degrees and a statement as to the number of standard drinks contained in package.

- The label of canned fish products must have a statement setting out the description of the fish contents on the package in the form — "BARRACOUTA" or "TUNA" or where there is more than one kind of fish, a statement as to the proportion of each kind of fish present with the fish first mentioned being the one of greater proportion. This must be in standard type of 3mm.

(iii) Garments

Imported garments are subject to additional labelling regulations under the Fair Trading Act, administered by the Australian Competition & Consumer Commission.

- Garments are required to be labelled with fibre content eg. wool, cotton
- Garments must be permanently labelled with care instructions appropriate to the article. These must be in English and the exclusive use of symbols is not permitted. In most cases care instructions from each of the five care categories are required:
    - Prohibited treatments
    - Drying instructions
    - Dry cleaning instructions
    - Washing instructions
    - Ironing instructions
- Children's night garments are required to carry warning labels concerning their flammability rating.

There are three categories of labelling depending upon the degree of fire protection the garment provides.

(iv) Household Cleaning Products

Packaged household cleaning products are subject to additional labelling and packaging requirements under the standard for Uniform Scheduling of Drugs and Poisons. These requirements are constantly under review and are administered by the State and Territory Health Authorities. The requirements vary depending on the individual ingredient composition and quantity of each product. Some requirements may stipulate the use of childproof closures, ribbed containers and closures that can be closed securely.

Listed below is a general sample layout for labels displaying the order of statements, as well as general guidelines that must be followed for all packaged household-cleaning products.

- 1.5mm minimum height of letters with all warning statements in bold ‘sans serif’ capital letter in a uniform thickness. (Example: KEEP OUT OF REACH OF CHILDREN)
- The name and strength, or proportion of all poisons in the product must be in Australian approved names.
- The name and address of the manufacturer or distributor must be an Australian street address not a post office box.

- Directions for use must be clear and sufficient for the product to be used correctly.

GS1 Numbering System and Bar Coding

A high proportion of products in retail stores in Australia use the GS1 numbering system and the significant benefits to business are being realised in many other industry sectors including manufacturing and distribution.

The GS1 Numbering System

GS1 Australia is a not-for-profit organisation that locally administers the global multi-industry system of identification and communication for products, services, assets and locations - the GS1 System.

GS1 Australia was created to help Australian business enterprises become more efficient; its fundamental role is to allocate GS1 numbers and barcodes, maintaining internationally accepted trading standards. This, in turn, allows Australian organisations to adopt world's best practice supply chain management techniques.

GS1 numbers and barcodes permit organisations of any size to order, track, trace, deliver and pay for goods across the supply chain, anywhere in the world.

The GS1 System was developed by GS1 Global Office. It is recognised by the International Standards Organisation (ISO), the European Standardisation Committee (CEN) and the American National Standards Institute.

Today, around one million member companies in 145 countries use GS1 standards as part of their daily business communications, representing over five billion scanning transactions a day.

Bar Coding

- A bar code comprises of set of light and dark parallel bars of differing widths, which holds huge amounts of information.
- By passing a light beam over these bars, this information can be automatically decoded and entered into, then retrieved, from a computer
- Scanning bar codes is an accurate, fast and easy method of identification.
- There are advantages for everyone in the supply cycle — manufacturers, distributors, transport companies, retailers and customers all benefit from bar coding, as we adopt "paperless trading".
- GS1 bar codes must be printed precisely; following clearly stated GS1 specifications, so they will scan first time, every time. They must also be the right size and proportions.
- GS1 numbers use three different types of bars codes, designed to suit particular purposes and conditions. Some types of bar codes on consumer products and trade units also carry supplementary information. Specifications for bar coding are available from GS1 Australia: www.gs1au.org.

Standards

Product standards are also an important factor in the Australian market.

Standards Australia (www.standards.org.au) and the various State Governments have developed a range of compulsory and suggested standards for a wide range of products. Where compulsory standards apply a product cannot be sold without the approval of the relevant authority; where suggested Standards have been established, it is usually advisable to meet these requirements before attempting to market the product.

The importance of standards to overseas suppliers varies from sector to sector. In areas such as construction materials, fire extinguishers, toys, bicycles, crash helmets, electrical products etc. the standards are often compulsory and the relevant authorities must approve new products before they can be sold. The general rule is that when a faulty product can cause injury or death to a person the standard will be compulsory.

Over the last 30 years there has been an increasing range of consumer protection legislation by both the Federal and State Governments. Most importers will be aware of the standards that apply to the products they handle but overseas suppliers should be aware that these regulations do exist and the Australian government authorities recall a number of "unsafe" products each year.

In the food area there are also strict health requirements in addition to quarantine.

Each State in Australia has its own legislation on the purity of food sold to the consumer, who covers ingredients and the type of packaging used for certain food lines. There is increasingly uniformity between the States but overseas suppliers may find that they have to receive approval from different State Government authorities before their food products can be sold.

Copies of Australian Standards are available through SAI Global at:

http://www.saiglobal.com/shop/Script/search.asp

Intellectual Property

Trade Marks

The Trade Marks Act 1995 allows the registered owner, or in certain circumstances, the authorised user of a trademark to object to the importation of goods which infringe their trademark. The registered owner or authorised user does this by lodging a Notice of Objection with the Australian Customs and Border protection Service (www.customs.gov.au). Unless revoked, a Notice of Objection remains in force for a period of two years from the date of commencement.

Copyright

The Copyright Act 1968 allows the owner of the copyright, or the exclusive licensee, to object to the importation of goods that infringe their copyright. The owner of the copyright, or the exclusive licensee, does this by lodging a Notice of Objection with the Australian Customs Service. Unless revoked, a Notice of Objection remains in force for a period of two years from the date of commencement.

Notices of Objection relating to both trademarks and copyright that have been lodged with Customs are published periodically in Australian Customs Notices and are also listed on the Australian Customs Service website.

Intending importers of such goods may be liable to seizure of the goods by Customs under the provisions of the abovementioned Acts unless it can be established that:

- The goods are being imported for purposes other than trade (sale, lease, hire etc)
- The goods do not infringe the relevant trademark or copyright.

Intending importers should seek advice from Customs or a suitably qualified legal practitioner on the implications of the legislation, and, in the case of the trademark legislation, the meaning of terms such as “substantially identical with”, “deceptively similar to” and “an infringement of” a trademark.

Selling to the Market

In most respects new overseas suppliers will find the Australian market is very similar to other developed economies in its requirements but there are certain factors that should be noted.

Quotations and Payment

Most Australian importers have experience in dealing with a variety of overseas suppliers and operate in a number of currencies.

By far the most common currency and still the basis of import negotiations is the US dollar and most new overseas suppliers will find that their quotations in US dollars are quite acceptable. Importers are also interested in suppliers who can quote in Australian dollars but do not expect new overseas suppliers to do so.

The type of quotation for Australian importers varies according to the product or commodity being sold.

Most importers will expect to receive FOB (or FCA) quotations in $US but those dealing in commodities (timber, spices etc.) will frequently require CFR (or CPT) quotations. For example, a clothing importer would be most familiar with $US FOB quotations, while a timber importer would prefer CFR quotations. The majority of Australian importers take out their own insurance and do not normally expect CIF (or CIP) quotations. (When CFR, CPT, CIF or CIP quotations are provided the FOB (or FCA) price should also be given because the import duty is calculated on the FOB price.)

Many imports into Australia by retailers and importers are financed by Letter of Credit (LC) for 30 to 90 days. Where a close relationship exists between the exporter and the importer, payment may be by telegraphic transfer (T/T) at the request of the exporter. In such cases, the importer usually transfers the funds once the goods are loaded on the vessel. In both cases, however, the applicable rate of exchange is that prevailing at the time the funds are actually transferred between the two banks, normally within three days of shipment.

Overseas suppliers should not expect any problems with the remittance of funds to or from Australia, as there are no cumbersome foreign exchange controls.

Documentation

The following documents are required when exporting to Australia by either sea or air freight:

DOCUMENTATION	**SEA FREIGHT**	**AIR FREIGHT**
Commercial Invoice	Yes	Yes
Bill of Lading/Air Waybill	3 Negotiable 3 Non-negotiable	1 Original 3 Copies-Negotiable
Certificate of Marine Insurance (if the exporter has responsibility for insurance)	Yes	No
Quarantine Treatment Certificate (if applicable)	Yes	Yes
Packing List	Yes	Yes

One copy of relevant documents should be sent via airmail or courier direct to the Australian importer or the appointed Customs Broker at shipment and the original documents forwarded or negotiated through the exporter’s bank by the quickest method. Costs for storage of imports at wharfs and terminals are high and add to the price of the imported products. The importer can conclude most Customs formalities before the products reach Australia.

Developing Country Preference

To qualify for the Developing Country Tariff Preference the final process of manufacture of the product must have been performed in an Australian Customs Service (ACS) defined eligible Developing Country. In addition, not less than 50% of the factory or works cost of the product must be represented by the value of labour and/or materials of the country or of the Developing Country and Australia.

A statement as below must then be made on all invoices signifying compliance with the requirements:

Declaration: **“**I declare that the final process of manufacture of the goods for which special rates are claimed has been performed in... (Country) and that not less than one half of the factory or works cost of the goods is represented by the value of labour or materials, or of labour and materials of... (Country), or of... (Country), or of... (Country) and Australia.”

Lead Times in Import Transactions

The lead-time for overseas merchandise varies considerably from country to country and product to product.

Clothing from China, for example, is often ordered full twelve months before shipment while Christmas merchandise is generally ordered in the January/February period. Importers usually have slightly longer lead-time than retailers who are importing directly because of their need to warehouse the stock prior to delivery to the retailer's distribution centre or the individual retail outlets. On the other hand, the lead-time for "stock lot" purchases (special offers on the excess stock or cancelled order stock holdings of suppliers) can be as short as two to three months from the time of confirmation of the order to the product's retail sale.

As a general rule, however, the following lead times apply to imports of consumer products into Australia:

- Price negotiated, orders placed, finance arranged: very flexible, but for most imports 8-12 months before shipment.
- Payment made: on departure of vessel or within 3 days.
- Shipment time: Asia 4 weeks; Europe 6 weeks.
- Freight paid: 3 days before arrival of vessel.
- Clearance, delivery to warehouse: 3 days to 2 weeks after arrival.
- Placement on retail shelf: usually within 2 weeks of delivery to retailer's distribution centre: up to 3 months if warehoused by importer/wholesaler.

Freight

The great majority of Australia's imports are sent by container sea freight to either Sydney or Melbourne. There are, however, important ports located in or near the other major coastal cities of the country, eg Fremantle (Perth), Adelaide, Brisbane and Darwin.

Only a very small percentage of Australia's imports are airfreighted, but this does provide an efficient alternative for overseas suppliers.

The normal shipment time from Asia to Australia is 4 weeks and from Europe a vessel normally takes 6 weeks. Port and waterfront reforms since 1992 have seen improved container handling and ship turnaround times in all Australian ports, although clearance times for LCL (less than full container load) shipments are greater than FCL (full container load) and a growing number of Australian importers will not import unless it is in FCL lots.

Use of 20-foot containers in Australia has steadily declined in recent years and today over 50 per cent of all containerised cargo are shipped in 40-foot containers.

Warehouse Packaging

One of the most common complaints about overseas suppliers from Australian importers is the lack of attention given to the inner packs in the shipment (these are known as the "order multiple packs").

The export cartons from overseas suppliers are usually acceptable but the order multiple packs are often not according to specifications.

Australia is a large country and a shipment imported into Sydney may be broken down into smaller lots and sent several thousand kilometres to a small retail outlet. The order multiple packs should therefore be strong enough to survive this treatment and they should also be exactly as the importer requests - that is, if the order multiple pack is supposed to contain one dozen red, one dozen blue and one dozen green items this is what must be inside. The cost of repacking/sorting multiple order packs can be very high and problems in this area will discourage the importer from dealing with a particular overseas supplier.

Approaching Australian Importers

In the first part of this guide we noted that most Australian importers are slow to change from established suppliers.

We have also noted that factors such as packaging, delivery on time and low minimum orders are important to Australia importers and retailers.

It is also important to understand that Australian importers are regularly offered products from around the world and a new supplier needs to ensure that the first offer to the importer stands out from the competition.

The Competitive Nature of the Market

The general rule of the Australian retailer is that they will not directly import a product unless it is at least 15 per cent cheaper on a landed, duty paid basis than a similar product available from a local manufacturer or supplier.

This price comparison attitude of the major retailers is also reflected in the approach of the larger importers. A new supplier must be considerably cheaper than their Australian or established overseas competition and before an importer will consider switching to a new supplier, the price difference would need to be at least 5 per cent on FOB.

The new overseas supplier will therefore find that the Australian importer will be very concerned about the competitive price of the products offered. It is often not sufficient to slightly undercut the competition. The first price offered must be very attractive before the Australian company will show interest.

It should also be noted that most retailers offer genuine money back or replacement policy on faulty goods and importers will be very conscious of the need for consistent quality.

Importance of Retail Packaging

Apart from satisfying Australian packaging and labelling regulations and the importer's multiple order pack standards, new overseas suppliers must appreciate the importance of the retail packaging of any consumer goods they offer.

The Australian retail scene is very much a self-service industry and the product often has to "sell itself".

Therefore the retail packaging must be informative, attractive and of good quality. Australian importers, when offered two similar products at a similar price, will almost always choose the product with the best retail packaging.

The quality of the retail packaging expected from overseas suppliers has increased a great deal over the last 10 years. Basic bed linen, for example, is now requested in better quality poly bags with a better quality photograph, while even cheap toys must be in good quality hanger packs with attractive well printed cards.

The relatively small orders from Australian importers can create retail-packaging difficulties for new overseas suppliers because the volumes may not be sufficient for cost-effective special packaging.

On the other hand, many orders are lost because the retail packaging available from the supplying country is either not of good enough quality or the high unit cost of the box, bag, etc., makes the product uncompetitive.

When approaching the Australian importer it will therefore be most important to offer good quality and attractive retail packaging in addition to competitive prices. This may be as simple as increasing the quality of the poly bag, or it may require the printing of a new style of window box. Many overseas suppliers to Australia can offer good quality retail packaging and without this capability new overseas suppliers could have limited prospects in the market.

How to approach the Australian Importer

In summary, the main concerns of the Australian importer when looking at new overseas suppliers are:

- **Price:** the landed, duty paid cost of the product should be considered cheaper than the locally made equivalent or from other sources;
- **Reliability:** the supplier must be able to produce products of consistently good quality, arrange delivery on time and communicate regularly; and
- **Flexibility:** the supplier must be prepared to accept reasonable volume orders (this is particularly important in the small Australian market).

If a new overseas supplier can convince the Australian importer on all these points there are good prospects to sell almost any product to this market. The question is how does a new supplier convince the importer to consider their products?
Most overseas suppliers try writing to the Australian importers but this approach is usually unsuccessful. The average Australian importer receives many such letters every week and most end up in the rubbish bin unless the importer happens to be looking for a new supplier at the time. The only way this type of approach may get results is if the overseas supplier writes a brief letter which shows an understanding of the market, offers very competitive prices, reasonable minimums and, where appropriate, good retail packaging. A poorly prepared letter with no price information will not be taken seriously.

The most successful way of approaching most importers is through a visit to the market for personal discussions with the Australian companies. For the majority of overseas suppliers a visit to Sydney and Melbourne (and perhaps Perth and Brisbane if selling into the mining, oil and gas and agricultural sectors, and Adelaide if targeting the automotive or wine industries) would be sufficient to meet with the major buyers, but it will be important to arrange an appointment in advance. This may be done through your country's commercial representative/s in Australia, thorough the Chambers of Commerce or by email or facsimile direct to the Australian company.

When meeting with the Australian importer it will be most important to offer your best price first - remembering that most Australian importers do not like to bargain. Importers are straightforward in reacting to offers and will quickly tell the supplier if they are too expensive.

Once the question of price has been covered the importer will like to see samples of the product/s and the retail packaging, if appropriate. Other issues of concern will be minimum orders, quality control and delivery schedules. In other words, the Australian importer is no different from those in many other markets.

It is, however, very usual for the Australian importer to finalise any orders with new overseas suppliers before they have inspected the supplier's manufacturing or processing operations to check for quality control procedures, manufacturing operations and the general efficiency of the company.

Australian importers and retail buyers travel regularly overseas for this purpose and another acceptable option for new overseas suppliers is to meet with these buyers while in your country. Your country's commercial representative/s in Australia should be able to provide advice in this regard.

The most successful way of approaching the major retailers in Australia is through their appointed buying agents in your country. The major retailers will not import without the involvement of their buying agent, and suppliers interested in the Australian market should contact these agents to make sure they are registered as acceptable suppliers for negotiations with the retail buyers on their next overseas trip. Your country's commercial representatives in Australia or your government's export promotion authority should be able to supply the contact details.

Effective Promotion in Australia

The key to longer-term success in any market is the ability to adapt to the requirements and conditions of that market. A particular style of product may sell well in one market and be a complete failure in another. Likewise, what may prove to be a successful trade promotion activity in Europe could be unsuccessful in a market like Australia. The Australian market does require a slightly different trade promotion approach to that which may have good results in other markets.

Some important aspects that affect how overseas suppliers can promote their products in Australia are:

The small number of major international trade displays in Australia;
The relatively insignificant role of in-store promotions by the major retailers; and
The lack of suitable exhibitions for the promotion of overseas textiles, clothing and footwear.

Included in the options available to overseas suppliers to promote their products in Australia are the following:

Specialised selling missions

Many countries have successfully adopted the approach of sending specialised selling missions to Australia.

It is, however, very important to carefully plan these missions. Many Australian importers believe that such missions are often "a waste of time" because the companies come to Australia with products that are not suitable for the market and/or are not competitively priced. There is some reluctance on the part of importers to meet with these missions as they feel there is unlikely to be anything of interest.

When planning a selling mission to Australia it is therefore important to select only those companies with suitable, competitively priced products. It will also be vital to arrange, well in advance, an appointment schedule for each mission delegate at the importer's or end-user's office. Most Australian importers consider themselves to be "too busy" to visit the supplier at a hotel or other venue and will often expect the mission member to come to them.

A properly planned selling mission to Australia can be very effective as it allows the seller and buyer to meet personally to discuss business opportunities. A poorly planned mission can, on the other hand, waste time and money as well as harming the country's image with importers.

Participation in specialised trade exhibitions

This can also be a very effective way of promoting an overseas supplier's products in the market.

Specialised trade exhibitions are mostly held in Sydney or Melbourne. These range from displays featuring personal computers to camping goods. Major oil and gas and mining industry exhibitions are also held in Perth.

But while many of these exhibitions are a useful promotional tool, few attract overseas buyers and there are few events ideally suitable for overseas suppliers of textile, clothing and footwear products for example.

Commercial or official trade representatives in Australia or the Chambers of Commerce and Industry should be able to supply details of forthcoming specialised trade exhibitions, but as a guide there are very good exhibitions for overseas suppliers of:

- Building and construction materials;
- Mining and petroleum industry equipment and products;
- Computers, communications and office equipment;
- Agricultural machinery
- Leisure and camping products;
- Electronic products and components;
- Foodstuffs;
- Engineering equipment and services; and
- Toys.

Participation in specialised trade fairs in Australia is generally as expensive as those in other developed countries. The advantages offered by these exhibitions include extensive advertising and promotion, generally good attendance by buyers and the fact that a number of potential customers may also by exhibiting.

Individual Country Displays

An individual country display can be a useful way for overseas exporters unfamiliar with Australia to test their products in the market. Such displays can also assist overseas countries to promote their supply capabilities to the Australian import community.

It is, however, very important to properly plan such a display. An increasing number of importers will not be keen to visit an individual country display unless they believe the exhibitors have something worthwhile to offer.

In the competitive Australian market importers do not want to "waste their time" on attending a display of relatively expensive products which are unsuited to the market.

When planning an individual country display it is vital to undertake market research before selecting those exhibitors and products with the potential to compete in Australia.

Without such careful planning and effective promotion, individual country displays will not be as successful as they might otherwise be in assisting exporters to penetrate the Australian market.

Buying Missions

One of the most successful trade promotion activities undertaken by several countries has been a program of inward missions of interested Australian buyers to meet with exporters in their country.

This approach has usually proved successful because the buyers will not confirm their orders until they have personally inspected the supplier's operations and they will be attracted to visit the particular country if they believe there will be a prearranged program of appointments. It is usually most successful when it follows a promotional activity in Australia and the buyers have had preliminary discussions with exporters from that country.

But once again, the real success will depend on careful planning. There is no point in bringing buyers to meet with suppliers who do not produce what they require, nor is it worthwhile for them to meet with uncompetitive exporters, as this gives the impression that all suppliers in that country are uncompetitive.

Image in the Market

In a small market like Australia the most useful trade promotion tool is for exporters from a particular country to be successfully dealing with Australia importers.

As soon as products from a new supplying country begin to make their presence known in the market, other importers become far more interested in seeing what opportunities there may be for them.

Most importers in Australia know their competitors and are aware of any new products they are handling - in the competitive Australian market importers and retailers cannot afford to let their competitors gain any advantage.

On the other hand, most of the importers and retailers soon learn of difficulties being experienced with products from particular countries and this will influence their buying decisions.

The message for overseas suppliers is that while success in the market leads to increased interest from other importers, (and is, in fact, the best form of advertising) problems with even one supplier can make a large number of Australian importers very cautious about dealing with other exporters from that country.

People to help you

For further information or assistance with a closer look at the Australian market, inquiries should be directed in the first instance to the relevant export promotion agency or the commercial representative in Australia of the supplier' country.

Chambers of Commerce in each Australian State or Territory can also assist with information, advice and contact lists and introductions to Australian importers, distributors and regulatory authorities.

Contact:

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Chamber of Commerce and Industry of Western Australia (Inc)

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AUSTRALIA

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