

COMMUNICATION FROM AUSTRALIA

Negotiating Proposal: Distribution Services

The attached communication has been received from the delegation of Australia with the request that it be circulated to Members of the Council for Trade in Services.

1. Australia presents this proposal on distribution services for consideration of all members.
2. Australia reserves the right to modify this proposal at any time. This proposal does not prejudice Australia's position on other service sectors, or any future offer on this or other sectors.

A. INTRODUCTION

3. According to the GATS sectoral services classification list, the distribution services sector is defined as including commission agents' services, wholesaling services, retailing services and franchising services.
4. Distribution services constitute a principal link between the producer and consumer. In addition, the sector's performance contributes directly to the competitiveness of other sectors, such as in manufacturing, resources including mining, agriculture and services industries. For example, manufacturers and resource companies seeking to extend their activities overseas are adding value to their products and differentiating them by improved logistics, delivery, after-sales service, and through encapsulating other services. The more efficient distribution services are, the more optimal the allocation of resources and the matching of supply with demand. From a consumer perspective, these benefits can be considerable, taking the form of reduced risk, lower costs and prices, better quality and wider choice.
5. The distribution services sector accounts for a large share of economic activity. In Australia, wholesale and retailing services contribute 10 per cent to GDP and make up approximately 20 per cent of full-time employment. The sector is essentially a domestic one; Australian wholesalers and retailers undertake little significant international trade. However, this may change as business processes and supply chains are transformed by globalisation and new technologies.
6. The most important of these new technologies for distribution services is likely to be internet-delivered e-commerce. As efficiencies are achieved, business processes will need to be redesigned, firms and industries restructured, and the regulations governing them re-examined.
7. The distribution services sector has been a significant contributor to Australia's aggregate productivity growth over the past decade. Relevant developments include:

- productivity-enhancing technologies which have moved the sector from a storage-based system to a fast-flow distribution network (eg, through the use of ICT in scanning and inventory management)
- nontechnological innovation (eg, organisational and business process change, including greater integration with the logistics system)
- greater competition acting as a catalyst for rationalisation and outsourcing
- the widespread adoption of labour-saving technologies
- changes in legislation governing trading hours and reforms to industrial relations legislation which have increased the focus on enterprise-based work conditions
- the sector's response to social and demographic changes (such as the growth of 'income-rich and time-poor' consumers).

8. This has resulted in distribution services being part of an integrated 'value chain', rather than simply elements of a sequential distribution function linking producers and consumers.

9. Trade in distribution services takes place mainly through commercial presence and, as a result of advances in e-commerce, cross-border supply.

10. Within the distribution services sector, many regulatory controls govern the movement of products. These include restrictions on arms, ammunition and explosives; pharmaceutical, medical and orthopaedic goods; agricultural raw materials and live animals; food, beverages and tobacco; and precious metals.

11. Other obstacles can include:

- restrictions on the level/percentage of foreign equity ownership
- limitations on ownership of specific assets, such as real estate
- limitations on the type of corporate entity that firms can establish abroad
- limitations on the scope of operations
- the requirement (or prohibition) to form joint ventures with local suppliers
- citizenship/residency requirements.

12. Similarly, economics needs tests as part of the market entry process give administrative authorities a large measure of discretion.

13. The Australian proposal seeks liberalisation in the distribution services sector in order to expand domestic and export markets and raise productivity without compromising service quality and consumer protection. This can occur through minimising trade-distorting barriers within a framework of national interest policies.

B. PROPOSAL

14. In the GATS negotiations, Australia encourages Members to:

- examine market access and national treatment restrictions within their distribution services sectors with a view to reducing or eliminating them;

- examine the list of goods subject to restricted distribution, with restrictions to be limited to sensitive products;
 - improve the level of transparency in domestic regulation;
 - improve Mode 3 commitments, particularly with regard to the type of corporate entities that firms can establish in the host country; and
 - examine economics needs tests within their distribution services sectors with a view to reducing or eliminating them.
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