Trade in Services

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ASEAN-CER
Integration Partnership Forum
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## Protocol on Trade in Services

Services inscribed at 1 January 1989

<table>
<thead>
<tr>
<th>Australia</th>
<th>New Zealand</th>
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</thead>
<tbody>
<tr>
<td>Banking</td>
<td>International Carriers Flying Cabotage</td>
</tr>
<tr>
<td>Domestic Air Services</td>
<td>Shipping – Stevedoring</td>
</tr>
<tr>
<td>Insurance Services (Basic Health, Third Party, Workers Compensation)</td>
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<tr>
<td>International Aviation</td>
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<tr>
<td>Construction, Engineering and General Consultancy</td>
<td>Coastal Shipping</td>
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<td></td>
<td>Postal Services</td>
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<td></td>
<td>Broadcasting, Radio and Television</td>
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<td></td>
<td>Airport/Airways Services</td>
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<td>Telecommunications</td>
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</table>
## Protocol on Trade in Services

### Annex as of 9 March 1999

<table>
<thead>
<tr>
<th>Australia</th>
<th>New Zealand</th>
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<tbody>
<tr>
<td>Third Party Insurance Services</td>
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<tr>
<td>Broadcasting, Radio and Television</td>
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Annual CER Ministerial Forum agrees eg ‘to continue to examine the few remaining sectors....’
Three case studies

- Postal services
- Coastal shipping
- Telecommunications
Postal services

• Interest
  – Natural monopoly (?), Universal services,
    Pressures for adjustment from technological change

  – All were documented in the inscription list
Following reform...

- New competitors then arrived eg **Pete’s Post**
  - Use of access agreement
  - Attracted foreign investment eg Croxley
- Other adjustment by NZ Post
  - Developed new businesses using their network eg banking, express delivery, international consulting,
  - investments in Australia
Other consequences

• Productivity growth in anticipation of removal of the monopoly
  – In the lead up to reform, prices fell and quality improved.
    • NZP Letter price fell in 1995 from 45 to 40 cents and then to 50 cents in 2006 [60 cents in 2010 and 70 cents from July 2012 – general price level 45% higher since 1995]
    • between 1987 and 1995 next day deliveries went from 17% to 99%

• Universal service
  – Still carried by NZ Post
Further adjustment to come

• **Falling mail volumes** (5% a year) will lead to further discussion about service quality and adjustments to the universal service obligation
  – Variations in fees, service quality, use of substitute services, etc.
Coastal shipping

- Usually a sensitive sector
- Important input for some other non-services sectors
Coastal shipping
(Bertho paper for the PSU)

• Australian coastal shipping is regulated by the Navigation Act 1912.
  – Plus ‘Ministerial Guidelines for Granting Licences and Permits to Engage in Australia’s Domestic Shipping

• The legislation has not changed much over several decades but its interpretation has.
  – “Until the early 1990s coastal shipping permits were issued to foreign-flag vessels in exceptional circumstances only and the share of coastal trade transported under the permit system was small”. This changed in the late 1990s.

More permits issued since late 1990s

Share of trade under permits went from 7% in 1999 to 25% in 2007
Coastal shipping prices

And productivity of the remaining Australian coastal fleet increased by a factor of more than 2
Australian fleet adjusted

Table 13.2: Summary of the Australian registered trading fleet, 1999 and 2007.

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<thead>
<tr>
<th></th>
<th>Number of vessels</th>
<th>Dwt</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coastal trade</td>
<td>41</td>
<td>28</td>
<td>1,562,588</td>
</tr>
<tr>
<td>Overseas trade</td>
<td>10</td>
<td>10</td>
<td>673,467</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>38</td>
<td>2,236,055</td>
</tr>
</tbody>
</table>

Now only 22 ships
Reaction

• The policy change however is not ‘bound’
• Government now proposes to abandon the permit system in new legislation
• But consumers are resisting the change:
  – Eg petrol and cement
Figure 7.5: Comparison of change in APEC economies’ mobile penetration rate. (Source: ITU 2009b)

NZ and Australia are ‘on the line’

Figure 7.4: Mobile penetration rate and GDP per capita (2008). (Source: ITU 2009b)
Telecom debate in CER context

• Growth linked to reform applied globally
• CER debate now focuses on competition regulatory policy
  – whether the lack of harmonisation is holding back the degree of market integration
  – CER is not as detailed as other bilateral agreements with respect to aspects of telecom competition.
Five Themes

1. Experiments are useful
2. Incumbents can adjust
3. Universal service is not a constraint on reform
4. Reform never ends
5. Resistance can reappear when reform is not bound
Additional slides
Protocol on Trade in Services to the ANZCERTA

• Inscription of Postal Services (1989)
  – New Zealand
    • Statutory monopoly of New Zealand Post Limited
      – For letters up to 500 grams
      – Exception: anybody may carry letters 500 grams or less
        provided they charge at least NZD1.75
  – Australia
    • Statutory monopoly of Australian Postal Commission
      – For letters up to 500 grams
      – Exception: anybody may carry letters 500 gram or less
        provided they charge at least ten times standard postal article rate
Protocol on Trade in Services to the ANZCERTA

- **Inscription of Postal Services (1992)**
  - **New Zealand**
    - Statutory monopoly of New Zealand Post Limited
      - For letters up to **200 grams**
      - Exception: anybody may carry letters **200 grams** or less
        provided they charge at least NZD0.80
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Protocol on Trade in Services to the ANZCERTA

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  - Australia
    - Statutory monopoly of Australian Postal Corporation (Australian Post)
      - Exceptions:
        - Letters weighing more than 250 grams
        - Carriage of letters where charge is at least four times standard letter rate
        - Collection of mail for foreign delivery
        - Movement of documents within document exchange service
        - Carriage of letters between offices within same organization by third party
Protocol on Trade in Services to the ANZCERTA

- Inscription of Postal Services (1999)
  - New Zealand
    - Full liberalization of postal services

- Australia
  - Statutory monopoly of Australian Postal Corporation (Australian Post)
    - Exceptions:
      » Letters weighing more than 250 grams
      » Carriage of letters where charge is at least four times standard letter rate
      » Collection of mail for foreign delivery
      » Movement of documents within document exchange service
      » Carriage of letters between offices within same organization by third party
Protocol on Trade in Services to the ANZCERTA

- Inscription of Telecommunication (1989)
  - New Zealand
    - Statutory monopoly of Telecom
      (Network monopoly until 1 April 1989)
      - Exception: value added services using circuits leased from Telecom

Australia

- Provision of:
  - Basic public switched telecommunication networks
  - Basic international network facilities
  - Following services:
    » Public switch data
    » Public switched text and video
    » Public switched ISDN
    » Circuit leasing
    » Mobile phones
  - Payphone services and maintenance of
  - The first standard telephone in customer’s premises
  - Shared use and resale of carriage of traffic over private telecommunication networks
Protocol on Trade in Services to the ANZCERTA

• Inscription of Telecommunication (1992)
  – New Zealand
  • Articles of Association of Telecom Corporation New Zealand limits the shareholding by any single overseas entity to 49.9 per cent and can only be amended by the consent of the Government

Australia
• Telecommunications Act 1991:
  – Provision of payphone services and maintenance of
  – Supply of telecommunication services by satellite
    » Exception: Class license holders issues by AUSTEL
  – Supply of mobile phone services
    » Exception: Class license holders issues by AUSTEL
  – Supply of services of interconnected radio-communication networks
    » Exception: Class license holders issues by AUSTEL
  – Foreign ownership restrictions and control of licenses imposed by conditions of their license and Foreign Acquisition and Takeover Act 1975
  – Only two carrier licenses to be issued before 30 June 1997
  – Only three Public Mobile Telecommunication licenses to be issued before mid 1995
Protocol on Trade in Services to the ANZCERTA

- **Inscription of Telecommunication (1995)**
  - New Zealand
    - Articles of Association of Telecom Corporation New Zealand limits the shareholding by *any single entity* to 49.9 per cent and can only be amended by the consent of the Government

Australia

- **Foreign ownership restrictions and control of licenses imposed by conditions of their license and Foreign Acquisition and Takeover Act 1975**
- **No additional Public Mobile Telecommunication Services licenses will be issued before 30 June 1997**
Protocol on Trade in Services to the ANZCERTA

- Inscription of Telecommunication (1995)
  - New Zealand
    - Full liberalization

Australia
  - Full liberalization