

# International e-commerce at Australia's border

FTA's Sal Milici explores the booming volumes, cost recovery challenges and aging government systems

## E-COMMERCE IN AUSTRALIA

has experienced significant growth over the past decade, fundamentally transforming the retail landscape. This evolution has been driven by advances in technology, shifting consumer preferences and global economic trends.

As we look towards the future, the trajectory of e-commerce continues to point upwards, with substantial implications for various sectors including air cargo, border and biosecurity – especially the government platforms used to report and clear the ever-growing volume of low value (under \$1000) cargo.

## HISTORICAL GROWTH OF E-COMMERCE IN AUSTRALIA

The e-commerce sector in Australia has seen exponential growth, particularly since the mid-2010s. A combination of increased internet penetration, improved logistics infrastructure, and a shift in consumer behaviour towards online shopping has fuelled this rise.

**Despite a stagnant retail market overall, online spending in the six months up to March 2024 surged to nearly \$32 billion, marking a 12% increase from the preceding six months ending in September 2023**

Major retailers like Alibaba, Amazon, eBay, and local players such as Catch and MyDeal have capitalised on this surge, expanding their product ranges and improving delivery services.

In the year leading up to March 2024, approximately \$60 billion was spent online across non-food categories. Despite a stagnant retail market overall, online spending in the six months up to March 2024 surged to nearly \$32 billion, marking a 12% increase from the preceding six months ending in September 2023 (which

saw \$28 billion in spending). This growth contrasts sharply with non-online retail spending trends during the same periods.

New players like Temu and Shein have rapidly gained traction in the Australian online shopping landscape. Temu attracts over 1.4 million monthly shoppers, spending an estimated \$1.4 billion annually, while Shein serves around 800,000 shoppers annually, with an estimated annual spend of \$1 billion. Amazon, which fully entered the Australian market in 2017, has seen significant adoption, with 3.4 million Australians (more than 15% of the population) shopping there monthly by March 2024, almost doubling from early 2021. Amazon's annual sales are estimated at \$5.6 billion, comprising approximately one-tenth of total online spending.

## E-COMMERCE CARGO REPORTER LEVY

The 2023-24 federal budget identified a need for “sustainable funding” to strengthen Australia's biosecurity system. The federal

government planned for this to be paid for on a “shared responsibility” basis taking total revenue from \$536.2 million to \$804.6 million by the 2024-25 financial year (including the introduction of new levies on domestic producers and e-commerce cargo reporters from 1 July 2024).

Freight & Trade Alliance has been advocating for a delay in the implementation of the new cost recovery charge for biosecurity clearance of low-value goods (valued at \$1000 or less), originally set for 1 July 2024.

This new charge will now be implemented on 1 October 2024.

This extension is intended to give the Department of Agriculture, Fisheries, and Forestry adequate time to engage with the industry and address any outstanding concerns regarding the administration of these arrangements.

Recent discussions involving other representative groups have raised issues related to the proposed e-commerce cargo reporter levy. These discussions have led to a call for a broader review of alternative collection methodologies to include all low-value imports and ensure a level playing field between logistics providers and Australia Post.

## PROJECTED GROWTH OF E-COMMERCE IMPORT VOLUMES

The projected growth of e-commerce import volumes into Australia reflects the broader global trend of increasing online shopping. This surge is driven by several factors:

- 1. Consumer behaviour:** Australian consumers are increasingly turning to online shopping for convenience, variety, and competitive pricing. The Covid-19 pandemic accelerated this trend, with more people becoming comfortable with purchasing goods online.
- 2. Global marketplaces:** Major global e-commerce platforms like Amazon, eBay, and Alibaba have expanded their reach into the Australian market, making it easier for consumers to buy products from overseas.
- 3. Logistics and delivery improvements:** Advances in logistics and international shipping have made it more efficient and cost-effective to import goods into Australia. Companies are investing in local fulfillment centres and partnerships with Australian logistics providers to enhance delivery speed and reliability.

**4. Mobile commerce:** The rise of mobile commerce (m-commerce) is contributing significantly to e-commerce growth. Australians are increasingly using smartphones and tablets to shop online, further boosting import volumes.

There are also statistical projections to consider, with various market research reports projecting robust growth in Australia's e-commerce imports. For example, the total value of e-commerce in Australia was expected to exceed \$32 billion by 2022, with a significant portion of this being imports. This figure has been growing annually at double-digit rates.

The volume of imported parcels has been increasing year-over-year. Australia Post reported a substantial rise in the number of international parcels handled, reflecting the surge in e-commerce activities.

#### EVOLUTION AND CHALLENGES OF THE INTEGRATED CARGO SYSTEM

Due to space constraints and fears of triggering some readers, I won't delve too deeply into the detailed history of the Integrated Cargo System (ICS) implementation. The ICS is a platform used by the Australian Border Force to manage the reporting, movement and clearance of cargo entering and leaving Australia.

The ICS implementation date of 12 October 2005 is seared into the memory of many in the industry – myself included – who experienced the rollout firsthand. Significant issues with the system's functionality and performance caused major disruptions, especially in the sea cargo sector. Australia's major ports were heavily congested, with a substantial backlog of containers awaiting clearance and delivery for weeks, and in some cases even months.

In April 2024, almost 20 years since its implementation, the ICS processed a total of 11.4 million cargo reports, with the peak day rate hitting 489,000 reports, the highest since January 2024.

This surge in volume, reflecting a 36% year-on-year growth and an increase of three million reports compared to April 2023, is predominantly driven by the persistent expansion in e-commerce activities. The consistent growth in cargo report volumes underscores the robust demand generated by the growing e-commerce sector.

#### DEPARTMENT OF HOME AFFAIRS CAPABILITY REVIEW

A recent capability review of the Department of Home Affairs by the Australian Public Service Commission highlighted significant challenges:

- **Aging systems:** More than 40% of the department's 480 business systems have reached end of life, posing a significant risk of failure and increasing costs.
- **Funding gaps:** Resources needed to sustain and replace these systems are not fully funded, hindering the department's ability to improve operations and leverage new technologies.

## The Department of Home Affairs' aging infrastructure, funding gaps and lack of a cohesive ICT

- **Lack of a unified plan:** The department lacks a cohesive plan for the future of its ICT and data assets. The current technology strategy is outdated, focusing on findings from a 2016 review and aiming to overhaul the technology environment over five to 10 years.
- **Resource challenges:** The Technology and Major Capability Group struggles with resourcing, supporting nearly 200 active projects with a contractor-to-staff ratio of about 50:50.
- **Governance issues:** Despite existing strategies and revised governance, the department lacks effective mechanisms to prioritise its work program transparently.

At the time of writing, ABF has notified industry of a pilot project through the ABF Trade Portal, developed in response to trade industry feedback, aimed at simplifying import and export procedures.

Its first offering, the self-assessed clearance declaration without lines, demonstrates the use of MyGovID for authentication. This pilot also tests the Home Affairs secure cloud environment, bypassing traditional systems like the Common Connect Facility and Cargo Interactive.

Current developments suggest efforts to streamline the ICS by exploring potential reductions in its operational volume.

#### NAVIGATING THE FUTURE OF AUSTRALIAN E-COMMERCE

The rapid expansion of e-commerce in Australia has not only reshaped consumer behaviour and retail practices but has also placed significant demands on the country's logistics and border security infrastructure. The historical growth, bolstered by major global and local e-commerce players, underscores a robust trend likely to continue. However, this growth brings challenges, particularly in funding and updating the technology required to manage increasing import volumes.

The introduction of the e-commerce cargo reporter levy and the subsequent discussions highlight the complexities

involved in ensuring sustainable funding for biosecurity while maintaining fair and efficient processes for all stakeholders. The persistent increase in cargo volumes, driven by consumer preferences and technological advancements, necessitates ongoing improvements in logistics and customs systems.

The Department of Home Affairs' aging infrastructure, funding gaps, and lack of a cohesive ICT strategy present significant hurdles. The recent capability review and subsequent pilot projects indicate an awareness of these issues and a commitment to modernisation. Yet, the question remains: Can Australia's customs and border security systems evolve quickly enough to keep pace with the surging demands of e-commerce, or will these growing pains hinder the seamless flow of goods into the country? This is a critical consideration for policymakers, industry stakeholders and consumers alike as they navigate the future of e-commerce in Australia. ■



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