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AOIS MANAGEMENT SLAMMED FOR EI OUTBREAK

A damning 345-page report into the 2007 equine influenza (EI) outbreak that cost associated industries more than $1 billion has blamed the Australian Quarantine and Inspection Service (AQIS) for the debacle, citing broad systemic failures in Australia's quarantine administration. The report by former High Court judge Ian Callinan QC raised serious questions about the operation of AQIS. The report found that management systems in AQIS failed to bring to the attention of senior executives that protocols for the quarantine of horses at its Eastern Creek station in western Sydney had not been followed. Stephen Hunter, executive director of AQIS has stood aside from his role in the wake of the report. The publication of the report is expected to lead to major damages claims and possible class actions by affected companies and individuals. Quentin Wallace, the executive chairman of Australia's largest horse transport company, International Racehorse Transport (IRT) welcomed the release of the report and said he would be studying the findings and recommendations in depth over coming weeks. On a brief reading he said if there was a concern at all, it might be that in implementing the recommendations, substantial layers of additional cost may be added to cost of importing horses to Australia. That in turn may reduce traffic because owners of the more modestly valued horses or migrants moving pet horses internationally may not be able to afford the new costs. "This would likely have a multiplying effect as whilst numbers reduce, costs will inevitably spiral upwards," said Wallace.

KOREAN FAILS IN BID TO BLOCK ACCC

Korean Air Lines has been ordered to give the Australian Competition and Consumer Commission (ACCC) documents relating to alleged price-fixing after the Australian Federal Court dismissed a Korean challenge that because the ACCC had already – *(Continued on Page 2)*

AIRBUS PUSHES BACK A380 DELIVERIES

Airbus has delayed the A380 program for the fourth time, but this one appears not as troublesome as previous slow-downs that were related to the wiring of the aircraft. Nevertheless, the manufacturer will likely once again be required to fork over millions of dollars in penalty payments to customers. "This is unfortunately not the first delay and as CEO of Airbus I have to say I regret this very much," CEO Tom Enders was quoted as saying. The ramp-up in production for later this year will take longer than expected, said Enders. Time and resources for individual production were higher than expected, creating delay in the changeover to full serial manufacturing. Airbus plans for 12 instead of 13 deliveries in 2008; 21 instead of 25 in 2009 and 2010 deliveries could drop from 42 to 30, although a firm delivery number has yet to be given. Following the previous wiring-related delays, Airbus initiated a recovery program for summer 2008. Since then, the manufacturer delivered four aircraft and has 17 in various stages of production. Launch customer Singapore Airlines is expected to receive its 5th A380 this summer and Qantas will get its first in August. Emirates, which ordered 47 aircraft, will get its first sometime in the third quarter. The continued delays of the passenger-configured A380 make the building of an all-cargo version doubtful.

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(Continued from Page 1) – decided to institute proceedings against the airline, it was not entitled to issue the notice. Korean Air also asserted the ACCC was misusing its Trade Practices Act powers because it was asking for information that it could later use to determine any possible penalties it might seek against the airline. Justice Peter Jacobson rejected the carrier's arguments. He said he found no decision had been made by the ACCC to commence proceedings against the carrier and that the notice had been issued for the performance of the ACCC's administrative function.

GLOBAL AIR FREIGHT MARKET TO REVIVE

The current slowdown in the U.S. economy and the global air freight industry could last another three years before a return to growth above 5 percent, according to a ten-year forecast. The global air freight market should return to an average annual growth rate of 5.6 percent by 2011 after a slowdown in the near term, said the 2008 OAG Global Air Freight Forecast. "Amid soaring fuel prices and economic uncertainty, the projections for the next decade reveal some light at the end of the tunnel," said Tulinda Larsen, managing director of OAG Analytical Services. Once things pick up, OAG expects the international air freight market to flourish with average annual growth of 6.1 percent during the 10-year forecast period from 2008 to 2017. Fastest growth is likely to occur in the Middle East and in Africa, where the base is small but open to emerging trends. China's growth rate will be third, and the trade lane between China and North America will be the largest global market for air freight, the forecast said. OAG said expansion of Chinese consumer consumption capabilities with the emerging middle class, coupled with growing intra-Asia trade with China, will fuel the intra-Asian market. OAG forecasts robust intra-Asia trade with an average annual growth rate of 7.5 percent. "Trade connecting to North America continues to dominate global air freight and other markets are feeling the impact of the U.S. economic woes. The rising cost of operations will force the industry to make tough decisions that will impact air freight capacity on a global level," Larsen said.

SURCHARGES DON'T CUT IT

Frightening new studies show airlines today cannot break even by applying fuel surcharges. Most of the time, they aren't even coming close, even if they've raised fares half a dozen times in the past two months. The Wall Street Journal has just published examples that effectively illustrate the problem: One shows American Airlines (AA) charges an average US$671 on its New York/JFK-Los Angeles route, but its fuel bill equals US$488 per passenger - almost 73 per cent of the revenue on each ticket. Cargo and fee revenue offset other costs, but expenses aren't being covered. Meanwhile, International Air Transport Association (IATA) director general and chief executive officer, Giovanni Bisignani, told the association's 64th annual general meeting in Istanbul: "Over the past 60 years, the aviation industry made US$11.5 trillion in revenues, but only US$32 billion in profits. "Average margin for the entire industry has been just 0.3 per cent. And the industry is US$190 billion in debt. The situation is grim." He called on governments, industry partners and labour to address the fuel crisis. Hit hard by rising jet fuel costs, the United States' major passenger airlines combined for more than $1.3 billion in losses in the first quarter, in the worst financial performance for the carriers in nearly three years, according to the U.S. Department of Transportation.

AUSTRALIA AND CHILE CONCLUDE FREE TRADE AGREEMENT

Australia and Chile have concluded negotiations for a free trade agreement. Announcing the completion of negotiations, the Minister for Trade, Simon Crean said "the first FTA concluded by the Rudd Labor Government was the most comprehensive FTA Australia has ever negotiated". "This is a high-quality agreement that covers goods, services and investment. The commitments go beyond what each country has committed at the WTO," Mr Crean said. "As such, it will reinforce the contribution of both countries to the multilateral trading system and serve as an excellent model for other APEC economies as they work towards deeper economic integration." Two-way trade is currently more than $850 million a year and Australia invests US$3 billion in Chile. Under the FTA, all existing goods trade will be liberalised by 2015 and significant commitment on services and investment will be made upon entry into force. Mr Crean said he expected the Agreement to enter into force on 1 January 2009 following ratification in each country.

AVOIDING CUSTOMS CONTROLS COSTS IMPORTER DEARLY

A Customs investigation has led to a Perth court imposing penalties of $30,000 and costs of $25,000, totalling $55,000, on a WA company and its director for illegally moving goods that were under Customs control. National Manager Investigations, Richard Janeczko, said the penalties should serve as a reminder to all importers that they must comply with the requirements of the Customs Act. The company and its director were found guilty on a total of 10 charges of breaching Section 33 of the Customs Act. The charges related to the import of 12 powerboats and two luxury craft from the USA into Fremantle by sea in April 2006. A total of eight boats were illegally removed from the Fremantle wharf at North Quay before the vessels had been cleared by Customs for import, and before shipping and brokerage charges had been paid. Customs compliance officers undertake real-time checks and audit activity to identify non compliance which can lead to a broad range of sanctions, including prosecution and infringement notices.

EMDG SCHEME CHANGES

Legislation has been passed to give effect to a number of changes to the Export Market Development Grants (EMDG) scheme to update and revitalise it. The changes apply to applications lodged from 1 July, 2009 and export promotion expenditure incurred from 1 July, 2008. This means that businesses applying for an Export Market Development Grant (EMDG) in the 2008-09 grant year will be able to take advantage of new scheme rules. The key changes include:

- increasing the maximum grant by $50,000 to $200,000
- lifting the maximum turnover limit from $30 million to $50 million.
- reducing the minimum expenditure threshold by $5,000 to $10,000.
- allowing costs of patenting products overseas to be eligible for EMDG support.
- increasing the limit on the number of grants able to be received by a business from 7 to 8.
- making the scheme more accessible to services exporters by replacing the current list of eligible internal and external services.
- allowing State, Territory and regional economic development and industry bodies promoting Australia's exports, including tourism bodies, to access the scheme.

THIRD TERMINAL ON THE WAY

The international tender to select a stevedore to operate the third terminal at Port Botany opened on 1 July. Ports and Waterways Minister Joe Tripodi said the Government is making massive investment in the ports as part of its plan to ensure the economic growth of NSW. "The new Port Botany terminal is the biggest port expansion NSW has ever seen – a $1 billion redevelopment," Mr Tripodi said. "The opportunity to operate Sydney's newest terminal at Port Botany has already generated significant international interest. I anticipate the field will be strong and extremely competitive. "This is an exciting development for the economy. It will deliver 9,000 new jobs to NSW and boost the state's economy by $16 billion in the next 20 years." "We expect the stevedore to be chosen by early 2009 with the first berths available for trade from 2012." The construction of the third terminal will be under way soon with building activities to commence later this year. The land area will be available for fitout by the successful proponent in 2011. The invitation for expressions of interest is the first stage in a two-step process to select the operator for the third container terminal. Applicants will have to demonstrate their capability and expertise in the areas of financial and resource capability; container terminal experience and ability to resource and manage the new terminal. The EOI is open to all stevedores including the existing operators in Port Botany.

AUSTRALIA TO PARTICIPATE IN SHANGHAI WORLD EXPO 2010

Australia has signed the official Contract of Participation for the 2010 Shanghai World Expo. The Shanghai World Expo will take place between 1 May and 31 October 2010. Over 170 countries and 30 international organisations are expected to take part and it is estimated that the Expo will attract more than 70 million visitors. This important step formalises Australia's commitment to what will be the biggest World Expo in history and follows the Government's commitment of $61 million in this year's Federal Budget. The Commonwealth will also seek a further $22 million in funding from corporate sponsorships and partnerships with the States and Territories. The Trade Minister, Simon Crean, visited the site of the Shanghai World Expo during his trip to China in April 2008, including meeting with China's Commissioner General for the Expo, Ambassador Hua Junduo. The centrepiece of Australia's presence will be a high-impact, high-capacity pavilion, which will engage, educate and entertain an expected seven million visitors over the 184 days of the expo. Five tenders will be released in 2008 and 2009 – communications and public affairs; pavilion construction, exhibition and technical operations; cultural program; pavilion staffing, retail and operations; and pavilion decommissioning.

FIVE MORE AIRLINES NABBED

Five more airlines have reached plea agreements worth a total of $504 million with the U.S. Department of Justice for conspiring to fix rates and fuel surcharges earlier this decade. The total number of airlines that have agreed to pleas with the DOJ is now 9, with fines totaling more than $1.2 billion, the highest total amount of fines ever imposed in a criminal antitrust investigation. Of the $504 million in fines, Air France-KLM, which now operates under common ownership by a single holding company, has agreed to pay a $350 million criminal fine, the second highest fine ever levied in a criminal antitrust prosecution. Cathay has agreed to pay a $60 million criminal fine; Martinair $42 million; and SAS $52 million. The plea agreements are subject to court approval. The airlines each engaged in a conspiracy to suppress and eliminate competition by fixing the cargo rates charged to customers for international air shipments, according to the charges filed in the U.S. District Court for the District of Columbia. The companies have agreed to cooperate with the Department's ongoing investigation. Australian carrier Qantas reportedly will settle with both European and Australian regulators over accusations of illegal price fixing as part of an international air freight cartel. Qantas and several other airlines already have indicated they will admit liability to the European Commission. Last year Qantas also pleaded guilty to the US Department of Justice and paid a US$61 million fine.

MARITIME TRADE EXPANDS WHILST TRADING FLEET DECLINES

New official data contrasts the record amount of cargo crossing the nation's wharves in 2006-07 with the continuing decline in the Australian trading fleet to less than a hundred ships. According to the *Australian Sea Freight 2006-07* report:

- The amount of cargo leaving and arriving at the nation's ports exceeded 850 million tonnes – 733.7 million tonnes of international cargo (exports up 5.1 per cent and imports up 8.5 per cent) and 116.5 million tonnes of coastal trade.
- Higher prices for most major commodities contributed to a 10.8 per cent increase in the value of exports and 10.4 per cent increase in the value of imports between 2005-06 and 2006-07.
- Coastal freight, including tonnages loaded and unloaded at Australian ports, displayed a year–on–year increase of 5.6 per cent. Based on cargo loaded, the coastal fleet task amounted to 126 million tonne/kilometres, an increase of 3.4 per cent from 2005-06.
- The number of ships involved in international shipping entering Australian waters increased from 3,528 (2005-06) to 3,725 (2006-07).

NEW MORWELL PALLETS GOOD NEWS FOR EXPORTERS

A Morwell-based manufacturer is to produce a new line of shipping pallets approved for use in Europe, in a significant boost for the Victorian export market. Industry and Trade Minister, Theo Theophanous, who officially launched the new pallets at Fishers' Latrobe Valley plant said the Europallets would give Victoria's export drive a further boost, creating more new jobs. "Europallets are the preferred standard throughout much of Europe and Fisher is the first and currently only company licensed by the European Pallet Association (EPAL) to manufacture and repair Europallets in Australia," Mr Theophanous said. "As a result, Australian exporters and freight forwarders will now be able to source Europallets locally rather than using hard-to-find second-hand pallets or paying a repacking penalty, therefore enhancing their competitiveness. Fishers was established in Korumburra in 1950 and set up in Morwell in 1979. The company manufactures around 350,000 timber pallets per year for the domestic market.

LANDSIDE MANAGEMENT OF CONTAINERS

Recently the Victorian Transport Association urged members (container transport operators) to charge for waiting time when delays are experienced at empty container parks in Melbourne. The Customs Brokers and Forwarders Council of Australia Inc (CBFCA) understands structural changes are occurring in the ownership management and commercial arrangements between shipping lines and empty container parks operators in the port supply chain. These changes seem to be happening with little regard for the negative flow on effects in the international trade and transport chain, including truck delays, queuing, congestion and additional costs to industry. While the import trade is expected to significantly grow by 2020, little apparent planning has been undertaken to ensure there is sufficient capacity available to handle the forecasted growth. Instead we are seeing empty containers parks starting to close down, which is reducing capacity. The reduction in empty container park capacity issue is not unique to Victoria and other states are experiencing the same issues.

The most pressing issues for the efficient management of empty containers are seen by the CBFCA as:

- container parks (short term) inability to cope with volumes.
- need for an online portal to better manage/view de-hire data.
- mismatch of operating hours between empty parks and stevedores, and
- the need to be able to de-hire at future intermodal terminals

Pressure on container parks to extend hours is exacerbated when stevedores include weekends as normal working days. Also shipping lines do not appear to take into consideration any delays experienced in the supply chain, including the delays experienced at the empty container parks, public holidays and weekends into the free days availability to return the empty container, which is on average ten (10) days from the first day of availability. Efficient landside management of containers improves port capacity, traffic congestion on the transport network and removes unnecessary detention costs. The CBFCA sees that the management of empty containers, empty container park operating hours and empty container park performance are central to these strategies.