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NEWSLETTER 2009/4 **AUGUST 2009**

AOIS CARGO AND VESSEL CLEARANCE FEE RESTRUCTURE

The Australian Quarantine and Inspection Service has issued a notice to advise industry of the revised fee rates and other changes made to AQIS Cargo and Vessel Clearance fees, effective as of 1 July 2009. According to AQIS the new fee package will ensure that adequate biosecurity services can be maintained and also allow some improved quarantine practices to benefit both industry and the public.Some examples of the fee increases include:

Fee Description	Current	New Fees 2009-2010
Import Declaration in the Integrated Cargo System - AIR	$10.00	$15.00
Import Declaration in the Integrated Cargo System - SEA	$10.00	$14.00
Assessment of Import Declaration – Compliance Agreement Lodgement	$6.00	$8.00
Inspection of Container – Fee per Full Container Load	$16.00	$24.00
Inspections In-Office per 1/4 hour	$35.50	$40.00
Inspections Out-Office 1st 1/2 hour	$80.00	$90.00
Inspections Out-Office Additional 1/4 hour	$40.00	$45.00

The onset of the global economic crisis has seen a drop in trade across the board with industry predictions of import activity decreasing to 2006-07 figures. Cost modelling was undertaken in consultation with industry through the AQIS/Industry Cargo Consultative Committee (AICCC) to find equitable ways to meet the funding shortfall. The revised fee package contains a number of changes including the simplification of some charges and alignment of similar fees across different programs. – *(Continued on Page 2)*

CUSTOMS COMPLIANCE MONITORING PROGRAM

The Australian Customs and Border Protection Service is replacing its Benchmark Audit program with a program using Pre Clearance Intervention (PCI) or Red-line processing. The Benchmark Audit Program was resource intensive for both Customs and Border Protection and industry. The new program will be referred to as the Compliance Monitoring Program and will cover a few areas including Imports and Exports. The program uses a statistical valid sample to provide an indication of overall levels of compliance. The Imports phase of this program commenced on 1 July 2009, applies to import declarations, and was undertaken in Brisbane. The program will result in approximately 17 declaration lines per day being selected, with a requirement for documents to be lodged under Section 71DA of the Customs Act. The process will involve a check from the documents to the declaration. There should, therefore, be no requirement to examine the goods, although further information may be requested to confirm key fields like tariff classification, customs value, and eligibility for a tariff concession or claims for other concessional rates of duty. From an industry perspective there will be no change to the normal process for lodging documents for import declarations which require documents to be lodged. The new program will afford the opportunity to provide summary data to industry about areas of non compliance to assist in improving compliance by industry.

INSIDE

(Continued from Page 1) – The proposed changes include increases for:

- lodgement and assessment of entries and applications;
- full container load (FCL) and less than container load (LCL) inspections;
- services performed during and outside ordinary hours of duty; and
- Fee-For-Service (FFS) activities.

Organizations representing importers are understood not to have objected to the fee increases.

BLEAK PICTURE FOR OCEAN CARRIERS

Drewry Shipping Consultants predicts tougher times ahead for ocean carriers in its latest Container Forecaster report, and suggests that some will not survive. In line with other analysts, it forecasts that global containerised trade will fall by 10.3% this year. However, it forecasts only 1% growth next year, whereas others are more optimistic, including MDS Transmodal, which believes 4% to be more likely, and Axis Intermodal, which expects between 4% and 6%. The latter's prediction is based on GDP growth of between 1.9% (IMF) and 2.7% (OECD), and a strong recovery in emerging markets. Due to container vessel capacity continuing to outstrip cargo growth, Drewry's global supply/demand index is expected to fall from 83.4% this year to only 79.6% in 2010. One of the consequences of this is that the container sector is looking at a USD20 billion black hole. Drewry blames the larger carriers for this because of their desire to gain market share at the expense of freight rate levels, and for not being close enough to their customers, alleging that niche market players have a much better business model.

ASIA-AUSTRALIA DISCUSSION AGREEMENT TO HIKE RATES

Members of the Asia-Australia Discussion Agreement will implement a rate increase as part of a rate restoration program for the trade moving from China and Hong Kong to Australia. Effective Aug. 1, the proposed increase is $300 per TEU and $600 per FEU for dry and refrigerated containers. The group also plans to impose a peak-season surcharge of $250 per TEU and $500 per FEU on the route, effective Aug. 15. The announcement comes after the carriers raised their bunker surcharges to $325 per TEU and $650 per FEU, as of July 10. AADA members are ANL Singapore, China Shipping Container Lines, Cosco, Hamburg Sud, Hanjin Shipping, Hyundai Merchant Marine, "K" Line, Mediterranean Shipping Co., MOL, NYK Line, Orient Overseas Container Line, Gold Star Line (Hong Kong) and Zim Integrated Shipping Services. As with many attempts to increase rates over the last twelve months it remains to be seen if these ones will hold.

INCREASING INDICATIONS OF LOGISTICS SECTOR RECOVERY

From a range of indicators published in the past couple of months, the consensus seems to be that the recession has bottomed out. Air cargo volumes, for instance, do not seem to be getting any worse, stabilizing at around levels 20% lower than last year. However it is still very unclear when the recovery will start kicking in. One of the most relevant indicators of future performance in the logistics sector is the level of sales in the semiconductor industry. Microchips are ever more present in a range of electronic goods – including washing machines, cars, office equipment and of course phones. The industry increasingly mirrors the performance of the overall economy and can give a good idea of future shipping levels. Latest figures released by the Semiconductor Industry Association (SIA) provide reasons for optimism. Worldwide sales of semiconductors rose to $16.5 billion in May, an increase of 5.4% from April. May sales were 23.2% lower than May 2008 (reflecting the sort of falls seen in the air cargo sector) when sales were $21.5 billion. The semiconductor figures provide a clue of what will be happening in upstream supply chains in the next few months. One of the reasons for the dramatic fall in shipping volumes earlier in the year was that manufacturers and retailers stopped ordering new product as they were suffering from 'inventory overhang'. Levels of consumers' spend had been overestimated and warehouses had become full.

IDLE BOX FLEET HEADING FOR 2 MILLION TEUS

Idled container ship capacity is heading for more than 2 million TEUs by the end of the year, as shrinking global box traffic amid accelerating deliveries of new ships swells the glut of tonnage. The July 10 forecast, by Alphaliner, a Paris-based consultant, comes as the idled fleet had fallen to 1.2 million TEUs from a peak of 1.42 million TEUs at the end of March. But this will provide only temporary respite for ocean carriers and charter ship owners, according to Alphaliner. "The current reduction in idle capacity is a result of service re-activations for the summer peak [shipping] season as well as increased scrapping of older tonnage," it said. The jobless fleet will swell after the peak season as shipyards step up deliveries of ever larger vessels through the second half of the year. Shipyards delivered 150 fully cellular ships of 622,000 TEUs in the first six months of 2009 and will add a further 880,000 TEUs in the second half, according to Alphaliner. This will be followed by 1.79 million TEUs in the first half of 2010, it said. "These new additions are expected to push the idle fleet past two million TEUs by the end of 2009 or early 2010, depending on the strength of demand growth over the next twelve months," Alphaliner said. This would be equivalent to nearly 15 percent of the global fleet. Analysts continue to revise downward their forecasts for container traffic with the major economies still mired in recession. Shipping lines are stepping up sales of older ships for scrap in a bid to remove surplus tonnage. So far this year, shipowners have scrapped 207,000 TEUs of capacity, according to Alphaliner. Carriers also have persuaded shipyards to delay deliveries of dozens of containerships, but yards have resisted calls for cancellations. As a result, analysts say oversupply of box ship capacity could rise to as much as 3.5 million TEUs.

TRADE 2020 - NEW VISION FOR AUSTRALIA'S GLOBAL ENGAGEMENT

Minister for Trade Simon Crean, has announced Trade 2020 - a new series of high-level forums that will generate ideas and vision for Australia's ongoing commercial engagement with the world. In the midst of the deepest global slowdown since the Great Depression, the Federal Government is committed to helping Australian companies seize market share and position themselves to take advantage of the recovery. "Trade 2020 will bring together leaders from business, government and academia, and provide an important forum to canvass opinion and generate ideas that will help to address these issues as well as develop a broader vision for Australia as an internationally competitive nation," Mr Crean said. "These forums will explore critical themes to better position Australia for success in the global markets - global supply chains, innovation, investment, climate change and finance. "The global economic crisis - including the dangers of a return to protectionism – together with the challenge of climate change and the resulting global opportunities, means that we need to continually review and reassess our approach to Australia's international commercial engagement," Mr Crean said. Trade 2020 opens in Melbourne on Wednesday 26 August, followed by strategic dialogues in capital cities, and concludes in Canberra on 18 November. Since coming to office, the Australian Government has worked hard to improve market access abroad and to lift the international competitiveness of our industries at home. "As a nation of 22 million, our domestic economy alone cannot sustain our national prosperity. Australia must expand its integration with the global economy if we want to continue to generate wealth and safeguard jobs into the future," Mr Crean said.

DP WORLD COMMITS TO PORT BOTANY INVESTMENT

International stevedore DP World has committed to making new investments as part of an agreement to operate at Sydney's Port Botany for another 15 years. "DP World's commitment to Port Botany ensures our customers will continue to have access to the most comprehensive ports network in the country," DP World Australia Managing Director, Jack Williams, said. DP World has announced a new multi-million dollar lease which will see the stevedore, among the world's largest marine terminal operators, remain at Port Botany until 2024. Citing new port reform plans, Sydney Ports Chief Executive, Grant Gilfillan, said DP World's lease included a commitment to capital expenditure. "These reforms will assist the New South Wales government to achieve its policy objectives of increased competition and trade growth, greater investment in port facilities and a target of 40% rail mode share of containers to and from Port Botany," Mr Gilfillan said. NSW Ports Minister, Joe Tripodi, welcomed the renewal of the lease, describing it as an important part of Sydney Ports reform agenda. He said the new rental model for stevedore leases at Port Botany provided incentives, such as lower rents, for operators meeting performance benchmarks. DP World recently extended its lease for the Brisbane terminal by 40 years and Adelaide operations by 30 years. In 2008/09 DP World, whose lease at Port Botany dates back to 1979, handled almost 800,000 TEUs at its Sydney operation.

ENHANCED PROJECT BY-LAW SCHEME

Australian Customs and Border Protection has released a new notice warning that before claiming concessional entry under an item of Schedule 4 to the Customs Tariff Act 1995, importers and customs brokers must make certain that all goods are eligible. For Enhanced Project By-law Scheme (EPBS) Item 71, particular attention must be paid to ensuring that:

1. all goods satisfy the terms of item 71; and
2. the imported equipment is specified in an AusIndustry Determination granted for the relevant project.

Only then should the relevant concessional treatment be quoted on an import declaration. Through Item 71, the EPBS provides for the duty free entry of eligible capital goods for major investment projects in the following industries:

- mining;
- resource processing;
- agriculture;
- food processing;
- food packaging.
- manufacturing;
- gas supply;
- power supply; and
- water supply;

According to current EPBS guidelines, to qualify for this concession investment projects must have a total project expenditure on capital goods of $10 million or greater. Eligible goods are essentially capital equipment purchased for the project, such as:

- Functional units - One or more pieces of machinery, equipment or their components that are integrally connected to perform a process; or
- Procurement/equipment packages - A quantity of the same type of machinery, equipment and their components which is used across a project; or
- Pipes, pipelines, conveyors, flexible flow lines etc used to convey gas, liquids, minerals or other things; or
- Stainless steel materials to be directly incorporated into the goods identified above.

Only eligible goods that are not produced in Australia, or are technologically superior to those made in Australia, are eligible for a concession under the EPBS. Goods that are ancillary to the project are not entitled to concessional treatment. To monitor compliance, imports may be subject to Customs and Border Protection post-clearance audits. Importers must retain all documentation relating to the imported goods for five years after the entry of the consignment. The notice cautions importers and customs brokers to review their past importations under Item 71 to ensure compliance with the terms of the item and of the relevant AusIndustry Determinations.

NEW EXPORTERS DEFY THE ODDS

New exporters recorded the greatest increase in orders in the last three months and are almost twice as confident as seasoned exporters of increasing profitability in the next year, the 2009 DHL Export Barometer has found. The survey of 864 Australian exporters also saw the Middle East shoot up as the key export destination with 56 per cent of respondents confident of increasing sales to this region over the next 12 months. China slipped from first to fourth position on the ranking, falling 9 per cent from last year. Due to the global economic downturn exporters reported a record slump in sales in the last three months; however exporters with less than five years experience faired much better with a 38 per cent rise in orders compared to 27 per cent of companies exporting for more than 20 years. Despite the optimism, 71 per cent of all exporters say the global financial crisis had negatively impacted sales and only 33 per cent plan to increase staff and 43 per cent to pay wage rises in the coming months. A major set back for exporters expanding in the current environment is accessing trade finance with 60 per cent reporting difficulties. Two thirds of exporters use advance payment as an alternative.

State Key Findings:

- South Australian and Northern Territory exporters are the most confident with 73 per cent expecting an increase in orders in the next year.
- QLD exporters have had the lowest increase in orders in the last three months (21 per cent) and are least confident of increasing profitability and employees.

AUSTRALIAN PSI®: SERVICES SECTOR ACTIVITY

Services sector activity expanded slightly in June after 14 consecutive months of contraction. The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (Australian PSI®) for June rose by 10.3 points to 50.2, lifting marginally above the 50.0 level separating expansion from contraction. Australian Industry Group (Ai Group) Chief Executive, Heather Ridout, said: "The June Australian PSI® is further encouraging news on top of the recent strong retail trade figures for May. The Australian PSI® results suggest that services sector activity strengthened more broadly in June on the back of rising consumer confidence, low interest rates and the Government's cash stimulus. "The return to growth in sales and new orders, albeit at a modest pace, is particularly encouraging and is a clear and positive sign that the sector is responding to improvements in consumer and home buyer confidence. The broadening base of the improvement, with solid gains in finance & insurance and more modest increases in retail trade; accommodation, cafes & restaurants and health & community services also suggests that some of the clouds around the outlook for services are lifting.

NEW FREIGHTER ON SCHEDULE

US aircraft manufacturer Boeing says its new freighter the B747-8 is on schedule to have its first flights later this year. The energy-efficient B747-8 freighter boasts one of the lowest freight tonne kilometres (FTKs) costs of any freighter promising a reduction of 16 per cent in FTK costs over its predecessor the B747-400 freighter. To date the B747-8 freighter has 78 orders from specialist cargo carriers including Atlas Air, Cargolux, Emirates SkyCargo, Cathay Pacific, NCA and Korean Air.

U.S.-AUSTRALASIA GROUP SEEKS RATE HIKE

The members of the U.S. Australasia Discussion Agreement, joining an effort across the container shipping industry to raise pricing, announced a general rate increase guideline that will take effect on Aug. 15. The increase is $175 per 20-foot container and $350 per 40-foot container on dry and refrigerated shipments moving from the U.S. to Australia and New Zealand. USADA members include CMA-CGM, Hamburg Sud, Hapag-Lloyd, Marfret, Maersk Line and U.S. Lines. Other carrier groups have recently adopted rate increase guidelines as well. The Transpacific Stabilization Agreement, a discussion group of 14 container lines that carry U.S. imports from Asia, announced that its members will ask customers to tear up their recently-signed contracts and accept a $500 rate increase. TSA's voluntary guideline, if implemented, would represent a 50 percent increase over service contract rates that are reportedly $1,000 per-FEU or less. TSA's rationale is that the existing rate levels in the eastbound Pacific are non-compensatory and could result in lines going out of business.