

## NEWSLETTER 2007/6



DECEMBER 2007

### PORT BOTANY CONTAINER CONGESTION TO BE EASED

Transport bottlenecks at Port Botany are set to be eased with a new market-based auction system for road transporters to buy guaranteed slots from stevedores during which time they can load and unload containers. The New South Wales Independent Pricing and Regulatory Tribunal (IPART) has released a draft report into the \$1.5 billion stevedoring and land transport operations at Port Botany. The Tribunal has recommended an overhaul of the current system to streamline operations and introduce more market-based incentives to relieve the current congestion. Stevedores come under greater pressure when a large number of ships arrives at one time, creating further bottlenecks at the port and road transporters who are queuing for containers, increase their costs by around \$80-85 an hour because of the delays.

The key recommendations are:

- A new two-tier booking system for vehicle slots – one ‘firm’ and one ‘interruptible’. Firm slots, to be acquired under a suggested auction system, guarantee a time of entry and exit from the terminal. The ‘interruptible’ ones are allocated as they are now – on an online first-come-first-served basis.
- The stevedores will oversee the auction process.
- The auction system will be independently audited.
- Improved operational co-ordination and investment in rail.

The two-tiered auction system is expected to attract higher prices for firm slots during peak hours and lower prices for off-peak hours. ‘Interruptible slots’ would continue to attract only a nominal booking fee. The new system will assist the NSW Government in meeting its

commitment to double the proportion of containers moving by rail to 40 per cent by 2016. *(Continued on Page 2)*

### ACS ANNUAL REPORT - CEO'S REVIEW

In this year's annual report of the Australian Customs Service Chief Executive Officer, Michael Carmody, made some pertinent comments in his introductory review. He said "We have done much to recover ground lost with the implementation of the Integrated Cargo System in October 2005, particularly in the relationship with industry. We did this by being responsive to industry concerns, delivering remedies for the more pressing issues. This included improving diagnostic services, addressing problems with ocean bill of lading matching and improving search functionality for sea cargo. The Integrated Cargo System has now demonstrated that it is a robust platform delivering fast and reliable transaction processing. These factors combined with a renewed commitment on our part to engage with industry resulted in industry actively working with us to co-design future developments in trade facilitation. 2007-08 will see us focus on the twin objectives of delivering today and building for the future. This focus is supported by our move in 2006-07 to national management of programs. As noted, 2006-07 was a year of solid performance. At the same time the role and responsibilities of Customs has evolved significantly in recent years. We equally need to focus on the future. To this end we will be examining the likely drivers of border risks into the future and their implications for the capabilities we need to develop. I would also like to thank the many industry representatives who have so willingly given of their time and expertise to work with us in improving the way we go about performing our role."

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(Continued from Page 1) Implementation is expected following consideration of responses to the IPART report's recommendations, which were due by the end of November.

### **ACCC CONTAINER STEVEDORING MONITORING REPORT**

The ACCC's latest monitoring report shows that at Australia's largest container terminals, average revenues and costs for stevedoring activities fell, while productivity levels improved. This contrasts with a trend over recent years of rising unit revenues and costs and falling productivity. Stevedoring margins continued to increase in 2006-07 to record high levels as the fall in unit costs was proportionately greater than the fall in unit revenues. Returns on assets (excluding the effects of changes in corporate ownership) have increased. The industry's asset base has continued to expand for the third consecutive year which is expected to result in higher levels of terminal capacity. Two distinct pathways to capacity expansion have emerged. One involves capacity expansion through existing terminals and the other involves capacity building by a third terminal. Each pathway is likely to deliver substantially different outcomes in terms of industry structure and the degree of competition. Decisions taken today about future directions of port growth should include consideration of the benefits arising from competition 'for' and 'in' the market for stevedoring services. Efficiency in land-side access arrangements is receiving greater public attention. Responses to land-side problems that involve cooperation and coordination among industry players can, in certain circumstances, be authorised under the Trade Practices Act. Parties should consult with the ACCC early and prior to implementation to address any potential trade practices concerns that may arise.

### **ENSURE GIFTS FROM OVERSEAS MAKE IT UNDER THE CHRISTMAS TREE**

This Christmas, Customs is reminding all Australians to be aware of the type of goods that cannot be brought or mailed into Australia. National Director Cargo, Jaclyne Fisher, said strict rules applied at all times but at this time of year, Customs seized a greater number of restricted and prohibited goods being mailed as gifts. "People, and their overseas friends or relatives, are often unaware of the type of goods that are not permitted into Australia. Customs urges people to check if they are unsure about an item they know is being mailed to them as a gift," Ms Fisher said. "Or, if you are thinking of buying goods from overseas, it is important to realise websites and mail-order brochures are not reliable sources of information on whether an item is permitted into the country." Many products that are legal in other countries, or legally available for sale overseas, are in fact prohibited or restricted in Australia. Customs screens 100 per cent of international mail and uses a variety of technology and resources such as x-ray equipment, detector dogs and physical inspections to

find prohibited goods or breaches of import regulations. Gifts imported through the international mail system may also be subject to import duties and GST.

### **SYDNEY READY FOR BUSY INTERNATIONAL CRUISE SEASON**

Sydney is set for its busiest ever international cruise season with more than 200,000 visitors expected to arrive in the city on more than 100 visits this summer. Ports Minister Joe Tripodi recently joined Olympic gold medalist Cathy Freeman for a tour of the Pacific Dawn, Australia's first super-liner, as she prepared for her maiden voyage. Sydney will welcome more than 100 cruise ships such as Pacific Dawn this season, and each ship will individually deliver almost \$1 million each visit. The Pacific Dawn is Australia's first super-liner. Ann Sherry, CEO of Carnival Australia which operates P&O Cruises, said the bigger ship was brought into the Sydney market to keep pace with growth. "Pacific Dawn is the biggest ship P&O Cruises has based in the Australian market and is testament to the growth we are experiencing," Ms Sherry said. "Cruising is the fastest growing segment of the Australian travel industry, with the number of Australians choosing a cruise holiday rising by almost 20 per cent last year."

### **NEW RULES TO BOOST SHOPPING AT AIRPORTS**

Changes were recently made to Customs Regulations to allow sales of a wider range of duty free goods to inbound passengers coming to Australia. Previously, inbound passengers were restricted to purchasing alcohol, cigarettes, photographic film and perfume at inwards duty free stores. Inbound passengers will now be able to purchase goods up to the value of \$900 duty free from Australian airport inwards duty free stores. This could include handbags, cameras and sunglasses – goods that are no more than \$900 in value, weigh no more than 7kg and are no more than 56cm in length, 36cm in height and 23cm in depth. No change has been made to the passenger duty free concessions, including tobacco products and alcoholic beverages, and any purchases made by passengers at inwards duty free stores will be included in the existing duty free allowance. The economic value of international tourism to Australia increased by \$2.1 billion to reach \$22.6 billion over the past 12 months.

### **AUSTRALIA, USA TO LIBERALISE AVIATION ARRANGEMENTS**

The Australian and United States governments recently confirmed each country's commitment to further strengthening the aviation relationship between the two countries. They announced their intention to liberalise aviation relations by initiating bilateral discussions to develop a comprehensive, open-skies aviation agreement. The commitment to these discussions recognises that the liberalisation of international air services is a key driver for both countries' economies, providing the ability to strengthen and expand their

already strong trade and tourism links. Both countries are strong advocates of air service liberalisation and with this shared goal clearly in mind, have agreed that their respective aviation officials will meet before the end of this year to commence discussions. Agreement on the detailed terms of new air services arrangements is expected in early 2008. At present the only airlines to operate direct services between Australia and mainland United States are Qantas Airways and United Airlines, although a number of other airlines operate indirect services linking Australia and the United States.

#### **FIATA SLAMS US SCANNING MOVE**

The International Federation of Freight Forwarders Associations (FIATA) has come out strongly against the implementation of the US 9/11 Commission Recommendations Act, including a provision requiring all containers imported into the United States to be scanned before they are loaded. FIATA believes the proposed move of scanning all export containers worldwide would have a disastrous effect on the supply chain. In a prepared statement, FIATA said operations in all ports would be unreasonably delayed and would result in a significant additional demand for storage capacity. It also believes congestion in ports and in links to the hinterland would increase and become unbearable. Additional port installations would be required to fulfil the US demand for screening every container exported to the US and would cost millions, or even billions of US dollars to implement. FIATA says 100 per cent scanning of boxes is impossible, would slow down world trade and be a hindrance to a smooth transport chain. FIATA, speaking on behalf of its global membership, says the freight forwarding industry believes that advance cargo declaration - already applicable for container shipments to the US and applicable for all shipments from 2009 - is, together with appropriate intelligence, a much more practical and valuable approach. Additional measures to improve the data available for pre-cargo risk assessment will further strengthen this strategy. Mutual recognition of the various security programs worldwide such as C-TPAT, AEO and others will also help the security analysis. FIATA's objective is workable security measures with the highest added value for security. "We are convinced that our opposition to the 100 percent scanning is shared by the many other involved parties," said a spokesperson. "Simply, the process will implicate cargoes that are 'low to no' risk based upon existing vetting systems and consequently create pointless costly and time consuming burdens to international trade."

#### **STRONG DEMAND EX US TO AUSTRALIA SEES CAPACITY RESTRICTIONS**

International freight forwarders are urging shippers to secure space ex USA to Australia because demand is currently 'outweighing supply dramatically'. An industry spokesperson said some carriers were confirming space only at express rates in excess of USD12.00 per kg. Qantas and Air New Zealand are accepting express bookings only when space is

available. The trans-shipment carriers across Europe and Asia were heavily backlogged and accepting express only when space was available. General cargo bookings are still moving albeit with extended delays on all carriers, with transit times up to two weeks. Some are getting quicker, although carriers are currently unable to commit to transit times. The capacity situation is expected to remain tight until the end of December. A booming market to Australia for air freight has prompted Korean Air to operate a third B747-400 freighter for the month of December only. The aircraft - with around 100 tonne capacity - will operate between Incheon, South Korea and Sydney on Sundays, arriving around mid-day and leaving early evening. The additional freight capacity lifts the carrier's total to 300 tonnes a week ex-Australia. Korean Air Cargo said ad hoc rates would apply on outbound loads. In a related move, it is believed that strong south-bound cargo flows from the US to Australia have forced several carriers to put in place temporary embargoes on accepting new freight business until backlogs are cleared.

#### **E-FREIGHT PILOT PROJECT UNDERWAY**

The International Air Transport Association (IATA) has begun working with seven cargo airlines (Air Canada, British Airways, Cathay Pacific, KLM, Martinair, SAS and Singapore Airlines), and a number of international freight forwarders and ground handling agents to move to a paper-free air cargo environment with the launch of six E-freight pilot projects. Cargo on key trade routes connecting Canada, Hong Kong, the Netherlands, Singapore, Sweden and the UK will be processed electronically. Giovanni Bisignani, director general and chief executive of IATA said "E-freight is a revolution for an industry that is absolutely critical to modern life. For airlines it is a US\$55 billion business that generates 12 per cent of their revenues. More broadly, air cargo transports 35 per cent of the total value of goods traded across borders. The potential impact of greater efficiency in air cargo has very broad implications across the global economy." The E-freight pilots will systematically test for the first time common standards, processes, procedures and systems designed to replace the paper documents that typically accompany air freight, with electronic information. During the initial phase, selected shipments will travel without a number of key documents that make up the majority of the paperwork, including the house and master air-waybills. Results from the pilots will be used to expand e-freight to other territories. Australia is expected to join the second wave of E-freight pilots which is now in the planning stage.

#### **JET FUEL REACHES RECORD HIGHS**

Jet fuel prices on major world markets pushed to their highest levels in history, pushing at one point past \$2.50 a gallon, and major airlines matched the increases by announcing their highest fuel surcharges ever. Cargolux and Japan Airlines were among airlines announcing their fuel surcharges would rise to 70 cents a kilo in November. Jet fuel prices peaked at \$2.502 a gallon in

Los Angeles on Oct. 18 before slipping four cents a gallon a day later, according to the U.S. Energy Information Administration, and prices moved beyond \$2.40 a gallon in New York, Rotterdam and the U.S. Gulf Coast the week of Oct. 15. Jet fuel prices have grown some 45 percent since the beginning of this year.

### REVOCATION OF TARIFF CONCESSION ORDERS

Schedule 2 of the *Customs Regulations 1926* has been amended to list certain finished textile products, including bed linen, toilet and kitchen linen. Schedule 2 lists those goods for which a Tariff Concession Order (TCO) cannot be granted. These amendments to the Regulations took effect on and from Thursday 4 October 2007. In a number of cases, there are existing TCOs in force in relation to the finished textile products. Under subsection 269SJ(2) of the *Customs Act 1901*, these TCOs will be deemed to be revoked on the day the amendments take effect. Importers of the goods covered by these TCOs will be required to pay the general rate of duty from that date. This change has occurred as part of the Government's Textile, Clothing and Footwear (TCF) Post-2005 Assistance Package. The amendments will restore the integrity of the domestic assistance plan and also ensure that industry participants are treated equitably. In addition, as part of an annual review process, a number of TCOs have been revoked under section 269SD(1A) of the *Customs Act 1901*. Based on Integrated Cargo System data supplied by importers, Customs is satisfied that the relevant TCOs have not been used in the two years preceding the date on which they were revoked. The revocations took effect on and from Thursday 1 November 2007. A list of the TCOs that have been revoked is available on request. The *in transit* provisions of section 269SG of the *Customs Act 1901* apply.

### CHARACTERISTICS OF AUSTRALIAN EXPORTERS

A new ABS publication presents an analysis of the characteristics and international trading activities of Australian exporters in 2006–07. Key points reported are:

- The total number of exporters of goods and services in 2006-07 was 44,310, a 5% increase on 2005-06.
- In 2006-07, less than 1% of goods exporters had aggregate exports of \$100m or more, but these exporters contributed 79% by value to total goods exports.
- 1% of services exporters had aggregate exports of \$100m or more and contributed 21% by value to total services exports.
- A large majority of exporters had aggregate exports of less than \$1m. 90% of goods exporters had exports of less than \$1m and contributed 2% to total goods exports. 63% of services exporters had exports of less than \$1m and contributed 1% to total services exports.
- 28% of all goods exporters were in the wholesale

trade industry.

- 79% of mining commodities were exported by businesses in the mining industry.
- Only 9% of agriculture, forestry and fishing commodities were exported by businesses in the agriculture, forestry and fishing industry in 2006-07.

### NEW CUSTOMS APPROACH TO INDUSTRY EDUCATION

Over the last few months, the Compliance and Cargo Divisions of Customs, in partnership with independent software developers, have been working on an exciting new education product for the exporting community. Early in the project, Customs realised that many clients use proprietary EDI software, so if the DVD only addressed *Customs Interactive*, it would miss a large portion of the target audience. Therefore, the Cargo Branch development team enlisted help from five members of the software developer community, who supported the project with screen shots and technical input. To handle the technical aspects of creating a DVD, Customs engaged a professional video editing company. Customs is now considering possible topics for other educational DVDs.

### SEASON'S GREETINGS

As another busy and challenging year draws to a close, we take this opportunity to say thank you for your continuing support and to wish you and your loved ones the very best for the festive season and a healthy, happy and prosperous New Year. May 2008 be a successful year for all.