ACCESS CUSTOMS SERVICES PTY. LTD.
ABN 45 513 695 342

1st Floor, 559 Queensberry Street,
North Melbourne, Vic., 3051
P.O. Box 10, North Melbourne, Vic., 3051
Telephone: (03) 9326 6166, Fax: (03) 9326 6639
Email: access@accesscustoms.com.au

NEWSLETTER 2009/6 **DECEMBER 2009**

LARGEST AUSTRALIAN FREE TRADE AGREEMENT TO BEGIN IN 2010

The largest Free Trade Agreement Australia has ever concluded will come into force on 1 January 2010, following discussion between ASEAN leaders. The Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) spans 12 economies, with over 600 million people and a combined GDP of $3.1 trillion. The Agreement will cover a massive 20% of Australia's two-way trade, worth $112 billion. The deal will eliminate tariffs on 96 per cent of our current exports to ASEAN nations by 2020. Currently, only 67 per cent of our exports to the region are tariff-free. This will support Australian industry by promoting exports, and will play an important role in supporting Australian jobs. This will be the most comprehensive Free Trade Agreement to enter into force for ASEAN, covering a range of areas including:

- Goods
- Services
- Investment
- Intellectual property
- E-commerce

The nations covered by the AANZFTA are the 10 ASEAN Member States: Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Burma, the Philippines, Singapore, Thailand, Vietnam; and Australia and New Zealand. The initial signing of the AANZFTA in February was an important sign of the determination of nations to work together to build economic recovery, and the announcement cements that cooperation. On entry into force of the Agreement, rates of customs duty for AANZ originating goods will either be eliminated or phased to Free over a number of years, but no later than 2020. Certain alcohol, tobacco and petroleum products will continue to be subject to rates of customs duty that are equivalent to the rates of excise duty payable on such goods when locally manufactured. The rules for determining whether goods are AANZ originating goods have also been established. A certificate of origin will be required for each shipment where preferential rates are being claimed.

CAR SALES RISE FOR THE FIRST TIME IN MORE THAN A YEAR

The October new car market provides evidence of a broadening economic recovery with sales up on a year ago for the first time in 16 months. Official VFACTS data released by the Federal Chamber of Automotive Industries (FCAI) shows that 80,813 passenger cars, SUVs and commercial vehicles were sold in October 2009 – an increase of 2.2 per cent compared to the same month last year. The SUV segment led the market in October recording a 9.5 per cent increase, followed by light commercials (up 3.4 per cent) and passenger cars (up 1.3 per cent). Heavy commercial vehicles recorded a decline of 24.9 per cent. Year-to-date 762,787 new vehicles have been sold, down 11.7 per cent compared to the same period last year.

DUTY RATES REDUCE ON 1 JANUARY 2010

The final phase in the reduction of import duty rates on textiles, clothing and footwear products and on passenger motor vehicles and parts will take effect from 1 January 2010. In general terms rates on TCF goods will reduce to 10%. Rates for PMV and parts will generally reduce to 5% in line with most dutiable goods. The reduced rates will apply to goods imported on or after 1 January 2010. In most cases the date of importation of goods is the date on which a customs import declaration is lodged in respect of the goods.

INSIDE

AUSTRALIAN TO HEAD UP GLOBAL EXPORT CREDIT BODY

The peak global body for export credit, the Berne Union, has announced the appointment of its new President, Mr Angus Armour, CEO and Managing Director of the Australian Government's Export Finance and Insurance Corporation (EFIC). Mr Armour will be taking over from Hidehiro Konno, Chairman & CEO of NEXI (Nippon Export and Investment Insurance, Japan). This is the first time that an Australian has been appointed to the role since 1975. Trade Minister, Simon Crean, welcomed Mr Armour's appointment as President of the Berne Union. The position of Berne Union President was last held by an Australian in 1975. With more than 70 members representing over 60 countries in the Berne Union and the Prague Club, the Berne Union represents export credit agencies that together finance approximately 10% of world trade. All members share information on the issues and challenges faced – discussing risk assessment and effective management strategies to support the flow of trade. The Berne Union also works closely with the IMF, World Bank, OECD and International Finance Corporation to shape international finance and trade policy. The Berne Union was founded in 1934 in Berne, Switzerland to facilitate information exchange on countries, buyers and technical aspects of export credit and investment insurance. As the Australian Government's export credit agency, EFIC helps Australian exporters and overseas investors to overcome financial barriers by providing finance, finance guarantees, insurance and bonding facilities.

EVERGREEN CUTTING FLEET SIZE

Evergreen Line is scaling down its operating fleet and rationalizing its services in an effort to cope with market conditions. The ocean carrier said press reports that it plans to lay up 17 of its ships by the end of 2009 "referred to vessels which were not deployed in our service network at the time of the press interview with our top management." It said it has returned to charter ship owners the ships that it does not need on the expiration of their charter leases. It has also sold several aging ships for demolition. With the market entering the traditional slack season, Evergreen said it will withdraw from its service network a "few" more ships from 2,800 20-foot equivalent units to 6,000 TEUs. But at the same time, "we are accelerating the disposal of redundant tonnage. Therefore, the quantity of our unemployed ships will be dynamic," it said in its statement.

SCOPE FOR GAINS IN MANUFACTURING MANAGEMENT

"The findings of the Australian Management Practices and Productivity Global Benchmarking Project released recently highlight the need for management practices to keep pace with the complexities of modern workplaces and the demands of the modern economy," Australian Industry Group Chief Executive, Heather Ridout, said recently. "The study indicates that while manufacturers are doing better on the operational side, in people management there's scope for big improvements. Ai Group's experience, including our close involvement in the Enterprise Connect Program, has shown that companies with strong management practices are better equipped to respond to global competitive challenges. The Enterprise Connect Program should be expanded to more systematically include the development of more capability in people management and workforce development. This report suggests such an extension would be positive for driving higher productivity in Australian industry and therefore boosting competitiveness. We look forward to having discussions with the government about this matter" Mrs Ridout said.

SIGNS OF GROWTH IN AIR CARGO

Cathay Pacific Airways reported its strongest cargo figures of the year in October, with traffic reaching its highest level of 2009 and aircraft operating at their highest load factors in several years thanks to a 15.6 percent cut in capacity. Cargo traffic for the Hong Kong-based carrier fell 1.9 percent in October compared to the same month a year ago, the slimmest year-over-year decline Cathay has reported in 2009. But freight traffic also advanced 7.9 percent from September to October, bolstering suggestions that the crash in Asia's exports was ending and that shipping demand was picking up heading into the end of the year. The improving demand came as Cathay's capacity measured against last year took another double-digit decline, leaving the airline's cargo load factor at 76.7 percent, the highest number the airline has reported in records dating back to 2005. Although the airline cut its capacity sharply from last year, it ramped up available freight space about 4.7 percent from September to October. For the first 10 months of the year, cargo and mail traffic was down 10.1 percent compared to the same period a year ago, and average available capacity was down 11.1 percent. Seven U.K. airports also saw gains for the first time since August 2008. BAA reported cargo at its U.K. airports, including London Heathrow, increased in October. BAA said air freight at its U.K. airports rose 1.5 percent in October but was down 13.1 percent in the first 10 months of the year at 1.27 million metric tons. London Heathrow, Europe's fourth-largest cargo airport, lifted October traffic by 0.9 percent to 120,618 metric tons. Cargo at London Stansted, a freighter and express hub, rose 2.9 percent to 18,125 metric tons. London Gatwick, which BAA recently agreed to sell to Global Infrastructure Partners for $2.5 billion, saw cargo volume shrink 8 percent in October and 37.2 percent in the first 10 months of the year to 58,607 metric tons.

REGULATORY REGIME FOR BOOKS TO REMAIN UNCHANGED

The Government has decided not to change the Australian regulatory regime for books introduced by the previous Labor government. Australian book printing and publishing is under strong competitive pressure from international online booksellers such as Amazon and

The Book Depository and the Government has formed the view that that this pressure is likely to intensify. In addition, the technology of electronic books (e-books) like Kindle Books will continue to improve with further innovations and price reductions expected. The Government has not accepted the Productivity Commission's recommendation to remove the parallel importation restrictions on books. The Productivity Commission report acknowledged that removing these restrictions would adversely affect Australian authors, publishers and culture. The Commission recommended extra budgetary funding of authors and publishers to compensate them for this loss. The Government has decided not to commit to a new spending program for Australian authors and publishers. The Australian book printing and publishing industries will need to respond to the increasing competition from imports without relying on additional government assistance. The Australian Publishers Association said the decision acknowledged the strong arguments advanced by authors, printers, printing unions, agents and publishers in the debate on the issue. The Institute of Public Affairs said the decision to keep parallel import restrictions on books will ensure consumers pay up to 32 per cent more than if they were scrapped.

ACCC REPORT ON STEVEDORES

The Australian Competition and Consumer Commission has noted encouraging signs of growing opportunities for new entry in the larger Australian container ports in its eleventh annual monitoring report on container stevedoring. The ACCC monitors prices, costs and profits of container terminal operators at the largest container ports—Brisbane, Fremantle, Melbourne and Sydney. Container stevedoring at these ports is provided by two firms —Patrick and DP World. The ACCC also monitors two, single operator container terminals at the smaller ports of Adelaide and Burnie. Container stevedoring involves the lifting of cargo in shipping containers on and off ships. "The ACCC's report shows that performance of the stevedores was affected in 2008–09 by the global economic slowdown," ACCC Chairman, Graeme Samuel, said. "The number of containers handled fell in 2008–09 which impacted the stevedores' profits. However, even during these tough economic times, the stevedores were able to maintain prices and achieve rates of returns of close to 18 per cent. By comparison, the average return on assets for the ASX200 companies was nine per cent. That the stevedores could achieve such results reinforces the ACCC's concerns about the degree of competition in the industry. It seems that the stevedores are not forced to compete for business. As the economy recovers and demand for stevedoring services increases, decisions by state governments and port managers about competition in the larger ports become crucial. We have seen in Brisbane and Sydney that there are other stevedores willing to take up the opportunity to compete against the Patrick-DP World duopoly when given the chance. Melbourne, Australia's largest container port, is reportedly considering whether to bring forward a new terminal development to cope with expected future growth. These opportunities for new entry provide a real chance, now more than ever before, to facilitate more competition in Australian stevedoring." DP World defended its position based on expansion and investment in new equipment. Patrick owner, Asciano, joined the fray, saying the report confirmed the concerns that stevedores in Australia did not have incentive to invest.

SMALL BUSINESS CAN'T MISS OUT ON BENEFITS OF TAX REFORM

In an address to the Institute for Independent Business, ACCI Economics and Industry Policy Director, Greg Evans, has highlighted the key challenges facing the SME sector as the economy recovers from the global financial crisis. ACCI reiterated its support for the positive contribution of the government's fiscal measures including the business investment. Looking ahead however, trading conditions will continue to be difficult and there are a number of policy concerns facing small business, including the tax reform process, the consequences of reduced competition in the banking sector, and higher energy prices that will result from the adoption of the proposed Carbon Pollution Reduction Scheme (CPRS). ACCI emphasised that SMEs should not 'miss out' on the likely recommendations of the Henry Review, given that his sector is central to a sustainable economic recovery and job creation. Matters of particular concern relate to a potential broadening of the payroll tax base which may envelop SMEs for the first time, the possible removal of measures providing capital gains tax relief, and the apparent prioritisation of reducing company tax at the expense of lowering personal income tax rates. The SME sector will be an important driver of economic recovery. It is imperative that policy responses in each of these areas does not hinder but provides incentive and encouragement for small business operators to invest and employ.

CONTAINER VOLUME, YIELD GROW

NOL, the Singapore-based parent of APL, said that container volume and yield per container both increased in the four-week period from Sept 18 to Oct 16 for the second monthly gain in a row. APL's volume also increased by 6,000 40-foot containers from 205,700 FEUs in the prior four-week period which ended Sept 18. But the volume was down 14 percent from 286,500 FEUs a year ago. NOL said the month-to-month increase was due to higher volume in several major trade lanes. Stronger volume in the last two months was not enough to rescue the year as a whole, however. In the year-to-date, APL's container shipping volume declined 15 percent to 1,768,200 from 2,077,100 a year earlier.

CRANE LIFT RATE STATIC WHILE PORT INTERFACE COSTS FALL

A mixed picture of container stevedoring and shipping performance could be drawn from the latest Waterline report but critics of the stevedoring "duopoly" will find little live ammunition to use against Patrick and DP World. The Bureau of Infrastructure, Transport and Regional Economics (BITRE) report for the second half of last year showed the five-port average crane rate static at 27.5 containers an hour. However, the port interface cost index for exporting a container fell from $619 per teu, in real terms in the first half of the calendar year, to $609 per teu, while importing costs fell from $662 to $652 per teu. While total ship visits increased 2.9%, the average vessel working rate increased over the period from 38.6 containers an hour in the September quarter to 40.7 an hour in the December quarter. The average container turnaround time improved from 26 minutes in the September quarter 2008 to 24.6 minutes in the December quarter 2008. This means a potential saving of resources to the road transport industry of approximately 684 hours per day in the December quarter the report said. The average truck turnaround time also improved, from 40.6 minutes in the September quarter to 38.1 minutes in the December quarter. The potential combined saving of resources to the road transport industry for this was put at 695 hours a day in the December quarter.

PORT BOTANY EXPANSION GATHERS MOMENTUM

The $1 billion expansion of container facilities at Port Botany has reached a significant phase with the laying of concrete "counterforts" which will form the face of the third terminal's 1850 metre long wharf. More than two hundred 20-metre high concrete sections known as counterfort wall units are being constructed on site before being taken by barge onto Botany Bay and lowered into place. These sections are seven storeys high and the contractors have successfully placed ten of them in the water with another 206 to go. This new phase of the program will see one of these counterforts placed in the Bay every day, a massive engineering feat given each section weighs 640 tonnes. The concrete counterforts will form the 1.8 km of new wharf face against which ships will berth when the terminal is completed in 2011. The outer wall will consist of 199 counterfort sections with an additional 17 counterfort units used for the tug wharves. Sydney Ports Corporation Chief Executive Officer, Grant Gilfillan, said Sydney's ports handle more than $50 billion in international and domestic trade each year, with around $40 billion through Port Botany. "Port Botany currently handles a third of Australia's container traffic. In 2008-09 Sydney Ports posted its eighth consecutive year of record container growth when the port handled 1.784 million TEUs" Mr Gilfillan said.

SYDNEY PORTS PUTS STEVEDORES ON NOTICE

Sydney Ports Corporation Chief Executive, Grant Gilfillan, said recently he would speak to the New South Wales Government about using regulations to implement landside port reforms if there is not an immediate improvement from stevedores following a period of poor performance at Port Botany. "We will be approaching the Minister to move towards regulation if we don't see an immediate improvement from the stevedores in the service provided to industry and their cooperation in delivering these reforms," Mr Gilfillan said. Delays had affected both terminals with truck drivers queuing for up to four hours for each trip to the port. Mr Gilfillan said changes by stevedores to treat Sunday as a normal working day for charging storage came as a surprise given poor stevedoring performance and the lack of consultation.

SEASONS GREETINGS

The end of 2009 seems to have come upon us much faster than any other year and, given the global economic upheaval we have experienced, most would say not before time! After surviving this year an enjoyable festive season will offer a well-earned break for everyone in business. It is particularly appropriate this year to say thank you for your continuing support and to wish you and your loved ones a very merry Christmas and the hope for happiness and prosperity in 2010.