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PRICE PROBE ON UNITED, BA, 11 OTHERS

United Airlines and British Airways are among 13 air-cargo carriers named in an investigation by New Zealand investigators into alleged price-fixing. Cargolux International, the Luxembourg-based all cargo carrier, is the other European airline accused of colluding to raise freight rates by imposing fuel surcharges for more than seven years. New Zealand's competition commission alleges that the airlines first entered into the cartel in 1999-2000 and that they imposed the surcharges from 2000-06. The airlines also conspired to fix freight rates by imposing a security surcharge immediately following the 9/11 terrorist attacks in the United States, the commission alleges. Air New Zealand in published comments denied any wrong-doing. The New Zealand case is part of a worldwide investigation headed by the U.S., the European Union and Australia into a global air-cargo cartel that has so far resulted in carriers paying around $1.5 billion in penalties. British Airways was fined $300 million by U.S. authorities in 2007 after admitting it was involved in a conspiracy to fix freight rates and Air France-KLM was fined $350 million earlier this year for its involvement in the cartel. In April, Cargolux said it had set aside $155 million to cover potential anti-trust fines. The other carriers named in the New Zealand probe are Cathay Pacific Airways, Emirates, Garuda International of Indonesia, Korean Air Lines, Japan Air Lines, Malaysian Airline Systems, Singapore Airlines, Qantas, and Thai Airlines.

AIR CARGO DROPS SHARPLY

Air cargo demand in Asia fell sharply in November, according to the Association of Asia Pacific Airlines. November was the seventh straight month of accelerating declines and suffered the sixth consecutive monthly contraction. As demand weakens, the airlines have been cutting capacity. November was the eighth straight month of declining capacity and it's been 14 months since Asian carriers have added freight capacity at any substantial level. International cargo volume declined 15.5 percent in November, from 5.1 billion freight ton kilometers in November 2007 to 4.3 billion FTK in 2008. Airlines couldn't cut capacity fast enough to keep up. Available freight ton kilometers dropped 8.9 percent from 7.4 billion FATK a year ago to 6.7 billion FATK in November. The report comes as new figures show export business in Asia is in free-fall. Japanese exports fell 27 percent in November, the government there reported, and Taiwan exports were off 23 percent.

The recent plunge in oil prices provides a measure of relief, but market conditions are expected to remain extremely difficult moving into 2009, forcing airlines to adopt additional cost-saving measures, including capacity cutbacks and deferral of planned capital expenditures. Cargo traffic for U.S. airlines fell 6.2 percent in October compared to the same month in 2007, but carriers got some rare relatively good news in the beleaguered transportation market as shipping grew from September to October. The overall decline in October compared to the previous year was an improvement over the 7.1 percent the carriers reported in September and cargo ton miles actually advanced 5.4 percent from September to October, according to the Air Transport Association. International traffic was the largest drag on the airlines, falling 6.4 percent in October after a 5 percent drop in September, pushed down by a 10.7 percent slide in trans-Pacific air trade. That marked the sharpest decline in air cargo shipping over the Pacific since February 2002.

INSIDE

AUSTRALIAN MANUFACTURING ACTIVITY ENDS YEAR ON WEAK NOTE

Manufacturing activity ended 2008 on a weak note, falling for a seventh consecutive month. The Australian Industry Group - PricewaterhouseCoopers Australian Performance of Manufacturing Index (Australian PMI®) registered 33.7 in December, up by an albeit modest one point on the previous month. Australian Industry Group (Ai Group) Chief Executive, Heather Ridout, said: "December's outcome suggests that the start of 2009 will bring with it many challenges for manufacturers, who are already experiencing extremely tough conditions. The continued decline in new orders as consumers, the construction sector and overseas markets cut back on demand for manufactures, and the ongoing unwinding of inventories suggest that production will ease further over coming months. As a consequence employment will also continue to be under pressure. It is to be hoped that lower interest rates and the Government's spending package will provide some support for domestic growth. The manufacturing industry, like the rest of the economy, is going to face some challenging times in 2009, however, the industry has shown great resilience in the past and the capacity to take advantage of opportunities. As well, positive announcements such as recently in the car industry, will give a timely boost to confidence."

Australian PMI® key findings for December were:

- Manufacturing activity fell for a seventh consecutive month in December.
- Capacity utilisation fell to its lowest level in sixteen years.
- All components remained below 50 points indicating falls in the levels of each indicator.
- New orders and unemployment fell, though at a slower rate than in November, while production, inventories and supplier deliveries fell faster than in November.
- Wages, selling price and input cost price growth eased in December, while the fall in manufactured exports slowed over the month.
- Lower official interest rates and government spending measures, global and local, have yet to have an impact on demand for manufactures.
- The ongoing fall in activity reflects slower consumer demand, the weak construction sector and the impact of falling global demand for manufactures as reflected in international PMI measures.
- Manufacturing activity fell in all states, particularly in Western Australia and Queensland.

IPA UNCOVERING STATE TAX IMPOSTS

The free market think tank the Institute of Public Affairs has released a new report Business Bearing the Burden on state tax liabilities. Western Australia has the lowest business taxes in Australia, at about six per cent below the average of all states. At the other end of the scale, New South Wales is the high tax jurisdiction. Its taxes are about seven per cent above the average, and about 14 per cent above those in WA. One of the authors of the research study, IPA Research Fellow, Julie Novak said, "NSW takes the unwanted title of Australia's high tax state. This is on top of a moribund state economy and underperforming government, and is a severe blow to business. On the other hand, Western Australia levies the lowest tax burdens in 2008. Low taxes encourage investment and growth, but WA needs to reduce taxes further to head off its competitors in Queensland and Victoria. Even though there are significant differences in interstate tax liabilities, every government should prioritise tax reform to help kick-start business in the current economic climate." The IPA study sheds light on tax burdens imposed by states. This helps business make decisions about where to invest, and assists the community in understanding how state taxes affect business conditions around Australia.

	State tax on a medium-sized business 2008	State Tax Liability Ranking
Western Australia	$195,621	1
Queensland	$197,388	2
Victoria	$202,421	3
Tasmania	$210,179	4
South Australia	$219,067	5
New South Wales	$222,356	6

AUDIT OF THE NATION'S INFRASTRUCTURE RELEASED

Infrastructure Australia has now completed its preliminary audit of the nation's vital economic assets and compiled the infrastructure proposals for prioritisation. Infrastructure and Transport Minister Anthony Albanese has received the report containing the information from Infrastructure Australia Chair, Sir Rod Eddington. Infrastructure Australia's analysis has concluded that future public and private investment needs to be directed towards:

1. Developing a more competitive broadband system;
2. Extending the national energy grids so there's greater flexibility and competition in our power and gas markets, whilst creating new opportunities for renewables;
3. Improving port productivity and associated land transport links;
4. Lifting the amount of freight shifted by rail;
5. Preparing for the impact of climate change on water supplies;
6. Expanding public transport services within cities; and
7. Improving services to Indigenous communities.

Infrastructure Australia will be working with states, territories and the private sector to develop a long-term strategy and to deliver real improvements in the key areas for investment. In addition to undertaking the audit and compiling the infrastructure proposals for prioritisation, Infrastructure Australia has developed national public-private partnership guidelines.

The report is available at:
http://www.infrastructureaustralia.gov.au/publications.aspx

WORLD'S LARGEST SHIP?

The MSC Daniela was officially named in December in Geoje, South Korea. With a declared capacity of 13,800TEU, it is larger than the official capacity of Maersk Line's E-Class vessels (11,000TEU), making it the biggest container vessel in the world. The point is highly debateable, as many believe Maersk's stated capacity of its vessels to be grossly under-declared. According to rough calculations, their capacity is at least 13,600TEU, but AXS Alphaliner estimates it to be as high as 15,212TEU. Much depends on how many containers can be loaded on deck without infringing 'line of sight' rules from the bridge. To assist the crew see better ahead, MSC Daniela's bridge is placed much further forward than those of Maersk's seven E-Class vessels, and its engine room separated at the back. The design, which was approved and classified by Hamburg-based Germanischer Lloyd, ensures that less ballast water is required, as reduced bending, as well as increased stiffness, could be built into the hull design. Less space below deck has also been lost due to the propeller's drive shaft being much shorter. On the other hand, with an overall length of 366m, the MSC Daniela is 31.6m shorter than Maersk's vessels, and its breadth (51.2m) is 5.2m less. Seven similar ships are due to be delivered to MSC by South Korea's Samsung Heavy Industry in 2009. At present, the MSC Daniela is scheduled to enter its Jade service between the Far East and Mediterranean.

CONTINUED TRADE GROWTH - FIRST QUARTER 08/09

The Global financial crisis has yet to have an impact on trade through Sydney ports, with 7.3 million mass tonnes of total trade moving through the trade for the first quarter of 2008/09, an increase of 0.7 per cent compared to the same period in the previous year. Total container throughput for year to date (YTD) September 2008/09 was 0.49 million TEUs – up 13.2 per cent on the same period last year. September 2008 container trade reached another record high of more than 165,000 TEUs, which was 12.8 per cent higher compared to September 2007. This performance was driven by higher container movements through New Zealand, the US and China. Total full container imports for YTD September 2008/09 reached 247,300 TEUs – up 11.3 per cent on the corresponding period last year. The leading import regions were dominated by East Asia (45 per cent), Europe (16 per cent) and South East Asia (15 per cent), which combined account for 76 per cent of total full container imports through the ports of Sydney. Total full exports also increased by 20.5 per cent, recording 109,700 TEUs. The higher exports of timber, machinery and transport equipment, cereals and chemical products have been the primary drivers of this growth. The leading containerised exports in TEUs through the ports of Sydney for YTD September 2008/09 were chemical products, machinery and transport equipment and paper products. These increases were partially offset by the decline in agricultural products such as cotton (59.0 per cent) compared to previous YTD. The change was primarily a result of the drought. Empty container exports increased by 10.8 per cent to 127,800 TEUs compared to the same period in 2007/08.

INDUSTRY BRIEFING ON PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY

NSW is on the cusp of a revolution in port logistics with industry having a unique opportunity to reshape the way the road and rail logistics operates in Port Botany. This was the clear message presented to members of the trade and transport industries at a Sydney Ports Corporation briefing session on the Corporation's Port Botany Landside Improvement Strategy, held in November. Sydney Ports COO, Paul Weedon, told the crowd of more than 120 industry representatives, the Corporation would take an active role in leading industry through the reform process. He said this would be the first time in Australia a port management organisation had moved away from the landlord model to become actively engaged in the logistics chain. Mr Weedon said three NSW Government reports into operations at Port Botany, including the IPART Report – Reforming Port Botany's links with Inland Transport, recommended that Sydney Ports take a leadership role in improving landside infrastructure and operations of landside logistics chains. He said as a result, Sydney Ports had launched a two-part approach to landside reform which focussed on a new contract structure with stevedores and improvement in the ports' logistics chains. "With trade through Sydney Ports forecast to double over the next 10 years, it is vital that all parts of the logistics chain collaborate to address current issues and to create viable actions for coping with future growth," Mr Weedon said. "We have a window of opportunity to make the essential changes and the performance improvements we need to cope with growth in our sector." The briefing session was told that part of the reform process included changing the nature of Sydney Ports' relationship with stevedores with the introduction of a new lease model for stevedores where 50% of the rent is determined by achievements against three Key Performance Indicators - crane lift rates, and how well the stevedores manage both the road and rail interface. The briefing session was the first of regular industry briefing events planned by Sydney Ports.

RATES CAN'T STAY THIS LOW

Shipping lines in the Transpacific Stabilization Agreement met in Hong Kong in the week before Christmas 2008 to discuss recent rate instability and competitive actions by carriers that have taken some Asia-U.S. freight rates to non-remunerative levels. In a move to seemingly send a message to shippers that rates will go up in April contract negotiations, the 14-carrier discussion agreement said the present situation can't continue. TSA acknowledged that member carriers as well as non-TSA lines have participated in the rate actions in selected commodity and customer segments.

“The rate actions seen in recent weeks are short-sighted and regrettable,” said TSA executive administrator Brian M. Conrad. “They haven’t produced new business, they haven’t increased anyone’s market share and they do not adequately reflect operating costs.” He said TSA lines have strongly indicated they do not intend to leave those rates in place beyond January 31.

LAST CAR CARRIER VISITS SYDNEY HARBOUR

The last car carrier to visit Sydney Harbour discharged its cargo at Glebe Island on 15 November 2008. The last visits marks the final step in the NSW Government’s plan to transition the vehicle import trade from Sydney to Port Kembla, part of the NSW Ports Growth Plan announced in 2003. The car import trade had been progressively moved from Sydney Harbour to Port Kembla since June this year, following an upgrade of the Port Kembla facility. Over the last few years Sydney Ports Corporation has worked with industry and Port Kembla Port Corporation to ensure this has been a smooth transition of the vehicle import trade from Sydney. Although this is the last car carrier to visit, Sydney Harbour will remain a working port, retaining import of construction materials, cruise shipping, long-term oil imports and maritime construction, maintenance and repairs into Glebe Island and other berths. The port facilities in Sydney Harbour not only play a vital role in the NSW economy, but are also central in terms of the identity of the harbour. Sydney has been a working harbour since the beginning of European settlement. Last year there were 784 commercial vessel visits to Sydney Harbour including bulk cargo vessels and cruise ships.

BOEING UPBEAT ABOUT FUTURE

Aircraft manufacturer Boeing says 2008 commercial aircraft orders probably will be lower than in the three previous years, and 2009 orders also will probably decline, but the company remains upbeat about the future. "We have reached the water's peak," Boeing Commercial CEO, Scott Carson said, but added that the company had no reason to revise future production downward. He said financing has been identified for every order in the first half of 2009, and the same is likely for second-half orders. When the orders were pouring in, he said, Boeing screened customers to ensure financing availability. However, the company is to cut 800 jobs in Wichita, Kansas, equivalent to 27 per cent of its workforce there because of a delay in the Air Force tanker replacement program and the end of work on other defence projects.

DELTA CONFIRMS SYDNEY FLIGHTS

Delta Air Lines has confirmd that it will begin a daily nonstop service between Sydney and Los Angeles International Airport from 03 July, 2009. The airline will operate B777-200LR aircraft offering up to 18 tonnes cargo capacity, however due to the length of the flight, cargo space is often weight-restricted, especially on the inbound flights. Forwarders and shippers will benefit from Delta's extensive US network. An official announcement on cargo arrangements for the new flights is expected from Delta headquarters in Atlanta. Delta is the world's largest airline following its recent takeover of Northwest Airlines.

AIRLINES TO BE OFFERED FINANCE PACKAGES

To counter airline customers’ tightening credit lines and stretched cash flows, Boeing and Airbus are preparing to pump billions of dollars worth of loans into the airline industry in 2009. In an interview with UK media The Times, International Air Transport Association (IATA) CEO Giovanni Bisignani said that aircraft manufacturers are trying to set up financial packages in anticipation of a forecast slump in aircraft orders and deliveries.

REDESIGN OF CUSTOMS REFUNDS PROCESS

A review by Customs has determined that processing of refunds through a National Refunds Centre is the most appropriate method for ongoing delivery of this service. From 1 January 2009 the Customs National Refunds Centre has been established in South Australia, with some functions initially continuing in Victoria as part of transition arrangements. Refund applications will continue to be subject to verification as a part of a revised compliance assurance program that will be managed by the Compliance Division. Existing service delivery standards will remain unchanged. Should an application become subject to verification, required information must be lodged within 30 calendar days. Should the required information not be lodged in that time, Customs will make a decision to either approve or reject the application based on the information provided.