

NEWSLETTER 2009/3

JUNE 2009

BUDGET 2009

REFORMS TO GST ADMINISTRATION

The Government will take steps to streamline and improve the legal framework for the administration of the GST by implementing a number of recommendations made by the Board of Taxation following its review of this issue. The package of reforms will reduce the compliance costs of the GST and achieve greater standardisation between the GST and income tax regimes. Following on from the Board's review in this area, the Government has further asked the Board to examine the application of the GST to cross-border transactions, with a particular focus on the extent of involvement of non-residents in the GST. This review will ensure that transactions are treated in an efficient and effective way under the GST. The Government will further improve the operation of the GST law through amendments that will streamline its application to the domestic transport of imported and exported goods. This measure will go a long way to reversing the impact of GST Ruling 2005/6 on non-residents and Australian-based freight forwarders who provide local delivery services to non-residents. The Government adopted a number of recommendations made by the Board in relation to GST administration but did not support one that would have extended the GST deferral arrangements to quarterly GST reporters.

AUSTRALIAN CUSTOMS AND BORDER PROTECTION

From 1 July 2009, Customs and Border Protection will be reducing the volume of import cargo it inspects at its Container Examination Facilities (CEFs) and in the air cargo environment. Customs and Border Protection will continue to examine all cargo assessed as 'high risk', and

undertake a broad revised program of inspection and examination to detect, deter and disrupt the illicit movement of goods across the border. Customs and Border Protection will continue to engage with key industry stakeholders to – (Continued on Page 2)

FREIGHT FORWARDER INDEX SHOWS POSITIVE SIGNS FOR EUROPE

Danske Bank's latest freight forwarder index suggests that a gradual recovery is in sight, at least in Europe. The index, which monitors freight forward volumes, rose above 50 in early May for the first time since being launched four months ago, indicating that freight forwarders are handling more volumes than they did two months ago. Copenhagen-based transportation equity analyst, Johannes Mller, said "We see this as a clear sign that the recovery in the freight markets has begun. On the expected situation, the index remains around 60 and our interpretation of this is that we will see a gradual recovery of volumes during Q2. There will be no sudden major pickup in volumes, but it is more likely to be a gradual recovery." More than 120 freight forwarders across continental Europe say that they now have more seasonally adjusted volumes in their business than they had two months ago. Danske Bank said that volumes were significantly below last year but nevertheless it is very positive that we see a pickup in volumes. The result is seen as an indication that destocking has come to an end and goods are now starting to move in line with end-user demand. Respondents were asked two questions: what volume of goods does your company handle today compared with two months ago; and how do you expect volumes of goods to develop over the next two months. The answers were adjusted for normal seasonality.

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(Continued from Page 1) – implement the following inspection targets for the 2009-2010 financial year :

- 1.5 million inspections of air cargo consignments (4.7 million reduction per annum on current volumes inspected - approximately 75%)
- 101,500 TEU inspections of sea cargo (32,500 reduction per annum on current volumes inspected - approximately 25%)
- Customs expects less import declarations to be filed in the 2009/10 financial year, but export declarations and cargo inspections are likely to remain the same.

Customs will carry out almost 300 audits of import companies and almost 40 audits on export companies next year.

WE'RE COUSINS – WE DON'T NEED BARRIERS

Despite the hoopla of potential exotic global markets, more Australian exporters trade with New Zealand than anywhere else in the world yet almost half (49 per cent) say they experience trade barriers when selling to New Zealand even though we speak the same language and have shared values, a new DHL survey has found. The DHL *Trans-Tasman Traders* survey of 535 Australian and New Zealand exporters found 69 per cent of all exporters think more can be done to improve Trans Tasman trade. More than half of Australian exporters (57 per cent) say harmonisation of regulatory and tax laws would have the greatest impact on reducing Trans Tasman trade barriers, compared to 28 per cent supporting a single currency. Tim Harcourt, Chief Economist for Austrade said: "Closer Economic Relations (CER) between Australia and NZ has been an unqualified success with nearly 17,900 Aussie companies now exporting across the ditch. Harmonisation of the legal and tax systems will help reduce costs and improve trade inefficiencies. Intellectual property, information sharing, cross-recognition of companies and competition law are all on the agenda for creating a Single Economic Market." When asked if they were happy with the current level of activity in moving towards a Single Economic Market, only 35 per cent of all respondents said they were satisfied, with 34 per cent thinking more could be done. New Zealand respondents think the Australian Government (23 per cent) is working harder at improving Trans Tasman relations than the New Zealand Government (4 per cent), while 39 per cent of Australian exporters think the government efforts by both countries were the same. Unsurprisingly, there was wide support on both sides of the Tasman for the recent announcement to reclassify flights between New Zealand and Australia as 'domestic' with 93 per cent of all exporters in favour, possibly anticipating cheaper flights.

DP WORLD IN JOINT VENTURE WITH FLINDERS

Flinders Ports and Dubai-based DP World have agreed to a joint venture arrangement for the operation of DP

World's terminal in Port Adelaide. The joint venture will give DP World a 60 percent holding in the company with Flinders Ports taking a 40 percent stake. The arrangement will be in place until 2039. No financial details of the deal were released. The terminal is South Australia's main container terminal and has been operated by DP World since 2005. DP World Adelaide Managing Director, Andrew Towers, said the deal would enable the company to expand its operations as needed. "As more business and shipping comes to the state the business will prosper (and) we are always vying for new business," Towers said. While the terminal was not immune from the downturn, he was confident of increased activity once the economy recovered. He said the growth potential of the agricultural and resources sectors was particularly promising.

NEW VESSELS FOR CUSTOMS AND BORDER PROTECTION

The Minister for Home Affairs, Bob Debus, has officially launched nine new vessels into the Australian Customs and Border Protection fleet at a ceremony to be held in Brisbane. The Trailerable Response Vessels (TRVs) manufactured by New Zealand company Stabi-Craft Marine, have been procured by Customs and Border Protection to upgrade the inshore fleet and replace several smaller vessels that are no longer serviceable. The new vessels are capable of carrying up to six personnel and their equipment and will be based in a number of locations around the Australian coast. The TRVs are 6.5metres in length and are manufactured from heavy grade alloy and are widely recognised for their innovative, robust and extremely safe design. The company was selected following a tender process with significant interest from the Australian and international small boating industry.

AIRBUS CUTS A380 NUMBERS - BOEING UPBEAT ON 787

Plane maker, Airbus, has cut its 2009 delivery schedule for the A380 from 18 to 14, with 20 to be delivered next year. Airbus confirmed that for 2009, overall, it still expects to deliver about 483 planes, though it has conceded that for future production, delivery rates will depend on airline demand as well as the availability of customer financing. Airbus has sold 200 of its A380s and has delivered 13 since the plane went into service at the end of 2007. Boeing says it may get more orders this year for its 747-8 Intercontinental after negotiations with potential customers. Interest in the new jet is increasing after the 787 Dreamliner began passing tests in recent weeks that should see a maiden flight by the end of June. This could prompt orders from more customers for whom the plane is a better fit than either the rival Airbus A380 or Boeing's own smaller 777.

CHINESE PORT INVESTMENTS GO ON HOLD

Singapore's PSA International and Hong Kong's Modern Terminals have decided to put on hold their multi-million dollar investment plans in container

terminal projects in eastern China as the financial crisis hurts global trade. Modern Terminals, 68-percent owned by Hong Kong's Wharf Holdings, had initially agreed to build nine container terminals as part of the Ningbo-Zhoushan Port expansion. PSA had also expressed an interest in seeking government approval earlier this year to build seven terminals. The terminals cost roughly \$117.3 million each which means that the total project cost of the 16 terminals that are being delayed could be in the \$1.9 billion range. China's exports and imports fell in March from year-earlier levels for the fifth month in a row as the global financial crisis struck home, hurting the bottom lines of its shipping lines and port operators. Shanghai International Port (Group), the country's biggest terminal operator, posted a 17.5 percent drop in fourth-quarter net profit from a year earlier and warned about a difficult year ahead. In 2008, its container throughput rose 7.1 percent to 28.01 million TEUs, short of its target of 30 million TEUs.

AUSTRALIA LEADING THE WAY AT SHANGHAI WORLD EXPO 2010

Minister for Trade, Simon Crean, visited Shanghai recently to take part in the 'topping out' ceremony for Australia's national pavilion at Shanghai World Expo 2010. "The Australian pavilion is clearly the most advanced of any of the international participants", Mr Crean said. Australia was the first international participant to complete foundation works in February this year. The Shanghai expo, which will take place from 1 May to 31 October 2010, will be the largest world expo ever held. More than 180 countries have confirmed their participation. Organisers are expecting over 70 million visitors, around 90 per cent of whom will be from China. Up to seven million people are expected to visit the Australian pavilion. "With a total project value of \$83 million, this is the largest investment Australia has ever made in a world expo", Mr Crean said.

WILH. WILHELMSSEN PROFIT, REVENUE FALL SHARPLY

Norway's Wilh. Wilhelmsen, the world's biggest roll-on, roll-off shipping company, reported profit and revenue fell sharply in the first quarter on a "severe" downturn in global trade and demand for transport. Operating profit in the three months to March 31 fell to \$36.4 million from \$59.9 million in the year-earlier period and income dropped to \$606.9 million from \$819.4 million. Wallenius Wilhelmsen Logistics, a 50 percent owned subsidiary, recorded a significant slide in income and profit in the first quarter amid a slump in cargo volumes, particularly car shipments. Total cargo volume carried by Wilhelmsen's operating companies fell to 10.9 million cubic meters from 18.4 million cubic meters in the first three months of 2008. The Asia-Europe trade saw the biggest decline as Japanese car exports slowed while the Atlantic trades were "severely" impacted with the largest drop in U.S. car exports to

Russia. WWL has said it expects to idle up to 20 percent of its 60 vessel fleet this year in the face of a 30-40 percent decline in seaborne auto shipments.

SHIPPING LINE SUPPORTS INDIAN OCEAN MARITIME PATROL

A.P. Moller-Maersk is calling for the creation of a secure maritime corridor off the coast of eastern Somalia to protect vessels against the surge in pirate attacks. The Danish shipping line made the call as part of its ongoing investigation into the attempted hijacking of the Maersk Alabama and kidnapping of its skipper. Søren Skou, Chief Executive of Maersk Tankers, said the company supported proposals to launch new initiatives in the Indian Ocean, including a regional maritime patrol. "We also call on the international community to establish a transit corridor so vessels can safely call at ports in Kenya and Tanzania," he said. Creation of a secure sea lane by allied navies would likely involve the use of air patrols far out at sea. Navies cannot deploy enough vessels to respond quickly to incidents in the Indian Ocean, but in the Gulf of Aden, helicopters can frequently reach the scene of an attack within 30 minutes, often in time to foil it. But outside of the patrolled transit zone in the Gulf of Aden, ships are on their own. U.S. Coast Guard Rear Adm. (Ret.) Paul J. Pluta, who was responsible for safety and security before he retired, said the best way for the allied forces to protect this zone would be regular air patrols that could be mounted from Djibouti, from Mombasa in Kenya, or from the U.S. base at Diego Garcia in the Indian Ocean. The London-based International Maritime Bureau said there had been 65 pirate attacks on ships this year in the Gulf of Aden and 33 in the Indian Ocean. However, because of the greater naval presence and ships' heightened preparedness in the gulf, only 15 of the attacks led to hijackings, against 10 in the Indian Ocean. Naval forces from several countries are struggling to protect shipping in the Indian Ocean because the pirates are striking over such a vast area. On April 18 the Pompei, a Belgian vessel, was hijacked 700 nautical miles off Africa and 150 miles north of the Seychelles, one of many raids far from Somalia's 1,200-mile east coast.

FALL IN APRIL NEW VEHICLE SALES

Official VFACTS data released by the Federal Chamber of Automotive Industries (FCAI) shows that 63,965 passenger cars, SUVs and commercial vehicles were sold in April 2009 – down 23.9 per cent (20,096 vehicles) compared to the same month in 2008. "While the figures confirm that market conditions remain soft, the extent of the fall has been compounded by the timing of the Easter holidays," FCAI Chief Executive, Andrew McKellar, said. Year-to-date 276,935 new vehicles have been sold, down 20.3 per cent compared to the same period last year. "After adjusting for seasonal factors, sales in April appear to be broadly consistent with results of recent months and we remain hopeful that conditions will soon stabilise," Mr McKellar said. The automotive

CHANGES TO AQIS DOCUMENTATION REQUIREMENTS

AQIS has recently undertaken a review of the documentary requirements for the clearance of imported cargo. These changes are due to come into force from 1 August, 2009 and cover some general policy changes as well as new requirements for information on current documents supplied with incoming shipments such as packing declarations. Importers will need to ensure their overseas suppliers provide documentation which complies with the new requirements otherwise additional costs and delays may occur. A copy of the Notice to Industry number 23/2009 can viewed at <http://www.daff.gov.au/aqis/import/general-info/ian/09/23-2009>

AUSTRALIAN PSI®: SERVICES SECTOR ACTIVITY STILL FALLING

Activity in Australia's services sector fell again in April, the thirteenth consecutive month the index was below the 50.0 level that separates expansion from contraction. While activity was still slowing, encouragingly the pace of decline eased in April compared with March. The decline in new orders slowed in April, falling at their slowest rate since October 2008. The seasonally adjusted **Australian Industry Group - Commonwealth Bank Performance of Services Index (Australian PSI®)** rose 4.3 points to 39.8 in April. Australian Industry Group Chief Executive, Heather Ridout, said: "The **Australian PSI®** readings for March and April provide some glimmers of hope with the pace of decline easing and new orders in particular showing some upside. However, business conditions remain fundamentally weak across the sector. Material risks remain and with unemployment rising it is far too early to suggest the worst is behind us. We see current conditions being consistent with further falls in official interest rates," Mrs Ridout said.

AaE INCREASES FREIGHT TERMINAL FEE

Australian air Express (AaE) has increased its international freight terminal fee effective from June 1. Import delivery fees will increase by almost 17% for loose shipments to \$0.35 per kg, while the minimum shipment fee increases by \$2 to \$35. AaE said the change reflected increased handling costs and was the first increase to this fee since November 2007.

AUSTRALIAN INDUSTRY PREPARES FOR ELECTRIC VEHICLES

The peak body representing manufacturers and importers of new vehicles, the Federal Chamber of Automotive Industries (FCAI), has taken steps to prepare for the introduction of plug-in electric and electric-hybrid vehicles into the Australian market. The FCAI has established an *Electric Vehicle Working Group*, which has met for the first time to address a range of issues. "Many manufacturers have announced plans to release electric vehicles in the next few years and we must ensure that Australia is ready for this technology," FCAI Chief Executive, Andrew McKellar, said. The *Electric Vehicle Working Group* will identify the types of vehicles expected to be introduced, anticipated infrastructure needs as well as issues involving technical and registration requirements.

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