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NEWS

APRIL 2008 NEWSLETTER

CONSULTATION ARRANGEMENTS –QUARANTINE AND BIOSECURITY REVIEW

Farmers, conservationists, food importers and exporters, transport operators, governments and government agencies are among the many stakeholders being asked to help shape Australia's future quarantine and biosecurity arrangements. The independent review of Australia's quarantine and biosecurity arrangements, announced in February by the Minister for Agriculture, Fisheries and Forestry, Tony Burke, is now receiving submissions from affected and interested parties. Mr Roger Beale AO, Chair of the Review Panel, said "We are going to consult widely to seek advice, and the full range of views from interested parties. We have also released an Issues Paper, which we hope will provide guidance for people in preparing their input to the review. The paper can be downloaded from www.quarantinebiosecurityreview.gov.au."

The Issues Paper poses some specific questions which particularly interest the review panel. Stakeholders have until **Friday 11 April 2008** to prepare their submissions.

A PRODUCTIVITY BOOSTING BUDGET CAN BREAK THE INTEREST RATE CYCLE

The Australian Chamber of Commerce and Industry (ACCI) has in its pre-budget submission *Prosperity Through Productivity*, called for productivity to be the yardstick in reforms to the taxation, regulation, education and workplace systems. Australia faces the challenge of achieving strong economic and low inflationary growth in the face of a slowing world economy. Rising interest rates make an overwhelming case for an inflation fighting budget. The 2008-09 Federal Budget is a unique opportunity for the Rudd Government to use its political authority to turn all levers of economic and industrial policy towards the twin goals of fighting inflation and increasing productivity. Testing major policy against productivity impacts helps in the immediate fight against inflation, and is a good long term strategy to maintain our living standards. In ACCI's budget submission, business is also urging the government to place controls on government spending, to reform capital gains tax, and to encourage greater investment in economically sustainable infrastructure, including education and training. The submission proposes twenty eight specific initiatives to raise workforce skills. ACCI supports the delivery of the government's proposed personal tax cuts and outlines the reasons why they should not contribute to inflation if other policy settings are in proper order. The submission also makes 10 specific recommendations on industrial relations.

GOVERNMENT ANNOUNCES REVIEW OF TEXTILE, CLOTHING AND FOOTWEAR

The Minister for Innovation, Industry, Science and Research, Senator Kim Carr has announced a comprehensive review of the Australian Textile, Clothing and Footwear (TCF) industries to be conducted by Professor Roy Green in consultation with an industry reference group. Professor Green is the Dean of the Macquarie Graduate School of Management. The Government will separately request that the Productivity Commission undertake modelling on economy-wide effects of future assistance options. The Commission's modelling will be released publicly to inform Professor Green's examination of the industry, public debate, and the Government's deliberations in this area. Australia's TCF industries have faced increasing competitive pressures over the last decade. "I expect the establishment of the review will provide renewed energy and enthusiasm across TCF industries," Senator Carr said. The review will consult closely with all stakeholders in a thorough and considered way. Its task will be to develop practical and effective strategies to

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ensure Australia's TCF industries will be vibrant, innovative and competitive well into the future. Senator Carr said the issue of industry assistance will also be addressed and he looked forward to receiving the Review's final report by 31 August 2008.

INFRASTRUCTURE AUSTRALIA BILL 2008

The purpose of the Bill is to establish Infrastructure Australia to advise governments on Australia's future infrastructure needs and other related infrastructure issues. The role of Infrastructure Australia will be to advise governments, investors and owners of infrastructure concerning:

1. nationally significant infrastructure priorities;
2. policy and regulatory reforms desirable to improve the efficient utilisation of national infrastructure networks;
3. options to address impediments to the development and provision of efficient national infrastructure;
4. infrastructure policy issues arising from climate change;
5. the needs of users; and
6. mechanisms for financing investment in infrastructure.

Former British Airways boss Sir Rod Eddington has been appointed inaugural chair of Infrastructure Australia. The organisation's functions include audit, review, evaluation, research and promotion of infrastructure. Infrastructure Australia will be made up of 12 members who have knowledge or experience in fields relevant to Infrastructure Australia's functions. At least 5 will come from a private sector background. The Minister for Infrastructure, Transport, Regional Development and Local Government will appoint the members, with 3 members being people nominated by agreement among the States and Territories. The Council will be supported by an Infrastructure Coordinator who will assist Infrastructure Australia in the performance of its functions. The Government has committed \$20 million over 4 years to the establishment and work program of Infrastructure Australia.

GOVERNMENT ANNOUNCES REVIEW OF AUTOMOTIVE INDUSTRY

The Minister for Innovation, Industry, Science and Research, Senator Kim Carr, has announced a comprehensive review of Australia's automotive industry to be conducted by Mr Steve Bracks. The establishment of the review recognises the importance of the industry and reflects the Government's determination to ensure its long term viability and sustainability. "The automotive industry is strategically vital to Australia in terms of employment, exports and innovation," Senator Carr said. "The environment our vehicle and component makers operate in has changed dramatically over the last ten years. What is now needed is a full, open and frank assessment of the challenges currently facing the sector. This review will be about working with the industry to overcome barriers to success and to identify and take advantage of new opportunities," Senator Carr said. "The review will particularly consider the impact of global concern about climate change on the industry and the impact of changing consumer vehicle preferences. This will help to inform the implementation of the Government's \$500 million Green Car Innovation Fund. Mr Bracks will be supported by an expert panel comprising:

1. Mr Tim Harcourt (Chief Economist, Australian Trade Commission);
2. Mr Peter Upton (former CEO, Federation of Automotive Products Manufacturers);
3. Dr Elizabeth Webster (Principal Research Fellow, Melbourne Institute of Applied Economic and Social Research); and
4. Mr Nixon Apple (Industry and Investment Policy Adviser, ACTU).

TRADEX SCHEME AMENDMENT BILL 2008

Introduced in 2000, the objective of the Tradex Scheme is to allow for the importation of goods, without payment of customs duty or other taxes, provided the goods are subsequently exported or incorporated in other goods that are exported. The *Tradex Scheme Amendment Bill 2008* will amend the *Tradex Scheme Act 1999* to implement Tradex related recommendations from the Review of the Tradex and Manufacturing in Bond Schemes and four post review proposals. The Bill will decouple the Tradex Act from the provisions of the Customs Regulations that allow for the drawback of customs duty. The Bill will also improve the administration of the Tradex Scheme by changing the burden of proof for exportation of nominated goods, expanding the Secretary's power to revoke or suspend Tradex orders, removing the requirement for the approval of the Tradex application form to be a disallowable instrument and providing a refund mechanism in the case of over payment of Tradex duty.

JET FUEL PRICE FLIES PAST \$3

Jet fuel prices soared beyond USD3 a gallon on most world markets in early March according to the U.S. Energy Information Administration, peaking at USD3.19 a gallon in Los Angeles. The US West Coast price on March 6 was by far the highest ever recorded for jet fuel and nearly 20 cents higher than the price just the week before. Jet fuel prices in New York reached USD3.165 a gallon on March 6 and prices also pushed to near USD3.10 a gallon in the U.S. Gulf Coast and Rotterdam markets. Prices in Singapore lagged behind those in North America and Europe, reaching only USD2.932 the week of March 3. The increase means jet fuel prices have grown about USD1.45 since the start of 2007. Prices started 2008 at about USD2.65 a gallon but have increased some 18 percent since January. The increases have pushed airlines to boost fuel surcharges to as much as USD0.90 a kilo.

THAI ORIGIN CERTIFICATES NOT VALID

The Thai Chamber of Commerce has announced the implementation of a "Certificate of Origin (C/O) Online Service" with the aim to facilitate both Thai exporters as well as importers to reduce the costs of time and export document management. The Certificate has been available from 1 March 2008 and the manual issuing of certificates by the Chamber will cease on 1 July 2008. Australian Customs has advised that the certificate issued by the Thai Chamber of Commerce is not valid for the purposes of Thailand Australia Free Trade Agreement (TAFTA) preference. The Thai Chamber of Commerce is not an authorised body to issue the TAFTA Certificate; the Department of Foreign Trade, Ministry of Commerce, will remain the issuing authority. Australian Customs wants to ensure that importers are aware that the certificates provided by the Thai Chamber of Commerce will not be sufficient for claiming preference under TAFTA.

STATE TO BENEFIT FROM PORTS PLAN

NSW Ports Minister Joe Tripodi told the 2008 Austock Conference recently that plans are in place to ensure the future growth of the state's ports to meet the ever expanding needs of the export industry. "Sustainable growth in export industries requires better planning," Mr Tripodi said. He has asked Planning Minister Frank Sartor to consider a Major Projects State Environment Planning Policy (SEPP) for key NSW trading ports of Port Botany, Newcastle and Port Kembla. The proposed SEPP would clearly nominate the boundaries for port-related commercial and industrial activity creating a mandatory buffer zone between the port and any future residential development. Mr Tripodi said the NSW Government is also implementing strategies to help exporters by keeping costs down. Wharfage charges paid by exporters to the State Government's Sydney Ports Corporation have fallen 61 % in real terms since 1991. The growing diversification of the state's three ports means competition between ports will become more aggressive over time, keeping costs under control.

"We are trying to promote increased competition between ports and between service providers within ports to get a better deal for exporters," Mr Tripodi said. The \$1 billion, expansion of Port Botany will also assist as more capacity brings a greater incentive for stevedoring businesses to chase business by offering shipping lines and customers a better deal.

HISTORIC AUSTRALIA—UNITED STATES 'OPEN SKIES' AVIATION AGREEMENT REACHED

Minister for Infrastructure, Transport, Regional Development and Local Government,

Anthony Albanese, has announced that Australia and the United States had settled the terms of a new "open skies" air transport agreement. Australian and US airlines will now be able to determine the frequency of their air services, and the routes they wish to serve without government interference. Previously new entrants to the route were only guaranteed four services weekly, making it difficult for new airlines to start services.

Australian travellers, trade and tourism will benefit as designated airlines will be able to operate unlimited services between the two countries, via other countries and beyond to other countries. Over time this will lead to greater choice through increased competition, and provide significant employment opportunities for Australians in the aviation and tourism industries. The new arrangements will enable V Australia to proceed with its plans to introduce air services between Australia and the US from late this year. The Agreement will also provide certainty for Qantas and Jetstar to plan into the future, and widen the network of cities they serve in the United States. The new arrangements become effective immediately, pending formal approval of the new treaty by the respective Governments.

QANTAS FREIGHT MANAGERS CALLED TO APPEAR AT US

PRICE-FIXING INVESTIGATION

Qantas says it's continuing to co-operate fully with an investigation being undertaken by authorities in the United States into illegal price-fixing between international airlines. The US Department of Justice has summonsed what Qantas described as "a small number" of Qantas freight managers to appear at the investigation. It's been reported that as part of a plea deal with the US authorities, the Australian flag carrier will help the Justice Department and the FBI to compile evidence against other airlines alleged to be involved in the illegal cartel. A Qantas spokesman said the freight employees were being interviewed in the US part of the Justice Department's ongoing investigation into other parties' alleged participation in the cartel. "The interviews do not include any other current or past employees who have been excluded from the Qantas plea agreement," he said. More than 30 other carriers are alleged to have been involved in the cartel. However, so far only British Airways, Korean Air, Lufthansa, Qantas and Virgin Atlantic have admitted their guilt in the US. The Australian Competition and Consumer Commission (ACCC) is in the final stages of launching its own inquiry.

BAWC INCREASES FUEL SURCHARGE

British Airways World Cargo has announced an increase to its fuel surcharge. The surcharge is GBP0.57 / USD0.85 / EUR0.85, with effect from Thursday, 20 March. The fuel surcharge increase follows a second consecutive week that the fuel index has been above the level 17 threshold. BAWC's senior manager revenue management, said: "The market continues to be affected by rising fuel prices and it has become necessary to increase our fuel surcharge in line with our index."

ASIA PACIFIC BRIGHT SPOT IN GENERALLY SLUGGISH CARGO MARKET

The International Air Transport Association (IATA) reports international cargo demand remained 'sluggish' in January. Year-on-year international cargo demand was 4.5 per cent for January, largely unchanged from the 4.7 per cent year-on-year growth recorded in December. IATA said this runs contrary to downward trends in many leading indicators including semi-conductor shipments and manufacturing business confidence levels. The airline group said air cargo has been growing at half the rate of global trade expansion, indicating a loss of market share to shipping, which has benefited from faster ships and cheaper fuel costs. While aviation fuel prices rose 300 per cent between 2002 and the first half of 2007, residual fuel for ships increased by only 200 per cent. During the last half of 2007 the gap narrowed with the sharp increase in prices. The result is that air cargo has clawed back some lost market share, masking any early impacts from the downturn in the US economy. On a brighter note, IATA reported continued strength in the larger freight markets. Asia Pacific airlines saw demand increase 6.5 per cent, up from 6 per cent in December, boosted by the booming economies in China and India.

CUSTOMS EXPANDS FACILITIES AT BRISBANE AIRPORT

Brisbane Airport Corporation (BAC) and the Australian Customs Service have confirmed plans for a new Customs office to be built at Brisbane Airport. It will feature some of the highest environmental standards for an office building on an airport in Australia. The new building will be situated on a high-profile site at Number 1, Airport Drive. Standing four levels high with approximately 9,000 sqm of net lettable office space, the Customs building is the third office building to be constructed on the precinct. Koen Rooijmans, BAC managing director and chief executive, said BAC had an ambitious vision for Number 1 Airport Drive, with plans for health, child care, sport, shopping, entertainment, dining, fitness and accommodation facilities currently under way. Completion for the new building is expected in March 2009.

US CUSTOMS 10 + 2 REPORTING RULE

The 10+2 Rule will have significant impact on Australian service providers, exporter's as well as agents and or parties within the United States. The basic data elements required are two from the carrier and ten from the importer (or agent). Carriers are expected to transmit vessel stow plans and container status messages (CSM). CSMs are nothing more than messages/e-mails telling the steamship operator about the status and location of a given container. The vessel stow plan must be received no later than 48 hours after departure from the last foreign port. However, if the length of the voyage is less than 48 hours, the stow plan must be received prior to arrival at the first U.S. port of call.

At the same time, importers are expected to transmit 10 data elements:

1. Manufacturer (or supplier) name and address;
2. Seller name and address;
3. Buyer name and address;
4. Ship to name and address;
5. Container stuff location;

6. Consolidator (stuffer) name and address;
7. Importer IRS number;
8. Consignee IRS number;
9. Country of origin;
10. Commodity HTS (tariff classification) number.

Unless otherwise permitted, this data must be reported 24 hours prior to loading. It is clear US Customs has decided the world is just going to have to change how business is done. Importers naturally have raised reasonable questions such as what happens if a best effort fails to obtain the information, or it turns out to be wrong? In response, US Customs has made clear it is the importer's responsibility to get the Importer Security Filing (ISF) (as it is called) filed and correct. So, first, you must exercise due diligence to get the information. Then, if it is wrong and the shipment has not yet arrived, you must update your ISF.

In the end, the US importing community is going to have to decide whether it can do things the way Customs wants. It's not a matter that Customs has a choice. The US SAFE Port Act mandates the agency must develop a means to obtain more shipment/entry data about goods prior to arrival. The question for the trade is just how doable is Customs' proposal and what will it really cost.

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