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NEWSLETTER 2012/4 **AUGUST 2012**

CARBON TAX MEANS INCREASED DUTY FOR ALTERNATIVE FUELS FROM 1 JULY 2012

The *Clean Energy (Customs Tariff Amendment) Act 2011* amends the Customs Tariff to adjust duty rates for aviation fuel by an amount equivalent to the carbon emission price of the fuel. Presently the duty applied to aviation fuel is a designated levy to fund the Civil Aviation Safety Authority (CASA). The new legislated rates will include the CASA levy plus an aviation fuel carbon component; the CASA component is not affected. The Act alters rates of duty for aviation gasoline and kerosene. Aviation gasoline increases from $0.03556/L to $0.08616/L. Aviation kerosene increases from $0.03556/L to $0.09536/L. The *Clean Energy (Excise Tariff Legislation Amendment) Act 2011* amends the *Excise Tariff* to implement corresponding changes to excise rates for locally produced aviation fuels. The Clean Energy (CTA) Act inserts a new section in the Customs Tariff to give effect to future carbon price adjustments for aviation fuels. Section 19A will link duty rates for aviation fuels to the equivalent items in the *Excise Tariff Act* and will automatically adjust those duty rates when duty rates change in that Act. To ensure consistent coverage of non-transport use of gaseous fuels, for example bottled LNG and LPG, an effective carbon price will apply through a reduction in the automatic remission or refund of excise or excise-equivalent customs duty. This will be given effect through the Customs Regulations. The *Customs Tariff Amendment (Taxation of Alternative Fuels) Act 2011* provides increases in rates of duty for LNG, LPG and CNG from 1 July 2012. The rate of duty for LNG increases from $0.0522/kg to $0.1045/kg. *(Continued on Page 2)*

NEW LICENCE CONDITIONS FOR CUSTOMS BROKERS

In response to revelations of criminal activity involving movement of sea freight containers the Minister for Home Affairs has taken several steps to strengthen controls over persons licensed by the Australian Customs and Border Protection Service. New, additional conditions have been included on both corporate and individual customs brokers licences with effect from 1 July 2012. They include:

- When requested by Customs, ensure that the licence holder and any person who participates in the work of the customs broker completes a form to allow Customs to undertake an integrity check for each relevant person;
- If a holder of the broker's licence becomes aware that information that has been provided to Customs by or on behalf of a client of the broker is false, misleading or incomplete, the broker must provide written particulars of the incident to Customs.
- The holder of the broker's licence must not allow Customs systems or information provided by Customs to be used for an unauthorised purpose or to assist, aid, facilitate or participate in any unlawful or illegal activity;
- A natural person who holds a broker's licence must undertake accredited Continuing Professional Development (CPD).

INSIDE

(Continued from Page 1) The rate of duty for LPG increases from \$0.025/L to \$0.05/L. The rate of duty for CNG for transport purposes increases from \$0.0522/kg to \$0.1045/kg.

FEDERAL GOVERNMENT OVERHAULS BIOSECURITY REGIME

A review and replacement of Australia's biosecurity regime is now underway following an announcement by the Minister for Agriculture, Fisheries and Forestry, Senator Joe Ludwig. "We need to update our legislation and create a flexible operating environment to make sure that remains the case into the future," the minister said of the century-old Quarantine Act. "Australia is changing with the times – so should our biosecurity system," he added. Biosecurity involves "managing the risks associated with pests and diseases entering, establishing or spreading and potentially causing harm to human, animal or plant health, the environment or the economy," according to a statement by consultancy Deloitte, which is carrying out the regulatory impact statement. According to Deloitte, among the problems raised by the current approach are:

- a need for greater shared responsibility between governments;
- additional, and sometimes overlapping, biosecurity measures imposed by individual states and territories;
- non-traceability of animal and plant matter of greater biosecurity interest once it passes the border;
- inefficient strategies and actions due to the uncertain roles and responsibilities of both individual states and territories and the Commonwealth government;
- inadequate information sharing and coordination between governments;
- poorly-specified obligations in relation to first ports of entry; and
- insufficient powers to achieve biosecurity objectives.

The Federal government expects that the final bills will be considered by a parliamentary committee and debated in the spring 2012 sitting of the Australian Parliament.

US RETAILERS OPTIMISTIC IMPORTS WILL INCREASE

U.S. retailers continue to plan for increased imports in the northern hemisphere autumn despite discouraging news recently regarding consumer confidence, employment numbers and retail sales. "Whether consumers are going to have the confidence to spend during the next few months depends on what happens with employment, but retailers are being cautiously optimistic," Jonathan Gold, vice president for supply chain and customs policy at the National Retail Federation, stated in the July *Global Port Tracker*. The Global Port Tracker, which is published monthly, estimates that U.S. containerized imports in June were 4.7 percent higher than in June 2011. The publication projects that imports in July will be up 1.6 percent, August imports will increase 6.2 percent, September imports will be up 6.8 percent, October imports will increase 12.6 percent and November imports will be up 2 percent over the same month last year. Imports normally build each year during the summer and autumn months as retailers bring back-to-school merchandise and then holiday goods into the country. Retailers this year are projecting a traditional peak-shipping season, which means imports during the August through October period should be noticeably higher than imports in the first half of the year. The projection of a 12.6 percent increase in imports in October stands out because it is being compared to lower-than-usual imports in October 2011, Global Port Tracker stated.

ADVISER APPOINTED TO HELP SMALL AND MEDIUM BUSINESSES WITH ANTI-DUMPING

The Minister for Home Affairs, Jason Clare, has welcomed the appointment of Mr Arthur Vlahonasios as the International Trade Remedies Adviser hosted by the Australian Industry Group. Minister Clare said this new position, funded by the Australian Government, will help small and medium businesses with Australia's anti-dumping system. "Mr Vlahonasios will work with small and medium businesses to help them understand and access our anti-dumping system, which can be complex," Mr Clare said.

As part of the role, Mr Vlahonasios will:

- help producers and manufacturers seek remedies if they are affected by injurious dumping or subsidisation by assisting with the preparation of applications for dumping and countervailing investigations, reviews, and continuation inquiries;
- help our small and medium businesses reach World Trade Organization thresholds for dumping and subsidy investigations; and
- assist businesses in compiling evidence needed for investigations.

PORTS SHOW POOR RETURN ON ASSETS

A selection of ports has a return on assets of less than their comparable counterparts, according to a report by Infrastructure Australia (IA). The report was undertaken by Deloitte. The average return on assets of the eight Australian ports was 2.1% compared to 5.2% for the seven comparison ports which include Singapore, Sydney, Auckland and Vancouver, IA said. "In part this reflects relatively low revenues and relatively high asset values," the report said. "Since commercial investment decisions are made in relation to expected returns on assets created, the current low returns are not conducive to attracting further investment – rather better commercial use of existing assets would be first sought." TasPorts and Port Hedland had the lowest return on assets of the Australian ports at 0.1% and 0.7% respectively while Port Kembla and Newcastle topped the list with 3.8% and 2.8%. A higher ratio represents greater operating profit of the port relative to the value of the assets and is a measure of how efficiently the assets are being used. "Reasons for low returns on assets could include legacy arrangements such as contracts and charges which do not fully reflect commercial principles, requirements to provide community services without adequate payment, and a lag between investment in capacity and the created assets generating adequate commercial revenue streams."

PASSENGER FORECAST UP, CARGO DOWN, SAYS BOEING

Boeing's latest fleet forecast predicts a doubling of the world's fleet of aircraft in the next 20 years, generating demand for 34,000 new planes, at a cost of $4.5 trillion. At the same time, officials said the demand for freighters will remain sluggish over the next two decades and revised downward their previous forecast. Even so, freighters will nearly double to 3,200 by 2031. The total freighter number includes 940 new planes and 1,820 conversion freighters. The majority of the passenger-plane demand will come in the form of single-aisle craft. Boeing is also expecting a demand for 7,950 twin-aisle planes at a cost of $2.08 billion, according to the 2012 Current Market Outlook. "The world's aviation market is broader, deeper and more diverse than we've ever seen it," Boeing's Randy Tinseth said in a statement. "It has proven to be resilient even during some very challenging years and is driving production rate increases across the board." Demand for the most planes over the next 20 years, will come from carriers in the Asia-Pacific region; Asian officials will require 12,030 aircraft, according to Boeing. In the Americas region, officials will require nearly 10,000 planes, and European carriers will need just more than 7,500 aircraft.

FIVE NEW QUAYSIDE CRANES FOR PATRICK TERMINALS

Stevedore Patrick is taking delivery of five new ship-to-shore cranes for its Fremantle, Botany and Melbourne container terminals. *Zhen Hua* 26, a 233m heavylift vessel, entered Fremantle's outer harbour with the five new cranes on board, having left Shanghai 18 days before. One of those cranes will be offloaded at the stevedore's Fremantle terminal at North Quay. The remaining four cranes will be shipped to Sydney, where three will be offloaded at Patrick's Port Botany terminal before Zhen Hua 26 transports the final crane to Patrick's East Swanson Dock facility in Melbourne. The first four cranes to be offloaded – one in Fremantle and three in Port Botany – were loaded onto the Zhen Hua 26 in Shanghai already fully constructed. The crane destined for Melbourne, however, had to be transported in a way such that the Zhen Hua 26 is able to fit under Melbourne's Westgate Bridge with that crane on board. They are all designed to service up to post panamax size vessels, and have an outreach of 50m, and a backreach of 18m. Asciano chief executive and managing director, John Mullen, said the new cranes are capable of up to 200,000 lifts per annum, "a 10% to 20% improvement in productivity when compared to the older cranes that are being replaced," he asserted.

TOP 20 OCEAN CARRIERS BOOST FLEETS

The world's top 20 ocean carriers boosted their container ship fleets by 844,000 20-foot equivalent units in the past 12 months, intensifying competition even as they piled up large losses, according to Alphaliner. The two largest lines, Maersk and Mediterranean Shipping Co., accounted for more than half the extra capacity, adding 232,000 TEUs and 218,000 TEUs respectively since July 2011, the container market analyst said. The world fleet reached 16.53 million TEUs by July 1, of which 16.05 million TEUs consisted of fully cellular vessels. Total capacity grew 6.5 percent, with the top 20 carriers boosting their aggregate capacity by 6.4 percent. Capacity additions ranged from 2 percent to more than 19 percent, while Chile's CSAV and Israeli line Zim were the only top 20 carriers to cull capacity during the year. Mitsui OSK, CSCL and COSCO, recorded the largest percentage increases of 19.4 percent, 18.2 percent and 16 percent, due to a combination of new vessel deliveries and the recovery of chartered-out capacity. Maersk's capacity grew 9.8 percent; MSC was up 10.9 percent. France's CMA CGM, the world's third ranked carrier, increased capacity by 4.4 percent, or 56,200 TEUs during the year. CSAV, which has lost $1.5 billion since the beginning of 2011, slashed its fleet to 269,000 TEUs from a peak of 588,000 TEUs in the first quarter of 2011. Zim, which lost $559 million in the period, trimmed its fleet by just 10,700 TEUs.

WA GOVT CONSIDERS BUILDING NEW PERTH BOX PORT

Plans for a second container port in the Perth region are under discussion by the State government. The government has announced plans to proceed with "a comprehensive assessment of the planning, environmental, transport and community issues associated with container port operations in the coastal area" around 10km south of Fremantle. "Demand for the state's resources is projected to increase significantly," WA deputy premier, Dr Kim Hames, said. "In the past 15 years Fremantle Port container trade has trebled, reflecting an average annual growth rate of 7.5%. The provision of container handling facilities in Cockburn Sound will offer significant economic benefits to the state by allowing for increased commodity imports and exports," Dr Hames said. The area set to be staked out for the potential container port is the coastline from the Naval Base at Henderson, to the south as far as Kwinana, between 10km and 20km south of the Fremantle outer harbour. "Given the number of strategic port, industry and utility interests in that area, it is vital that all relevant issues are addressed through a rigorous technical assessment," WA Minister for Planning John Day said. "The study will take into account the environmental values pertaining to the Outer Harbour and Cockburn Sound and the impact of new proposals for industrial developments," he added. Findings are due in May 2013.

MOOREBANK INTERMODAL TERMINAL EXCITES PRIVATE SECTOR

Almost 40 major companies have taken part in market briefings for the state government's Moorebank Intermodal Rail Freight Terminal (IMT). Headed by the government's lead adviser, KPMG, the briefings have involved large freight operators, users, financiers and constructors from within Australia and overseas. "The briefings have shown there is strong appetite from both domestic and offshore companies that see the Moorebank IMT as a major opportunity," a spokesperson from the Moorebank Project Office said. The government announced in April that the IMT would proceed as a private sector project by calling for tenders for operation, design and construction. Due to open in 2017 it will be delivered and operated by the private sector as an open-access facility. "The feedback was that the private sector welcomes the project as an absolute necessity for Sydney and supports the government's decision to enable an open-access IMT designed, built and operated by the private sector through a competitive tender process," the spokesperson said. The IMT is expected to take 1.2 million truck trips off Sydney's roads each year and have $10 billion worth of economic benefits, resulting in improved productivity, according to a detailed business case prepared for the government. It is also expected to create an estimated 2625 construction jobs for the port shuttle and interstate terminals and a further 1700 jobs for the south western Sydney region.

AIR CARGO INDUSTRY FACES OVERCAPACITY THREAT

There is growing evidence the air cargo industry is heading for a state of overcapacity that threatens to ground more all-cargo carriers and pull down rates further. The industry is on track to have 9 percent too much widebody freighter capacity by 2016 if volume doesn't expand 4.9 percent annually as forecast. If growth ticks up only 3 percent, causing overcapacity, carriers can "spread the pain" by deferring delivery of aircraft, according to a new report by the Air Cargo Management Group. Capacity of widebody freighters, most often used for international lifts, is on track to expand 5.3 percent annually, research director Alan Hedge said. "There is a significant although not critical risk of near-term main deck freighter overcapacity," he said. "The status quo is unacceptable." The demand projections, based off International Air Transport Association estimates, assume the eurozone crisis will be contained and fuel prices don't jump again. Both assumptions are far from certain. The warning of overcapacity comes as global volume in April fell 4.4 percent year-over-year and more freight is shifted to slower but cheaper ocean shipping.

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