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AUSTRALIA AND THE UNITED STATES TO WORK TOGETHER TO COMBAT TRADE CRIME

Representatives from the Australian Customs and Border Protection Service and the United States Immigration and Customs Enforcement (ICE) have signed an agreement to share trade data with each other. ICE will provide Customs and Border Protection access to their Data Analysis and Research for Trade Transparency System (DARTTS), which is a computer system that contains domestic and foreign trade data and allows users to see both sides of the trade transaction, making the transaction transparent. This will help officers to identify international trade anomalies and financial irregularities indicative of trade-based money laundering, customs fraud, movement of counterfeit goods and other import-export crimes. It is estimated that annual trade-based money laundering is worth billions of dollars and is growing each year. Customs and Border Protection National Manager Compliance Assurance, Anthony Seebach, welcomed the partnership and said it would increase the capabilities of both agencies to target people or entities who tried to exploit global trade systems.

WHERE NEXT FOR CER?

The Australian and New Zealand Productivity Commissions have identified some 20 policy initiatives to promote beneficial economic integration between the two countries. In a discussion draft the Commissions conclude that Closer Economic Relations (CER) initiatives have benefited both countries over the past 30 years. *(Continued on Page 2)*

BOEING: CHINA TO NEED 5,260 NEW AIRCRAFT

Following the release by rival Airbus of its Global Market Forecast touting the dominance of the Chinese aviation sector, Boeing has forecast that China will require 5,260 new aircraft, valued at $670 billion, by 2031. Small and medium-sized, twin-aisle aircraft will account for the majority of the future deliveries, according to Boeing projections. Boeing's Randy Tinseth said what's most impressive about China's projected need is that more than 75 percent of the deliveries will be due to growth, not replacement. "Sustained strong economic growth, growing trade activities and increasing personal wealth are some of the driving forces," he added. Tinseth also remarked that Boeing expects Chinese carriers to post an annual growth rate of 8.9 percent over the next two decades. He said it's "not only because the market demand is growing, but because Chinese carriers now have the capability and resources to compete in the tough long-haul international market." Projected growth or not, China hasn't been immune to the sluggish cargo volumes that have plagued the Asia-Pacific lately. Freight carriers in this region saw demand slow 7.6 percent, year-over-year, in July, according to International Air Transport Association statistics, while capacity stalled 4.3 percent, year-over-year. In fact, IATA revealed in a press release, Asia-Pacific freight carriers have seen "virtually no growth" since the fourth quarter of 2011.

INSIDE

(Continued from Page 1) Barriers to integration remain, particularly regulations affecting services trade and investment. Tackling these is important but will be challenging, notwithstanding the similarities between the two countries. New Zealand Productivity Commission Chair, Murray Sherwin, says "CER has been a very successful venture, with initiatives that would not have been possible with any third country. There is more that can be achieved to the benefit of both Australia and New Zealand." Gary Banks from the Australian Productivity Commission observed, "While a single economic market provides the 'direction of travel' for the bilateral relationship, how far future policy initiatives go ultimately must emerge from good public policy processes focussed on achievement of net benefits." The major initiatives likely to deliver benefits to both Australia and New Zealand are set out in the study and relate to business law, occupational licensing, 'rules of origin', air services and shipping, and capital and labour flows. In a number of areas, such as mutual recognition of dividend imputation, more work is required to assess the potential for net benefits. For others, such as monetary union, the Commissions have concluded that they would not generate net benefits and should not proceed.

US BOX IMPORTS SURGE 9.7% ON YEAR

Strong growth in the automotive and furniture sectors helped US containerised imports in July rise 9.7% to just under 1.6m teu, compared with the same month in 2011. According to Piers data, the growth marks an "impressive expansion of the import trade", given last July's year on year drop of 5.2%. In the year to date, US containerised imports were up 3.5% with inbound box volumes set to continue to accelerate during the second half of 2012. Predictions are for a full year rise of 4.6% for imports and 2.3% for exports. Sales of existing homes were up 2.6% through July, contributing to demand and driving imports of furniture, the largest containerised commodity, to an 8% rise. Piers data reveals that other containerised commodities showing sharp gains included bananas up 32%, toys up 13%, auto parts rose 25% and refrigeration equipment was up 36%. Increases in furniture and toys pushed China's US-bound goods up 5% to 733,463 teu. Overall containerised imports from Asia rose 7.7% compared with July 2011. Rising prices and poor demand outlook continued to affect footwear imports, which fell 9%.

MANUFACTURING DECLINE EASES IN AUGUST

The rate of contraction in the manufacturing sector eased in August according to the latest Australian Industry Group – PwC **Australian Performance of Manufacturing Index** (**Australian PMI®**) which rose 5.0 points to 45.3 in the month (readings below 50 indicate a contraction in activity with the distance from 50 indicative of the strength of the decrease). Manufacturing production and employment improved in the month although both remain in the red at 43.1 and 41.2 respectively. Three of the eleven sub-sectors expanded in August – miscellaneous manufactures (62.3); food & beverages (55.4) and wood products & furniture (54.1). Australian Industry Group Chief Executive, Innes Willox, said: "Manufacturing conditions continue to be very challenging across the sector with the high dollar and weakness in demand in the domestic and export markets weighing on growth. There are some encouraging signs in the August **Australian PMI®** with the production sub-index lifting and the forward-looking new orders sub-index rising strongly. Disappointingly, employment levels fell again in August and have now been in retreat for five consecutive months," Mr Willox said. PwC Partner - Economics and Policy, Jeremy Thorpe, said: "Manufacturing remains in a contractionary state in Australia, as it does in China, the Eurozone, the US and Japan. This poor outlook for Australian manufacturing is driven by the economic fundamentals noted in the federal government's Manufacturing Taskforce report. Unfortunately, these are universal challenges without simple solutions," Mr Thorpe said.

RENEWED CUSTOMS FOCUS ON CARGO VALUE FRAUD

Customs has launched a rolling audit program after growing evidence showed rampant non-compliance with customs rules among sellers bringing Chinese clothing into the country. Some importers have been found to have undervalued consignments by at least 50%, using fake invoices from their overseas suppliers, or by claiming contrived expenses, such as 'buying agent' commissions. "Some importers appear to think that this is normal industry practice and that they won't be caught," Customs and Border Protection's Anthony Seebach said. "But they're wrong and the consequences can be severe." Mr Seebach said that while occasional undervaluations could occur in any industry sector, it was unusually common among small to medium-sized importers of clothing from Hong Kong and China. "If importers are found to have undervalued their goods on purpose, they can be prosecuted or even go to prison," Mr Seebach said. Customs said that it will utilise its lines of communication with foreign customs agencies, including those in China and Hong Kong, to identify fraudulent value claims more easily. "Importers suspected of defrauding the Commonwealth may be subject to an audit of all their importations," Customs warned. "Their cargo could be held up, while detailed enquiries are made into the true value of their goods."

SYDNEY TRADE UP 6% IN JULY

Over 169,000 teus moved through Port Botany in July, up 8% from July last year. Sydney Ports' throughput of non-containerised bulk products also rose, resulting in a total increase in trade of 6% year-on-year. Box imports were up 11.2%, rising to 86,850 teu. 46.8% of those came from East Asia, while 15.3% came from South East Asia and 14.7% came from Europe. Box exports also rose compared with July last year, with an increase of 7.2% to 40,660 teu. 40.9% of those went to East Asia, while Oceania took 29.6% of box exports. Of the 169,222 teu moved through Port Botany in July, around 128,000 teu were full, and 41,000 teu were empty. Just over 55,500 twenty-foot containers were moved, and around 56,750 forty-footers were moved (representing 113,500 teu). Non-containerised trade imports increased 3.8%, reaching almost 1.2m tonnes. An increase of 94.6% occurred in non-containerised exports, which rose to 55,063 tonnes, mainly attributed to an increase in exported refined oil and bulk liquid chemicals. Sydney Ports' total trade in July was 2.6m tonnes.

CHINA PORTS' TEU SHARE HITS 30 PERCENT

China's container ports now handle 30 percent of international container volume, which has more than doubled in the last decade, Drewry Maritime Research said in its latest annual port sector report. Global container port throughput jumped to 558.8 million 20-foot-equivalent units last year from 279.3 million TEUs in 2002, Drewry said in the 10th edition of its Global Container Terminals Annual Review & Forecast. Chinese ports' share rose from 19 percent in 2002. The report said the 6 percent forecast increase in global container volume will vary by region, with Europe flat, North America showing slight growth and emerging nations showing the strongest gains. Drewry warned that although there's little port congestion today, growth in demand is expected to outstrip growth in port capacity, and that this could create problems in some regions, especially Asia. "In this year's report, we are forecasting that global container port throughput will exceed 800 million TEUs by 2017," said Neil Davidson, Drewry senior adviser and editor of the report. "On this basis, within 10 years from now, the industry will easily be in excess of 1 billion TEUs per annum — and this based only on single-digit growth each year. "It's also quite possible that ships in excess of 20,000 TEUs will be in service on the main east-west routes. Regardless of the current economic uncertainties, therefore the industry is facing a huge challenge in terms of growth on more than one front," Davidson said.

CONSULTANTS APPOINTED FOR WEBB DOCK PROJECT

Port of Melbourne management have announced the appointment of two consultants to undertake key work on the $1.6bn Webb Dock upgrade. Arup Pty Limited is to provide maritime engineering consulting services for the project's extensive maritime works while Aurecon Australia Pty Limited has won the contract to handle the civil engineering design services. The maritime works program includes re-engineering of the existing wharves at Webb Dock East, dredging and the design of a new 920m wharf for the port's automotive trade. The civil works program, meanwhile, includes design of internal roads, interface buffers site preparation works and services infrastructure. Port of Melbourne chief executive Stephen Bradford said the appointments were "an important first step in the redevelopment of Webb Dock". "Aurecon and Arup both have an excellent track record for designing and delivering large scale infrastructure with a focus on innovation and sustainability," Mr Bradford said. "Their worldwide experience will help to create the innovative design outcomes we are seeking for Webb Dock."

SLOW STEAMING ABSORBS EXCESS CAPACITY

Total capacity absorbed by extra-slow steaming has increased by 30% since the start of the year, according to a new Alphaliner report. Super-slow steaming's absorption of capacity now stands at 5.7% of the cellular fleet, amounting to around 930,000 teu. Slow steaming reduces the cargo capacity of a fleet as ships are at sea for longer, which helps to maintain freight rates. Box lines add that slow steaming reduces fuel consumption and increases schedule reliability. According to Alphaliner, carriers have extended the rotations of 35 loops since January, absorbing more than 230,000 teu of additional vessel capacity through the adoption of super-slow steaming. Slower sailing speeds are being seen on the Asia to South America route, where all strings are now slow steaming, and on several strings from the Far East to the Middle East, Indian subcontinent, Africa and Australia.

REGIONAL BUSINESS PUSH FOR TPP

The Australian Chamber of Commerce and Industry (ACCI), Australia's peak business organisation, has joined regional business leaders in a statement urging APEC governments to press ahead with a regional trade agreement in 2013, the Trans-Pacific

Partnership (TPP). ACCI made this call on the eve of the APEC Economic Leaders' Meeting recently held in Vladivostok, Russia. The joint statement includes business representatives from both sides of the Pacific - Canada, the United States, New Zealand, Chile, Singapore and Peru. "With the lack of progress on the WTO Doha Round, large scale regional agreements like the TPP provide a pathway for increased trade and investment liberalisation. TPP will assist to arrest the slide back into protectionism by many countries in the wake of the economic crisis. It provides a debt-free stimulus to the economies that will shape our future well-being" said ACCI head, Peter Anderson. "The Australian government is showing regional leadership in trying to find pathways to rekindle global trade talks. The statement by industry leaders is evidence of the strength behind government ambition."

FUNDING FOR PORT KEMBLA RAIL LINK PROPOSAL

Federal Infrastructure and Transport Minister, Anthony Albanese, has announced $25.5m in funding for planning and detailed design work on the Maldon-Dombarton rail link. The proposed rail link would be around 35km long and would connect Dombarton, 12km from Port Kembla, with Maldon, which sits on the east coast's main north-south rail line. Port Kembla is already connected to the central Sydney area and Port Botany via the Illawarra Railway. The port is also connected to the north-south line via the Moss Vale-Unanderra Railway. However the Maldon-Dombarton link would connect Port Kembla more directly with the main north-south line, for cargos coming from or headed to the north. "The project involves laying 35km of standard gauge track connecting Port Kembla directly to the main north-south line via Dombarton," Mr Albanese's office said. "It would also include two passing loops, bridges over the Nepean and Cordeaux Rivers and one of Australia's longest tunnels." Port Kembla users have been pushing for the construction of the line for some time. Desire for heavier reliance on rail at the port is a large proponent of the project, as is the push for Port Kembla to become NSW's second major container port. However, the funding, which will go to Transport NSW, does not guarantee the project's construction. Mr Albanese said the funding was just to get the project 'shovel ready', "ahead of its possible inclusion in Federal Labor's next multibillion dollar road and rail construction program." "In line with the commitment given by the Prime Minister late last year, we are determined to progress this infrastructure project and cement the Illawarra's status as one of our nation's most important industrial powerhouses," Mr Albanese said.

LAING O'ROURKE WINS $150M HUTCHISON BOTANY CONTRACT

Laing O'Rourke has won a $150m contract to build civil and rail infrastructure for the planned third terminal at Port Botany. Hutchison Port Holdings, which is building the $500m terminal, announced the deal in a joint statement with the multinational construction contractor. Under the contract, Laing O'Rourke will build pavement, electricity substations, structural support for the heavy duty quay and stacking crane systems, and rail sidings. "Awarding the construction contract is a significant step towards the creation of a new stevedoring operation in Port Botany," Hutchison Port Holdings Australasia and North Asia managing director, Raymond Law, said. Laing O'Rourke chief executive officer, Steve Hollingshead, described the project as "significant". "Port Botany Terminal 3 is directly related to growing the infrastructure needs of NSW," he said. Hutchison's terminal will join two other Port Botany operations operated by the Asciano-owned Patrick and DP World.