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## NEWSLETTER 2013/2

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### GREEN LIGHT FOR PORT OF MELBOURNE UPGRADE

Victorian Planning Minister, Matthew Guy, has given the 'green light' to begin the \$1.6bn Port Capacity Project. The project will upgrade the port of Melbourne. "We have ensured that quality landscape and vegetation buffers will be designed and constructed fulfilling the Port of Melbourne's charter to deliver a vibrant, sustainable Port-City vision. The Port of Melbourne Corporation will be required to comply with "strict environmental standards" to protect Port Phillip Bay, along with surrounding waterways and the natural environment. "During construction and eventual operation of the new port facilities new benchmarks for environmental standards and accountability will be set to provide the highest level of transparency and performance," Mr Guy said. Other approvals already have been received from various government departments including the Commonwealth which has approved the project under its Environment Protection and Biodiversity Conservation Act. New Premier, Denis Napthine, said the government was committed to ensuring Melbourne remained the nation's freight and logistics capital. "The expansion of the port will deliver substantial economic benefits to Victoria by providing 1100 direct jobs and 1900 indirect positions while catering for the forecast demand in freight," Dr Napthine said. "This decision to develop Webb Dock was required to prevent the state economy from going into meltdown due to debilitating congestion in our ports." (Continued on Page 2)

### NATIONAL CENTRE TO TARGET ORGANISED CRIME

A new National Border Targeting Centre will be established to target high-risk international passengers and cargo. The advice of Australian law enforcement agencies is that intelligence and targeting is the key to seizing drugs and other contraband on the streets and at the border. The National Border Targeting Centre will use an intelligence-led, risk-based approach to target high-risk international passengers and cargo. 85 per cent of seizures at the border are the result of intelligence developed by Customs and Border Protection and other law enforcement agencies in Australia and overseas. The more intelligence that law enforcement agencies have, the more they can seize. The National Border Targeting Centre will provide the basis for co-locating agencies like:

- Australian Customs and Border Protection Service;
- Australian Federal Police;
- Australian Security Intelligence Organisation;
- Australian Crime Commission;
- Department of Foreign Affairs' Passports Office;
- Department of Agriculture, Fisheries and Forestry; and
- Office of Transport Security.

The National Border Targeting Centre will also provide a basis for Customs and Border Protection to work more closely with the Department of Immigration and Citizenship. The new Centre will be able to work alongside targeting centres in the United States, Canada, the United Kingdom and New Zealand.

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(Continued from Page 1) Dr Napthine said the decision means works at Webb Dock can begin, enabling Melbourne's third container terminal and new, world-class automotive facilities to be operational in late 2016.

### **RECORD INTERNATIONAL VISITOR ARRIVALS**

According to the latest International Visitor Survey, 2012 was a record year for international visitors to Australia. In 2012, international arrivals increased by five per cent to 5,691,791; nights stayed increased six per cent to 206,275,542 and amount spent in Australia increased four per cent to \$18.9 billion. Significantly Australia recorded its highest ever number of visitor arrivals from the United States. In the year ending December 2012, there were 453,000 arrivals from the US – up six per cent compared to 2011. Nights spent in Australia increased by four per cent, and money spent by two per cent. Minister for Tourism, Martin Ferguson AM MP, said this has been the best year for US arrivals since the year 2000 when Sydney hosted the Olympic Games. "It's encouraging to see such a recovery in the US market, especially given the strength of the Australian dollar," said Minister Ferguson. Asia continued to drive the increase in international visitation for the year led by China, with an increase in visitor arrivals of 16 per cent, nights spent in Australia increased seven per cent and spend was up 12 per cent. Overall results for the year ending December 2012 show strong growth in visitation for the holiday segment with visitor numbers up five per cent, nights up six per cent and spend up two per cent.

### **NEW AUSTRALIAN ANTI-DUMPING COMMISSION ESTABLISHED**

Legislation to establish the Australian Anti-Dumping Commission has passed the Australian Parliament. Minister for Home Affairs Jason Clare said that the new Commission will start operating on 1 July 2013 and will be principally located in Melbourne. "The Anti-Dumping Commission was the primary recommendation of the review into Australia's anti-dumping and countervailing system led by the Hon John Brumby, the former Premier of Victoria," Mr Clare said. "Advertisements will appear in major newspapers to recruit a Commissioner." The Commissioner will be an individual with a proven record of achievement as a leader in industry or public administration, with experience in setting a strategic vision and implementing reform. The legislation that passed Parliament amends the Customs Act to create the Commissioner's role and offer legislative guidance to the Commission's work. The Commissioner will be responsible for decision-making and other anti-dumping related functions that

currently rest with the CEO of Customs and Border Protection. The Bill does not change the responsibility of the Minister for anti-dumping matters. Applications for the Commissioner's role closed on 31 March, 2013.

### **PORTS SEEK SOLUTIONS TO MEET NEW BOX WEIGHING RULES**

Global port groups are analysing their technical options to meet new legislation on mandatory maritime container weighing that looks set to become law by 2017. But box weight verification was just one of a growing list of technical issues, including tighter container handling windows for mega boxships that the ports industry and handling equipment manufacturers would face. Bromma, the Swedish company that makes the heavy-duty spreaders that grab ocean containers, said it is starting to receive requests for information and quotations for technical solutions to box weight verification. Business development manager Lars Meurling estimated that 500-1000 container terminals worldwide would need to find a reliable load-sensing system to meet looming International Maritime Organization legislation. The proposed legislation, while requiring verification of container weights to avoid misdeclarations and consequent stack collapses, did not define where verification should take place. The question was whether shippers and forwarders should weigh each box before arrival at port, or whether the ports and terminals should take responsibility. The financial cost of compliance was critical.

### **GLOBAL AIRFREIGHT DEMAND MUSHROOMS**

Compared to January 2012, demand for airfreight rose 5 percent last January. But demand was extremely low in January 2012 because that's when the Chinese New Year fell, shutting down many Asian factories. Airfreight volumes this January were 0.9 percent lower than volumes in December 2012. Capacity expanded by 2.1 percent year over year, and the global load factor was almost 42 percent. Asia-Pacific carriers saw year over year demand growth of 7.1 percent, Middle Eastern carriers saw 16.3 percent and African carriers saw 3.7 percent. North American and European airlines experienced 0.6 and 1.2 percent demand growth, respectively. Latin American carriers' demand fell by 1.6 percent. "The airfreight business is showing some encouraging signs. But it's too early to be overly optimistic. While the decline has stopped, overall volumes are still below the levels of 2010 and 2011. Load factors are low. And the global economy is fragile. Our forecast remains for modest demand growth of 1.4 percent," said Tony Tyler, IATA's director general and CEO.

## **AUSTRALIA IN THE WORLD'S PROSPERITY INDEX TOP FIVE SINCE 2009**

Australia is ranked the fourth most prosperous economy in the world and the first in the Asia-Pacific region, according to the latest 2012 Legatum Prosperity Index. Australia's superior ranking in the Legatum Institute's overall index has been supported by its excellent performance in five of the index's eight sub-categories, particularly in Education (ranked 2nd globally), Social Capital (3rd), Personal Freedom (3rd), Entrepreneurship & Opportunity (8th), Governance (8th) and Economy (10th). Australia's enviably high score in the index has confirmed that the economy's recent economic prosperity has been largely driven by the key factors, such as the country's world-class education system, sound economic foundations, robust entrepreneurship and opportunity, effective and accountable government, and the rule of law. Norway, Denmark and Sweden occupied the top three positions in the overall prosperity measure, while Australia and New Zealand ranked fourth and fifth, respectively. Canada, Finland, the Netherlands, Switzerland and Ireland rounded out the top 10.

## **AAT'S PRICE INCREASE DEEMED TOO HIGH**

An approved, independent price expert has ruled a price increase proposed by Australian Amalgamated Terminals (AAT) at Melbourne's Webb Dock West terminal is too high. AAT, which provides automotive import and export services, proposed a price increase of 7.5% last year at its Melbourne terminal which would have increased the facility access charge to \$32.20 per unit for exporting cars and \$26.25 per unit for importing cars. However, under the authorisation granted to AAT in 2009 by the Australian Competition and Consumer Commission, AAT's tariffs are subject to review. Independent price expert Deborah Cartwright reviewed the increase and reset the price increase to 2.4%. "I have determined that the proposed increases for Webb Dock West as notified by AAT are not reasonable or justified," said Ms Cartwright. The company said that under the authorisation it is allowed to earn a fair rate of return on the capital investment made at its terminals. AAT's justification for an increase of 7.5% was that forecast volumes had not been achieved since the last review and that volumes would remain at those levels. This coupled with rising property costs, rents, rates and land tax, as well as general operating cost increases require an average 7.5% proposed maximum increase," AAT said in its notification. However, Federal Chamber of Automotive Industries (FCAI) Director of Industry Operations, Tony McDonald, lodged an objection to

the price rise. "Our own figures indicate that during the calendar year 2012 the actual volumes of motor vehicle imports through Webb Dock West have increased significantly compared to the previous 12-month period," said Mr McDonald. The 2.4% price increase is now in place with prices at \$30.70 per unit for exporting cars and \$25 for importing cars.

## **29 U.S. STATES SET 2012 EXPORT RECORDS**

In total, 35 states achieved merchandise export growth in 2012, and 20 of those states experienced growth of at least 5 percent or more. Total merchandise exports from all 50 states helped contribute to the record-setting value of goods and services exports in 2012, which reached \$2.2 trillion. Nationally, jobs supported by exports increased to 9.8 million in 2012, up 1.3 million since 2009. Eleven states achieved double-digit export growth in 2012 compared to 2011. These 11 states provided an extra boost to United States exports, with states such as New Mexico ramping up its export sales to its largest market, Israel, by 193 percent. Arkansas increased exports to its fourth leading market, France, by 117 percent. Colorado also boasted a 63 percent leap in exports to Brazil, as well as 20 percent growth in exports to Turkey. Exports from West Virginia to South Korea increased 61 percent. Nationwide, 2012 U.S. merchandise exports to countries with which the United States has a trade agreement outpaced other markets nearly two to one. This included exports to Australia (+13 percent).

## **TENTATIVE SIGNS OF IMPROVEMENT IN MANUFACTURING**

Australian manufacturing showed some tentative signs of improvement in February with the rate of contraction across the sector easing in the month. The latest Australian Industry Group Australian Performance of Manufacturing Index (Australian PMI®) lifted 5.4 points to 45.6 in February (readings below 50 indicate a contraction in activity with the distance from 50 indicative of the strength of the decrease). Encouragingly, the new orders sub-index rose in February to 41.8 and the employment sub-index also improved, up 7.4 points at 47.5. The strong Australian dollar continues to impede exports with the sub-index remaining broadly unchanged at a low reading of 31.2. Australian Industry Group Chief Executive, Innes Willox, said: "Although remaining under 50 points (indicating contraction), this was the best monthly result for the Australian PMI® since last August and it was encouraging to see some easing in the severe pressures facing manufacturing. "However, despite low official interest rates, conditions in manufacturing remain very testing with households not yet ready to loosen the purse strings and businesses still delaying investment in machinery

and equipment. Flat government spending and the export challenges of high exchange rates are additional barriers to sales growth. "With opportunities for revenue growth so constrained and with rises in wages and input costs - particularly for energy - businesses continue to cut costs and look across their business for efficiencies," Mr Willox said.

### **IMPORTERS FINED \$1.6M FOR REVENUE FRAUD**

Two importers, who were directors of an import company and a tobacco retailer, have together been fined \$1.6m for duty evasion relating to moving under-bond goods from a Customs-controlled area without authority. Together they engaged, over a three-year period, in moving tobacco out of their company's customs-licensed warehouse for under-bond goods. They did not have the authority to do so as they had not made the appropriate declarations nor paid the correct levels of duty as required under the Customs Acts. Both directors admitted their guilt to several "representative" offences, totalling seven counts in the case of one director and 111 counts in the case of the other. It is estimated in court documents that approximately \$1.3m of goods were removed, for sale, from the under-bond warehouse. In imposing the sentence, Judge Hollingworth cited an earlier decision of the Federal Court in which Judge Kitto, said: "Customs officers have, of practical necessity to rely extensively upon the information supplied to them by importers... no doubt ordinary conceptions of honesty and civic responsibility suffice to ensure a great deal of fair dealing with the Customs, but, for some people, little seems to matter but fear of the consequences of discovery. The Customs Act makes those consequences potentially drastic. It is for the courts to make them, in suitable cases, drastic." Judge Kitto said.

### **PORT OF MELBOURNE CONTAINER TRADE UPDATE: JANUARY 2013**

Total overseas container throughput in the Port of Melbourne (full + empty) for January 2013 was 157,865 TEU. This was a decrease of 8.0% over January 2012 and down 2.5% for the financial year to date. Total (full + empty) container imports for the month were down 10.2% while total (full + empty) container exports decreased by 5.5%. Full overseas container imports declined 8.5% against January last year to be down 4.1% on a year to date basis. Several commodities recorded significant gains for the month including fresh and frozen vegetables, miscellaneous food preparations, confectionary, paper, zinc and wood manufactures. Commodities with the most notable declines were furniture, metal manufactures,

textiles and machinery. Full overseas container exports recorded a 5.6% decrease over January last year to be down 1.3% on a year to date basis. Cotton, meat, pulp and waste paper, paperboards and timber returned the most notable increases, whilst exports of wheat, barley, paper and metal manufactures recorded the most significant declines for the month. Empty overseas container movements for January decreased 9.9% over the same period last year to 34,594 TEU, to be neutral (0.0%) on a year to date basis. Empty overseas exports decreased 5.4% for the month while imports were down 37.3%

### **FIERCE COMPETITION FOR ASIAN OPPORTUNITIES**

The world's demand for food will increase by a massive 75 per cent by the year 2050, putting food security and reform to the agriculture sector at the top of the agendas for business and governments. Delegates to Outlook 2013 heard productivity gains would be vital in placing Australia's farmers at the front of those benefitting from the globe's growing appetite for food. Increased demand for more food and high-quality products in Asia opened up significant opportunities for Australian agriculture, but competition would be fierce. ABARES modelling shows food production in Asia is expected to increase significantly to 2050 as countries have greater potential to increase their agricultural productivity. Increased supply from Asia and further abroad is likely to dampen projected price rises in the future. This means Australian farmers will need to boost their productivity to compete.

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