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NEWSLETTER 2013/3

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2013 BUDGET MEASURES

- i. The Government will restructure the Import Processing Charge (IPC) to recover the costs of all import related cargo and trade functions undertaken by the Australian Customs and Border Protection Service. Currently only a portion of these functions is cost recovered. To recover these costs charges will be increased for consignments valued over \$10,000 in accordance with the Australian Government's cost recovery policy. The new charges will come into effect on 1 January 2014. The IPC is charged on each full import declaration lodged by importers. For consignments valued over \$10,000, the IPC for electronic sea import declarations will be increased by \$102.60 to \$152.60 per consignment; and the IPC for electronic air import declarations will be increased by \$81.90 to \$122.10 per consignment. For consignments valued over \$1,000 and up to \$10,000 *(Continued on Page 2)*

PROPONENTS SOUGHT FOR MOOREBANK INTERMODAL TERMINAL

The Federal Government is calling for Registrations of Interest in developing and operating the Moorebank Intermodal Terminal from local and international private companies and consortia. This represents a major milestone in the delivery of this nationally significant infrastructure project. The Moorebank Intermodal Terminal will bring the public and private sectors together to generate around \$10 billion in economic benefits through reduced freight costs, reduced traffic congestion and better

environmental outcomes. "The Terminal is due to commence operations in late 2017 and will be Sydney's major rail freight solution for decades to come," Mr Albanese said. "Once up and running, it's forecast that the Terminal could remove 1.2 million trucks each year from Sydney's roads – that's equivalent to 3,300 trucks per day. This project is essential to delivering greater freight efficiency and competitiveness for Australian businesses and is looking to make improvements along the length of the supply chain." The Registration of Interest process is being undertaken by Moorebank Intermodal Company which was established in December 2012 to take the project to market. Since its establishment, the Moorebank Intermodal Company has engaged widely with industry. Briefings have already been provided to more than 60 Australian and international companies including large rail freight operators, intermodal users, financiers and construction companies. Private sector companies and consortia with world-class expertise in the planning and management of major freight and logistics facilities including intermodals and warehousing are invited to register their interest. The proposed intermodal terminal will include a port shuttle terminal capable of handling up to 1.2 million containers annually, an interstate terminal served by the Australian Rail Track Corporation network with capacity for a further 500,000 containers annually, and complementary warehousing. The next stage in the procurement process will commence with a request for Expressions of Interest in August 2013.

I **NSIDE**

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(Continued from Page 1) the IPC will remain at current levels: \$50.00 for electronic sea import declarations and \$40.20 for electronic air import declarations. The IPC is not applied to consignments valued at \$1,000 or less.

- ii. The Government will provide \$27.7 million over four years (including \$1.7 million in capital funding in 2013 14) to implement a package of improvements to Australia's anti dumping and countervailing system. The measure includes the creation of a new Anti Dumping Commission within the Australian Customs and Border Protection Service to investigate complaints. Existing responsibilities and funding for Australia's anti dumping and countervailing system will be allocated to the new Commission. This reform will implement the key recommendation of the 2012 Review into Australia's Anti Dumping Arrangements. Resourcing will also be provided to increase the number of anti dumping investigators, continue the International Trade Remedies Advisor role, and enhance IT systems. The measure also includes several improvements to anti dumping legislation.
- iii. The Government will provide \$8.4 million over 2013 14 and 2014 15 (including \$4.5 million in capital funding) to trial automated border processing technology and procedures for departures from Australian airports. The trial will focus on Trans Tasman travellers, and will test the feasibility of giving eligible travellers the option to self process through passport control. Currently, automated border processing is in place for arrivals only. The cost of this measure will be met from within the existing resources of the Australian Customs and Border Protection Service and the Department of Immigration and Citizenship.
- iv. The Government will provide funding of \$2.2 million over four years to strengthen the integrity of the secure areas of ports and airports. This includes \$0.7 million over four years (including \$0.3 million in capital funding) for AusCheck, within the Attorney General's Department (AGD), to support new legislation enabling the Secretary of AGD to suspend an Aviation Security Identification Card (ASIC) or Maritime Security Identification Card (MSIC) if the cardholder is charged with a serious criminal offence. The list of serious offences will be prescribed by regulation. The Government will also amend the Customs Act 1901 by creating a number of new obligations and offences for cargo terminal operators and stevedores in order to strengthen the

Commonwealth's response to organised crime at the border and in the cargo supply chain.

- v. In his sixth budget, Treasurer Wayne Swan announced \$24bn of investment in the "next wave of nation-building infrastructure". "We have already invested \$36bn in roads, rail and ports," Mr Swan said. But the vast majority of the money would be funnelled into public transport works and road works aimed at reducing commuting times. A big chunk of money was allocated to rail around Port Botany to relieve port congestion. The government will contribute \$40m toward the removal of the rail level crossing at General Holmes Drive and construction of a road underpass. Upgrading the Port Botany rail line to improve access between the port and the future Moorebank Intermodal Terminal will get a contribution of \$75m. Federal Transport Minister, Anthony Albanese, said in the next 12 months Sydney will see the construction of the Moorebank Intermodal Terminal in partnership with the private sector. "The facility will take 1.2m trucks a year off Sydney's road network, prevent gridlock around Port Botany and ultimately transform the movement of freight along the entire east coast," Mr Albanese said. The government's contribution of \$145m to upgrade the Port Botany rail line with the aim of eliminating dockside congestion would increase capacity along the line to the port from 700,000 teu to around 1m teu per year.

BOEING REVS UP 787 PRODUCTION RATE

Boeing has rolled out the first 787 Dreamliner to be built at the increased production rate of seven airplanes per month. The plane is the 114th 787 to be built overall and the 100th 787 to be built at the Everett, Washington factory. Boeing's 787 program is on track to achieve a planned 10 per month rate by the end of the year. The production rate accounts for planes built at the Everett Final Assembly facility, the Everett Temporary Surge Line and Boeing South Carolina. Fifty 787s have been delivered to eight airlines. The program has more than 800 unfilled orders with 58 customers worldwide. 787s were grounded in January after the aircrafts' lithium batteries were overheating. The Federal Aviation Administration approved a fix for the battery in April. All Nippon Airways, the Dreamliner's largest customer, announced that it plans to put its 787s in service again on June 1. United Airlines planned to fly its 787s again on May 31. Qatar Airways has already resumed operations with its Dreamliners.

NO ESCAPE FROM BOOM AND BUST

There is no chance that shipping will move away from its violent cycles of boom and bust, according to

finance experts speaking at the recent Lloyd's List inaugural summit. HSH Nordbank management board member, Torsten Temp, said the last time the industry spoke of such a change was in 2004. That discussion intensified in 2006, leading to the 2008 disaster. He said the industry had experienced "big problems" in the 1970s and 1980s but pointed out that there had been a 25-year gap between the end of the 1980s and the present downturn. "I don't know of any other financial industry that has had 25 years of uninterrupted growth. This is a wonderful industry that makes many mistakes and I am concerned, but not because of any change in paradigm. It is the cycle," Mr Temp said. Meanwhile, GMS President and Chief Executive, Anil Sharma, said any business that sought silver bullets would have a problem. "Change is everlasting and gradual," he said. "Companies that survive are those that see a change coming and plan for it. I don't see any major shifts coming up but there are several paradigms. There is room for large shipowners and those who own several ships."

BIDDERS REVEALED FOR MELBOURNE CONTAINER PORT OFFERING

The right to operate the third international container terminal at the Port of Melbourne has long been regarded as Australia's premier ports opportunity. Offered to the market in October 2012, the new container terminal is the centrepiece of the Victorian Government's \$1.6 billion Port Capacity Project and attracted expressions of interest from a wide field of Australian and international bidders. Located at Melbourne's Webb Dock East, the new facility is offered as a package that comprises around 30 hectares of waterfront terminal, a utility 'off-dock' area and an adjoining empty container facility. The new terminal is mandated to provide a capacity of at least one million containers per annum. Port of Melbourne Corporation Chief Executive Officer, Stephen Bradford, confirmed the identity of the bidders who have been shortlisted and invited to progress to the Request for Proposals phase.

- A consortium comprised of CMA CGM S.A. - ANL Container Line Pty Ltd and Macquarie Specialised Asset Management Limited;
- Australian International Container Terminals Ltd (AICTL) - *(a consortium comprised of International Container Terminal Services Inc. and Anglo Ports Pty Ltd)*;
- Hutchison Port Holdings *(part of Hutchison Whampoa Limited)*
- Qube Holdings Limited

"The shortlisted bidders will soon be issued with the Corporation's 'Request for Proposals' specifications and will prepare their detailed submissions along with

furnishing the required financial guarantees which will enable their bid to be considered. In evaluating the bids we are seeking innovation to deliver higher levels of operational efficiency alongside the requirements to operate a growing port in the middle of one of the nation's largest cities. Importantly, we are also seeking commercial returns that are in line with the significance of this rare opportunity" Mr Bradford said. The Project is funded by the Port of Melbourne Corporation which provides the "backbone" infrastructure while the private sector operators will fund the terminal superstructure and fit outs. The Corporation's investment in developing these new assets will be recovered through fees and charges normally applied to users of the port. The shortlisted bidders will be required to lodge their proposals in September this year and it is expected that the successful bidder will be announced in early 2014.

HUTCHISON BRISBANE WELCOMES FIRST VESSEL

Neptune Pacific Line and Pacific Forum Line, as part of the Auspac Consortium, have entered into an agreement with Hutchison's Brisbane Container Terminals, making the consortium's two vessels the first to call there. Neptune Pacific Line's vessel, Capitaine Tasman, arrived in Brisbane marking the beginning of a third competitor at the port. The other vessel on the Auspac route, which runs Melbourne, Sydney, Brisbane, Noumea, Port Vila, Suva, Lautoka, Auckland, Tauranga and Napier, is Pacific Forum Line's Forum Fiji. Both lines previously used the services at Patrick. Chief Executive Officer at Pacific Forum Line, Henning Hansen said that the move did not reflect on its previous competitors. He said the consortium moved because contracts had come up for renewal. Hutchison Ports Australia Chief Executive, Stephen Gumley, said that the company is "delighted" to have Pacific Forum Line on board and hopes it is the start of a long partnership. The Auspac Consortium is made up of Neptune Pacific Line, Pacific Forum Line, Pacific Direct Line, Sofrana and Swire with two 900 teu capacity vessels. Hutchison is set to open in Sydney later this year and recently submitted a bid for the third container terminal in Melbourne.

MANUFACTURING PRECINCT TO DELIVER FOR AUSTRALIA'S FUTURE

The headquarters of Australia's first Industry Innovation Precinct, a key part of the Gillard Government's \$1 billion Plan for Australian Jobs, has been opened by the Minister for Climate Change, Industry and Innovation, Greg Combet. The Government will invest more than \$500 million in establishing Industry Innovation Precincts around

Australia – they will bring together industry, companies, universities, research institutions and experts in technology and business. In addition to opening the new Precinct’s headquarters in Melbourne, the Gillard Government is taking further steps to implement the Jobs Plan, including providing \$23 million through the Industrial Transformation Research Program to fund food industry research, and inviting industry proposals for additional Precincts around Australia. The Manufacturing Precinct is the first of up to 10 Precincts that will focus on areas of Australian competitive advantage or emerging opportunity. “It will bring together businesses, research institutions, service providers and government agencies to support and create internationally-competitive manufacturing businesses and jobs,” said Mr Combet. “The Manufacturing Precinct will help Australian manufacturers to improve skills and technologies, to tap into research expertise and to build collaborations.” Chaired by experienced industry executive, Albert Goller, the Manufacturing Precinct will work closely with Australia’s best manufacturers and researchers who will come together as foundation members. The Manufacturing Precinct will be headquartered in the New Horizons building at the Clayton Campus of Monash University in Melbourne’s south east. It will be situated alongside 400 staff from Monash and CSIRO, specialising in research into advanced manufacturing, biological engineering and renewable energy. The Manufacturing Precinct will operate nationally through a network linking manufacturers and researchers. It will also have a presence in Adelaide focusing on defence-related manufacturing.

MAERSK LINE SOARS TO \$204 MILLION PROFIT

Maersk Line swung to a \$204 million operating profit in the first quarter of 2013 from a \$599 million loss a year earlier, its fourth successive quarter in the black, driven by cost savings, higher freight rates and a lower fuel bill that more than compensated for flat container volumes. The world’s largest ocean carrier said it expects full-year earnings will exceed the \$461 million profit in 2012, mainly on cost cutting, even as it downgraded its forecast for global container demand growth to between 2 percent and 4 percent from the 4 to 5 percent it projected three months ago. “Maersk Line is much more competitive and has gained strength to deal with the challenging shipping markets,” said Nils Andersen, CEO of the Danish carrier’s parent A.P. Moller-Maersk. Revenue stalled at \$6.3 billion as a 4.7 percent increase in average freight rates to \$2,770 per 40 foot container balanced a 4 percent decline in traffic to 4.2 million 20-foot-

equivalent units. Maersk’s unit cost per 40-foot container shrank by 7.1 percent to \$2,871, mainly driven by more efficient deployment of vessels across its route network.

POMC PROMISES UPGRADED WEBB DOCK FOR 2016

Port of Melbourne Corporation (PoMC) Chief Executive, Stephen Bradford, says the Port Capacity Project is proceeding on schedule. Speaking to the Master Mariners Congress 2013 at the Rialto Hotel in Melbourne, Mr Bradford said the first container ship was expected to leave an upgraded Webb Dock East late in 2016. “All the current budgets and schedules suggest that’s spot on,” he said. “Trust me; the first container ship will leave in late 2016.” Key documentation has been completed, he said. “All the government approvals have been received and works commenced at Webb Dock to lay out initial roadside and water culverts. “It is our highest priority project and we have a very active port liaison group with the community... so they get up to date information on the biggest landside port development since the late 1960s.” He reflected on the need for good communications with the community and how this had helped in generating support for the highly-controversial dredging project in Port Phillip Bay four years ago. “It [had] front-page coverage for the best part of two-and-a-half years. “We’ve now completed the project; there are no environmental hazards, no issues and once dredging started, the community accepted that as a normal part of life on the bay.”

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