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HISTORIC TRADE DEAL WITH JAPAN TO DRIVE GROWTH

Australia has signed a historic Economic Partnership Agreement (JAEPA) with Japan, our second-biggest trading partner with two-way trade worth over $70 billion. Minister for Trade and Investment, Andrew Robb, said the agreement will leverage Australia's strengths to drive economic growth and job creation. More than 97 per cent of Australia's exports to Japan will receive preferential access or enter duty-free when the Agreement is fully implemented. "This is the most ambitious trade deal Japan has ever concluded with anyone and affords Australia major concessions across a range of areas, most notably services and agriculture, an area of traditional sensitivity for the Japanese," Mr Robb said. "JAEPA represents a strong outcome for Australian beef our biggest agricultural export to Japan, as well as for fruit, vegetables, nuts, wine, seafood, processed food and other commodities, with many tariffs eliminated on entry into force," Mr Robb said. Effectively 100 per cent of Australia's resources, energy and manufacturing exports will also benefit from tariff-free entry into Japan under this agreement. JAEPA also guarantees access to the Japanese market for a range of services where Australia has an enviable reputation, including financial, legal, education and telecommunications services. Australian suppliers will also be guaranteed non-discriminatory access to the lucrative Japanese government procurement market. "Australian consumers will also benefit from cheaper Japanese cars and parts, and a range of household items including white goods and electronics through the elimination of tariffs," Mr Robb said. Japanese made components used in Australian production and manufacturing will also become more affordable *(Continued on Page 2)*

AUSTRALIA A TOP 10 FOREIGN INVESTMENT TARGET

Australia has remained one of the top 10 global destinations for foreign direct investment (FDI) for three consecutive years, according to the UN Conference on Trade and Development's (UNCTAD) World Investment Report 2014. Over the three years to 2013, Australia attracted a total of US$171 billion in FDI flows, up nearly 55 per cent from US$110 billion over the previous three years. This impressive growth has raised Australia's share of global FDI inflows to 3.8 per cent in 2011-13 from 2.5 per cent in 2008-10. In contrast, developed economies' share of world FDI inflows fell to 44 per cent in 2011-13 from 53 per cent in 2008-10. Australia's strong performance reflects a competitive position in the global economy. The country's robust economy, strategic location, strong global trade and investment ties, and proven track record of innovation position Australia as an attractive investment destination. Australia was the ninth largest recipient of FDI inflows in the world in 2013. The total value of Australia's FDI inflows stood at US$50 billion in 2013, significantly larger than the pre-crisis annual average (2005-07) of US$17 billion. Australia's flows accounted for 3.8 per cent of global FDI inflows in 2013.

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(Continued from Page 1) which will aid our competitiveness. Cheaper Japanese imports improve consumer buying power and enhance our standards of living. JAEPA will enter into force after the completion of domestic legal and parliamentary processes by both countries, including consideration by the Joint Standing Committee on Treaties.

BOEING PREDICTS AIRCRAFT DEMAND OVER NEXT 20 YEARS

Boeing projects a demand for 36,770 new planes over the next 20 years, an increase of 4.2 percent from last year's forecast. The company released its annual Current Market Outlook, estimating the total value of those new planes at US$5.2 trillion. "This market is strong and resilient," Randy Tinseth, Vice President of Marketing, Boeing Commercial Airplanes, said. "With new and more efficient planes entering service, the growth in air travel is being driven by customers who want to fly where they want, when they want." Boeing expects that the freighter fleet, which is now at 1,690, will grow to 2,730. Fuelling this year's forecast is the single-aisle market, which is projected to be the fastest growing segment due to the continued emergence of low-cost carriers. 25,680 new planes will be needed in this segment, making up 70 percent of the total units in Boeing's forecast. Boeing forecasts that 8,600 new planes will be needed in the twin-aisle segment, led by small wide-body aircraft such as the 787-8 and 787-9 Dreamliner. This year's forecast reflects a continued shift in demand from large planes to new twin-engine products such as the 787-10 and new 777X. The Asia-Pacific market, including China, will continue to lead the way in deliveries over the next two decades.

WWL WINS WEBB DOCK VEHICLE TERMINAL

Victoria's government has confirmed that the Wallenius Wilhelmsen Logistics (WWL) subsidiary MIRRAT has won the contract to develop and operate Melbourne's new Webb Dock West automotive terminal. MIRRAT – Melbourne International Ro-Ro Automotive Terminal – is part of the WWL Terminal Holdings group, which operates 14 ro-ro/vehicle facilities worldwide. The decision had effectively been leaked earlier by the Maritime Union of Australia, which claims the Port of Melbourne Corporation's selection of MIRRAT will lead to substantial job losses at the unsuccessful bidder and incumbent terminal operator, the Qube/Asciano joint venture Australian Amalgamated Terminals (AAT). Ports Minister, David Hodgett, said the announcement followed an 18-month competitive bidding process. "The Port of Melbourne is the nation's largest automotive terminal, handling more vehicles than the ports of Fremantle, Adelaide and Brisbane combined," Mr Hodgett said. "The bid lodged by MIRRAT offered a competitive, value-for-money solution that ensures the port will continue to evolve and retain its crown as the nation's leader. "Last year the port handled more than 370,000 vehicles. This new facility provides the capacity to meet forecast demand, with the port set to handle 600,000 cars in 2025 rising to 1m vehicles in 2040," he said.

PATRICK ANNOUNCES NEW TERMINAL CHARGES

Patrick Stevedores has rolled out an array of terminal ancillary charges covering items from storage to infrastructure effective from July 1. New storage charges will be payable on all containers/goods left undelivered after three working days (Monday to Saturday) including day of availability. Rates are charged per teu per day, or part thereof, for ISO boxes. Imported boxes into the Port of Brisbane will cost the most to store on day one and two at $105.87, followed by Port Botany ($96.89), Melbourne ($88.87), and Fremantle ($86.69). Similarly, storage charges for day three onwards follow the same pattern with Port of Brisbane costing $258.92 per teu per day, Port Botany ($244.67), Melbourne ($217.33), and Fremantle ($212.02). The yard handling fee – per ISO container (applies day 1 of storage) – across all four ports averages $106.71. Import storage surcharges for reefer services and dangerous goods will be charged per ISO container per day, or part thereof. Patrick's reefer services will cost $9 more on the east coast than the west with Port Botany charging $73.65. At Fremantle it will be $64.64. The Port of Brisbane and Melbourne lie in the middle with charges of $67.38 and $66.40 respectively. Dangerous goods surcharges on the other hand are a stable $196.01 across all four ports. Additionally, Patrick will be charging an infrastructure surcharge of $27.37 per laden container plus GST through its AutoStrad Terminal (Berths 8 to 10) at the Port of Brisbane, and $3.50 plus GST through Melbourne's East Swanson Dock Terminal. Patrick will charge twice as much in electronic vehicle booking system fees in Port Botany as it will in the other three ports, from $10.74 to $5.32. Phone booking fees follow the same trend from $22.23 to $16.81. All four ports will have a $201.30 subscription fee for the vehicle booking system for a year, a 62 cent SMS fee, and a $50.41 R&D processing fee.

AIR CARGO ACCELERATES ON BACK OF IMPROVED ECONOMY

Air cargo growth accelerated in May, with 4.7 percent growth compared to a year ago, according to data from the International Air Transport Association

(IATA). This is up from the 3.8 percent year-over-year growth recorded in April. Cargo volumes, measured by freight tonne kilometres (FTKs), were up across all regions. The acceleration of growth reflects improved economic conditions. There are indications that world trade and business confidence are improving after weakness in the first quarter. In particular, Chinese manufacturing activity rebounded in May, with a corresponding rise in export order growth. "After several months of wavering conditions in the demand environment, the outlook for global air cargo appears to be stabilizing," Tony Tyler, IATA's Director General and CEO, said. Asia-Pacific carriers recorded an increase of 5.3 percent. Regional trade volumes have picked up again, and there are signs that the slowdown in the Chinese economy is easing. Capacity grew a little faster than demand, at 6 percent, but the region still has the highest freight load factor (55.5 percent). North American carriers grew by a modest 2.4 percent in May, down on the April year-over-year growth rate of 3.5 percent. This reflects the general slowdown in the U.S. economy in the first quarter. However, the latest data supports a return to trade and business growth. Capacity was down 0.2 percent. European airlines expanded 3.4 percent in May. The month-on-month rise was solid at 0.6 percent (compared to 0.3 percent growth recorded in April), pointing to a consistent improvement in economic activity.

TRADE & ASSISTANCE REVIEW 2012-13

The Productivity Commission is required under its Act to report annually on industry assistance and its effects on the economy. Trade & Assistance Review 2012-13 contains the Commission's latest quantitative estimates of Australian Government assistance to industry.

Key points

- Government assistance to industry is provided through an array of measures including tariffs, budgetary outlays, tax concessions, and restrictions on competition.
- This benefits the industry receiving it, but comes at a cost to other industries, taxpayers or consumers. A critical issue is whether the benefits accruing to industry outweigh the costs.
- Estimated tariff assistance to industry was $7.8 billion in 2012-13 in gross terms, accruing overwhelmingly to manufacturing. Budget and tax related support was worth a further $7.8 billion, thus total gross assistance was $15.6 billion.
- After deducting the cost penalty of tariffs on imported inputs ($7.1 billion, two thirds incurred by services industries) net assistance to industry was $8.5 billion.
- Budgetary assistance in 2012-13 was about $2.2 billion less than in 2011-12. The largest reductions were from the winding down of transitional assistance afforded by the Energy Security Fund ($1 billion), the Coal Sector Jobs Package ($219 million) and the Steel Transformation Plan ($164 million).
- Since November 2013, the current Government has announced, amongst other things, that it would:
- reduce funding to motor vehicle manufacturing between 2015–2017 by $500 million, not provide a debt guarantee or line of credit to Qantas, nor provide assistance requested by processing company SPC Ardmona, but would proceed with support to Cadbury for a tourist facility.
- Australia recently agreed to bilateral trade agreements with Korea and Japan. Trade agreements can distort comparative advantage between nations and consequently reduce efficient resource allocation.
- The rules of origin in Australia's nine bilateral agreements differ widely, are likely to impede competition and add to the compliance costs of firms engaging in trade.

PRODUCTIVITY COMMISSION SAVAGES CURRENT COASTAL TRADING REGIME

A long-awaited final report into Tasmanian Freight and Shipping has been released by the Productivity Commission and, as foreshadowed in its draft reports, it savaged the current cabotage regime. "Tasmania is particularly affected by inefficiencies embedded in coastal shipping regulation. "This regulation should be reviewed and reformed as a matter of priority," reads the first paragraph of the report's summary. Continuing on, the report states that the Regulatory Impact Statement (RIS) of 2012 which found a net benefit to introducing the current regime "appears flawed", adding that the Regulatory Impact Statement "assumed substantial benefits from the productivity compact (not in existence for the RIS preparation) that appear unrealistic". The authors of the report then state that participants to the inquiry "overwhelmingly" agreed that the current regime was an important factor in reducing competition and increasing shipping costs for Tasmanian businesses. The first recommendation of the Productivity Commission report was that the Federal Government ought to review coastal shipping and that the objective of the review should be to achieve the most efficient coastal shipping services feasible for Australia. Release of the report was welcomed by Deputy Prime Minister, Warren Truss, who is also Minister for Infrastructure. "The Australian Government is firmly committed to supporting vital shipping services to boost productivity and put

Tasmania's economy into high gear, and this report gives us something tangible to work with," Mr Truss said.

GST MUST BE CHANGED: STATE OF THE NATION 2014

Changes to the GST are needed to provide states with additional income, former Victorian Premier and COAG Reform Council Chairman, the Hon. John Brumby, has told CEDA's State of the Nation conference in Canberra. "You do need to give the states an additional source of revenue which is efficient and which is, I think, most equitable in terms of the nation's competing interests," he said. "In my opinion that's some change to the GST." Mr Brumby also said responsibility for some services should shift back to the states. "My consistent long term view is that the Commonwealth has been taking more and more responsibility and that it is time for some of that to shift back to the states," he said. Shadow Assistant Treasurer and Shadow Minister for Competition, Andrew Leigh said it is important to implement tax reform. "Good tax reform involves broadening the base and lowering the rate," he said. According to Mr Leigh, Labor will focus on multinational profit shifting. "If we don't tackle multinational profit shifting, we're creating distortions in the market," he said. Mr Leigh said the software revolution has had implications for the tax base and, as a result, governments must ensure multinationals do not avoid paying tax. "It also places the onus on Australian governments not to keep open loopholes that allow profit shifting," he said.

MINING BOOM FAR FROM OVER

In a new Lowy Institute Paper , Dr John Edwards challenges the prevailing pessimism about the Australian economy. In Beyond the Boom, published by Penguin Australia, Edwards shows that Australia's mining boom is far from over – and that it hasn't been as important to Australian prosperity as widely believed. "For all the hype, the mining boom has been but one more episode in Australia's uninterrupted expansion over more than two decades, and in some respects not the most important one", said John Edwards. Edwards argues that much needs to be done to equip Australia to perpetuate its prosperity, but in tackling these challenges Australia comes from a position of strength. He concludes that the future of Australia's economy won't be in what Australia digs, but in what it grows, makes and, above all, in the services it provides. "Australia has not been living in a fool's paradise during the mining boom, it has not been complacent. With reasonable care, with attention to its strengths, it will continue to do well", said Edwards. Beyond the Boom is the first in a new series of Lowy Institute Papers published in conjunction with Penguin Australia. "Each Lowy Institute Paper will make a lively and engaging argument on the biggest international questions facing Australia. Each will also be accompanied by a debate on The Interpreter. We hope that these papers and debates will help thicken the national conversation on the issues shaping Australia's place in the world", said Lowy Institute Executive Director, Dr Michael Fullilove.

COMMON GST ERRORS

If you run an enterprise that imports or exports goods or services in Australia then there are a few things the ATO says you should know about your Goods and Services Tax (GST) obligations. ATO compliance activities indicate that the majority of errors are made by small to medium businesses. In a recent publication, the ATO outlines how to avoid the common errors relating to:

– incorrectly accounting for the on-sale of imported goods
– GST liability for installing and assembling imported goods
– incorrectly classifying exports
– incorrectly classifying supplies of services as not connected with Australia
– incorrectly reporting non-resident refunds
– non-residents and non-deductible expenses
– how to make a voluntary disclosure if you find you have made an error.

After reviewing your international cross border transactions you may discover mistakes in your reported GST amounts. If this occurs, the ATO encourages you to make a voluntary disclosure. Reduced penalties will apply if you voluntarily disclose errors before the ATO conducts any compliance activity.

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