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CHINA-AUSTRALIA FREE TRADE AGREEMENT

The landmark China-Australia Free Trade Agreement (ChAFTA) will unlock substantial new benefits for Australians for years to come. ChAFTA will add billions to the economy, create jobs and drive higher living standards for Australians. Australian businesses will have unprecedented access to the world's second largest economy. Building on trade deals already concluded with Korea and Japan, ChAFTA forms part of a powerful trifecta of agreements with Australia's three largest export markets that account for more than 61 per cent of our exports of goods. More than 85 per cent of Australian goods exports will be tariff free upon entry into force, rising to 93 per cent in four years. Some of these goods are currently subject to tariffs of up to 40 per cent. On full implementation of ChAFTA, 95 per cent of Australian goods exports to China will be tariff free. Australian households and businesses will also reap the benefits of cheaper goods and components from China such as vehicles, household goods, electronics and clothing, placing downward pressure on the cost of *(Continued on Page 2)*

JAPAN-AUSTRALIA ECONOMIC PARTNERSHIP BILLS INTRODUCED

Legislation to give effect to the Japan-Australia Economic Partnership Agreement (JAPEA), signed on 8 July 2014, has been introduced into parliament. The Customs Amendment (Japan-Australia Economic Partnership Agreement Implementation) Bill 2014 (the Customs Bill) will amend the Customs



Act to introduce new rules of origin for goods that are imported into Australia from Japan. The Customs Act amendments will enable goods that satisfy the rules of origin to enter Australia at preferential rates of customs duty. The Customs Tariff Amendment (Japan-Australia Economic Partnership Agreement Implementation) Bill 2014 will amend the Customs Tariff Act 1995 to implement the JAPEA by:

- providing free rates of customs duty for goods that are Japanese originating goods in accordance with new Div 1K which will be inserted in the Customs Act by the Customs Bill
- amending Sch 4 to the Customs Tariff to maintain customs duty rates for certain Japanese originating goods in accordance with the applicable concessional item
- phasing the preferential rates of customs duty for certain goods to free by 2021, and
- inserting a new Sch 11 in the Customs Tariff to accommodate the preferential and phasing rates of duty and to maintain excise-equivalent rates of duty on certain alcohol, tobacco and petroleum products. These rates are equivalent to the rates of excise duty payable on these goods when these products are locally manufactured.

The amendments will be operative from the later of the day the Customs Bill receives the Royal Assent and the day the JAPEA, signed on 8 July 2014, comes into force for Australia. The JAPEA is expected to come into force in early 2015, subject to Australia's treaty process being completed and the exchange of diplomatic letters.

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living and the cost of doing business. Significantly, tariffs will be abolished for Australia's \$13 billion dairy industry. Australia's beef and sheep farmers will also gain from the abolition of tariffs ranging from 12-25 per cent and all tariffs on Australian horticulture will be eliminated. Tariffs on Australian wine of 14 to 30 per cent will go within four years, while restrictive tariffs on a wide range of seafood, including abalone, rock lobster, and southern bluefin tuna will also cease within four years. The tariffs on coking coal will be removed on day one, with the tariff on thermal coal phasing out over two years. Tariffs will be also eliminated on a wide range of Australian manufactured goods, including pharmaceutical products and car engines. Legal services, financial services, education, telecommunications, tourism and travel, construction and engineering, health and aged care services, mining and extractive industries, manufacturing services, architecture and urban planning, as well as transport, among others, will all benefit from being able to do business in China more easily. Both countries have undertaken to conduct respective legal reviews of the concluded text and prepare Chinese and English language versions for signature in 2015.

FREMANTLE PORTS INCREASES CAPACITY

A \$65.6m state and Federal investment in three new infrastructure projects to service Fremantle Ports' container trade has significantly increased efficiency and capacity, according to WA Transport Minister, Dean Nalder. Two rail projects have been jointly funded by the state and Federal governments at a total cost of \$38.4m. These are the extension of the North Quay Rail Terminal servicing Western Australia's container trade and the construction of a crossing loop at Spearwood that enables freight trains to pass on the rail line that connects the port with the Kewdale/Forrestfield area. The third recently completed project is Fremantle Ports' \$27.2m development of roads and services on land reclaimed at Rous Head as a result of the 2010 harbour deepening. Industrial leases on this new land are now being developed by the private sector. "The rail projects will help reduce reliance on heavy road freight vehicles by using rail more efficiently to move goods around the Perth metropolitan area, particularly between inland hubs and Fremantle Port," Mr Nalder said. In 2013/14, rail carried the equivalent of nearly 100,000 standard containers, which equated to a rail market share of 14% for Fremantle Port's container trade. This compares with about 2% in 2002.

NEW EXEMPTION FOR LOW VOLUME IMPORTS

The Department of the Environment has advised that

from 4 November 2014, a licence is no longer required for a low volume import of equipment containing Ozone Depleting Substances (ODS) or Synthetic Greenhouse Gases (SGG), if all of the following conditions are met:

- there are no more than five units of ODS/SGG equipment in a single consignment; and
- there is less than 10 kg in total of HCFC, HFC, PFC, or SF6; and
- the importer has not had an import of ODS/SGG equipment in the past two years.

Ozone Depleting Substances and Synthetic Greenhouse Gases are commonly found in refrigeration and air-conditioning equipment (as well as in electrical switchgear, aerosols and a wide range of other products). Previously, one-off, low volume importers of ODS/SGG equipment required a Low Volume Import Licence (LVIL) costing \$400. From 4 November 2014, this licence has been abolished (low volume imports arriving before this date still need to be licensed). Regular importers of ODS/SGG equipment or importers exceeding the above threshold will continue to require a full ODS/SGG Equipment Licence (EQPL), costing \$3,000. The online application for an EQPL can be found on the Department of the Environment's website (under the heading 'Licence Application Forms') at: <http://www.environment.gov.au/protection/ozone/licences-and-reporting/forms>

CUSTOMS STRESSES INDUSTRY ENGAGEMENT AT CBFCA CONFERENCE

Industry engagement is the key to successful co-design of new approaches," stated the Australian Customs and Border Protection Service (ACBPS) presenting at the recent Customs Brokers and Forwarders Council of Australia (CBFCA) national conference. The conference attracted 220 representatives from industry and government on the first day, and 200 on the second. It was held at the Sheraton Mirage Resort on Queensland's Gold Coast from October 31 to November 1. ACBPS Trade and Customs Division National Director, Jeff Buckpitt, told conference delegates the principles for industry engagement included early, meaningful consultation; involvement in designing solutions, with focus on outcomes not processes; while also reforming complex rules and regulations. Customs will pursue risk-based approaches, within a culture of continuous improvements in collaboration with industry, it says.

(NON) USE OF FTAS – RELEASE OF HSBC SURVEY

An ongoing issue has been the apparent under-utilisation of free trade agreements (FTAs) and how that can be remedied given the work undertaken to put them into place and the very real benefits which

can accrue from use of the FTAs. This is a live issue given the recent completion of FTAs with Korea and Japan and the potential FTA with the PRC along with the work on the TPP and RCEP. The issue of use of FTAs was a focus of the Productivity Commission Research Report entitled 'Bilateral and Regional Trade Agreements' issued in November 2010 and in the recent B20 Trade Recommendations of the B20 Trade Taskforce. The issue was also investigated and addressed in the Survey entitled 'FTAs : fantastic, fine or futile? Business views on Trade Agreements in Asia' from The Economist Intelligence Unit, which was sponsored by HSBC and released in August 2014. One of the most striking findings of the Survey was the low usage of FTAs in the region including a mere usage of 19 per cent in Australia. Ironically, the Survey also recorded that those respondents which did use FTAs reported an 85 per cent increase in trade. The Survey identified some reasons for low usage including:

- lack of awareness;
- complexity;
- the need for Government to supply better information.

KOREA FREE TRADE AGREEMENT

The Australian legislation implementing the Korea Australia FTA has been passed. The legislation has a start date of 1 December 2014. However, this can only occur if Korea passes its enabling legislation. The Korean legislation is before their parliament, but is one of 7,000 bills caught up in a backlog. Before that backlog can be cleared, there is the Korean budget to be dealt with. Against this backdrop, commencement of the FTA in 2014 seems unlikely. Should the FTA fail to commence, it would result in the loss of the double tariff reduction much desired by Australian agriculture exporters.

MELBOURNE PORT CAPACITY PROJECT UNDER WAY

Construction on Melbourne's Port Capacity Project's \$23m buffer package is well under way with the entire buffer zone around Webb Dock forecast for completion mid-2015. Victoria's Minister for Ports, David Hodgett and Liberal candidate for Albert Park, Shannon Eeles, inspected the works at Webb Dock recently. "The Port Capacity Project's buffer works is an important zone that separates the commercial and industrial operations from the surrounding suburbs of Williamstown, Port Melbourne, Fishermans Bend, Garden City and Beacon Cove," said Mr Hodgett. The minister added that the vision for the zone was to create a continuous linear park around Webb Dock that allows for port work to continue while delivering recreational benefits to neighbouring areas. Concepts

for the works were presented to the local community in April 2012 and since then the buffer designs have evolved and been refined, incorporating many of the ideas from local residents. The new terminals will operate under strict noise limits and the new container terminal's automated equipment also means that the terminal will operate under low levels of light. The buffer zone around Webb Dock is being funded by the Port of Melbourne Corporation and the operators of the new terminals.

VALUE OF AUSTRALIAN IMPORTS UP 12% IN SEPTEMBER

Australia imported \$22.6bn worth of international trade goods in September 2014, an increase of \$2.5bn (12%) on the revised August 2014 merchandise imports of \$20.2bn, according to recent data from the Australian Bureau of Statistics (ABS). Its current 'International Merchandise Imports, Australia' report states that in seasonally-adjusted terms, goods debits rose \$1.5bn (7%) between August and September 2014 to \$22.9bn. "Intermediate and other merchandise goods rose \$973m (11%), and consumption goods rose \$186m (3%)," said the ABS. "And capital goods rose \$187m (4%)." Meanwhile, a variety of trends in Australia's top 20 goods imports are notable. September imports of pumps (excluding pumps for liquids) increased 148.5% to \$482m from \$194m in August. And the import value of telecom equipment and parts increased 45.4% to \$1.02bn from \$702m. Furniture (including bedding), which happens to be one of Australia's important containerised finished goods imports, increased 9.4% to \$339m in September from \$310m in August. Imports of pharmaceutical products (excluding medicaments) decreased in value by 0.5% to \$199m from \$200m, while medicaments (including veterinary) increased in value by 6.8% to \$656m from August's result of \$614m. The import value of household electrical equipment increased 10.1% to \$228m in September from \$207m, while the value of imported prams, toys, games and sporting goods increased 18.3% to \$323m from \$273m. Imports of rubber tyres, treads and tubes increased in value by 5.6% to \$209m from \$198m, and measuring and analysing instruments increased in value by 10.2% to \$260m from \$236m.

SHIPPING REFORM IS 'LOW-HANGING FRUIT', SAYS ACCC

Reform of the shipping industry is "low-hanging fruit," according to Rod Sims, Chairman of the Australian Competition and Consumer Commission (ACCC) who has formally commented on the Harper Competition Review draft report. Mr Sims was speaking at a University of South Australia workshop. He commented that, in his view, an

effective competition policy is about opening as many sectors as possible to the disciplines of competition and other market signals, while also getting the “playing field as level as possible”. Mr Sims then added that the ACCC was “delighted” that the Harper Review panel had focused on these matters. “The ACCC particularly appreciates their detailed consideration of microeconomic reform issues. While we often hear that all the low-hanging fruit has been picked – and that all the really important reforms have been made – we disagree. For example, the shipping reforms are low-hanging fruit that can be quickly implemented,” Mr Sims asserted. For shipping, the Harper panel basically focused on two issues – reform of the current cabotage policy and abolition of liner shipping conferences.

MOOREBANK RELEASES ENVIRONMENTAL IMPACT STATEMENT

A comprehensive and extensive Environmental Impact Statement (EIS) has now been released by the Moorebank Intermodal Terminal. The Moorebank project involves the development of intermodal freight terminal facilities at Moorebank in south-west Sydney, linked to Port Botany and the interstate rail network. It includes associated commercial infrastructure (warehousing), a rail link connecting the project site to the Southern Sydney Freight Line (SSFL) along with road entry and exit points along Moorebank Avenue. The EIS seeks approval of the concept of the Moorebank terminal under state planning laws; development of the terminal under Federal environmental laws and delivery of early works including site remediation, building demolition, heritage salvage and establishment of services for future construction works. Back in 2004, the then Federal government announced it would consider the development of an intermodal terminal at Moorebank and funds were later allocated to this project. In September 2010, the terminal feasibility study was set up. The basic freight-handling rationale for the creation of the terminal is driven by:

- continued growth in containerised import/export freight with growth averaging 7% annual over the last 15 years;
- a forecast compound annual growth rate for import/export freight of 4.25% to 2030; and
- expected expansion of containerised interstate freight through Sydney, which is forecast to grow at 3.6% for the next 20 years.

IMPORTER FINED FOR HAM SCAM

A ham scam has netted an importer and his company a \$25,000 fine for breaching Australia’s strict importing requirements. Perth-based Topas Pty Ltd

breached strict conditions of their import permit by importing ham from unapproved regions in Italy in 2011. The company was fined \$22,000 and a director was fined \$3000 for offences in relation to the importation of 2241 kilograms of Parma leg ham in a sea freight consignment. Department of Agriculture's First Assistant Secretary of Compliance, Raelene Vivian, said the prosecution sent a strong message to businesses and individuals who knowingly breach Australian biosecurity laws. “After breaching their import permit the company and director, then failed to act on a directive from the department to move the ham to a cold store facility,” Ms Vivian said. “Products containing animal or plant material may carry exotic pests or disease which could have devastating impacts on human, animal and plant health. “That’s why these requirements are critical— for instance if Foot-and-mouth disease were to enter Australia it would cost the economy more than \$50 billion over 10 years.” The department ordered that the ham be held pending sampling and testing for staphylococcus, listeria, E.coli and salmonella before it could be sold or distributed. “Despite this directive, the company sold 220 kilograms of the ham to retailers without the required testing,” Ms Vivian said.

SEASON'S GREETINGS

As another busy year draws to a close, we take this opportunity to say thank you for your continuing support and to wish you and your loved ones the very best for the festive season and a healthy, happy and prosperous New Year. We look forward to meeting together, the challenges that lie ahead. May 2015 be a successful year for all!

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