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Changes to Import Processing Charges

The Australian Government has announced changes to Customs import processing charges for air and sea cargo. It follows the Government's decision last October to increase the threshold for goods imported by non-postal systems from \$250 to \$1,000 for each import declaration, bringing this threshold into line with that applying to postal imports. The threshold increase and alignment has benefited thousands of Australian importers of low value items, as these goods are now subject to less onerous import requirements and are

generally exempt from Customs duties. The Minister for Justice and Customs, Senator Chris Ellison, said that Customs needed to in-



crease its own charges to maintain full cost recovery for its assessment and clearance processes. To achieve this cost recovery, from 10 May, for

all consignments above \$1,000, the processing charge increased from \$30.10 to \$40.20 per declaration for imports arriving by air or post, and from \$49.50 to \$50 per declaration for goods imported by sea. Senator Ellison said the changes were introduced after lengthy consultation with the import industry and other key stakeholders. While the processing charges will rise for some importations, the raising of the threshold level means that some 600,000 declarations each year will now be exempted from these charges.

CLAG Collective Negotiations Proposed

The Australian Competition and Consumer Commission has issued a draft determination proposing to authorize the Container Logistics Action Group to engage in collective negotiations with the stevedores at Port Botany. CLAG is a group of container carriers, customs brokers and freight forwarders involved in the transportation of containers to and from Port Botany. The proposed authorisation will enable its members to collectively negotiate terms of access to the terminal, as well as the price of a range of services supplied by the stevedores, such as container storage charges. The ACCC notes that the features of the industry have created a sig-

nificant imbalance of negotiating power between stevedores and container carriers. The ACCC has assessed CLAG's proposal and considers that any anti-competitive detriment that

The ACCC is satisfied that the proposed arrangements are likely to result in a net benefit to the public.

may flow from it is likely to be minimal.

The ACCC is satisfied that the proposed arrangements are likely to result in a net benefit to the public. In particular, the arrangements

will give transport providers a greater opportunity to provide input into dealings with the stevedores. The ACCC considers that increased input is likely to result in more efficient outcomes for the import/export supply chains. The ACCC notes that the authorisation will in no way compel CLAG members or the individual stevedores to participate in the proposed collective bargaining discussions. The ACCC will now engage in a further round of public consultation before proceeding to make a final decision on the proposed collective bargaining arrangements.

Border Protection Capability Strengthened

Customs will receive an additional \$333 million over the next four years, ensuring it has the necessary resources to meet emerging challenges to Australia's borders. The funding, announced as part of the Howard Government's 2006-07 Federal Budget, includes capital funding of \$22.6 million.

Senator Ellison, Minister for Justice and Customs, said the package reflected the Government's ongoing commitment to national security by boosting Customs' capabilities in the areas of illegal foreign fishing, maritime security and air cargo checks. Key Budget initiatives include:

- \$197.4 million (including capital funding of \$5.3 million) over the next four years to boost the capability of Customs and Coastwatch to detect and apprehend more illegal foreign fishing boats, as well as transport and process the additional fishermen who are detained. Under a new whole-of-government strategy, Customs and the Royal Australian Navy will increase the number of appre-

hensions from 300 to approximately 650.

- \$35.1 million (including capital funding of \$4.5 million) over the next four years to enhance Customs' capability to inspect and respond to 'high-risk' export air cargo. This will be achieved through the deployment of additional explosives detector-dog teams, the provision of additional mobile X-ray vans, and working with industry to undertake a number of trials to test a variety of existing and emerging explosives-detection technologies.



- \$12.9 million (including capital funding of \$2.7 million) over the next four years to equip Customs officers with personal defence equipment. A further 600 Customs officers located around Australia will be trained and sup-

plied with equipment including side arms, batons, capsicum spray, handcuffs and body armour. This initiative will enhance the personal safety of Customs officers undertaking work in increasingly dangerous environments.

- \$27.2 million (including capital funding of \$7.6 million) over the next four years to further enhance CCTV monitoring and analysis capability at Australian international airports. A National Monitoring Centre will be established to improve coordination, management and analysis of CCTV imagery across airport networks.

\$20.2 million over the next two years to increase Coastwatch flying hours in order to provide increased surveillance and patrolling of high threat maritime approaches to Australia. The increased funding will provide an additional 2,200 flying hours above the current flying program.

Air Cargo Security Bolstered

The Australian Government, in partnership with industry, will implement new measures to further strengthen the security of domestic and international air cargo through a \$48 million package of initiatives.

This funding comes on top of the \$38 million package of air cargo measures announced by the Prime Minister in September last year. In a joint announcement following the Treasurer's Budget speech, the Minister for Transport and Regional

Services, Warren Truss and the Minister for Justice and Customs, Senator Chris



Ellison, said that the funding would be allocated to the Department of Transport and Regional Services, and

Customs. The Department of Transport and Regional Services will receive \$13 million to expand the deployment of explosives trace-detection equipment for the examination of domestic air cargo at each of Australia's major airports; improve the quality of security training for cargo handlers; and partner with Customs and industry to undertake a number of trials to test a variety of existing and emerging explosives detection technologies.

Implement new measures to further strengthen the security of domestic and international air cargo through a \$48 million package of initiatives.

Trade Community Punished by Budget Fee Hikes

Shadow Justice and Customs Minister, Senator Joe Ludwig, has come out with a strong post-Budget criticism of Customs Minister, Senator Chris Ellison, who he says has failed to extract any gains for the Australian trade community, instead sending them backwards with a massive import fee hike. Analysis of the budget shows that company tax is contributing a larger part of the Government's revenue, but instead of helping industry to grow so it can carry the tax burden, the government seems intent on punishing the trade community, according to Senator Ludwig. He cites the following examples:

- An additional \$69 million is scheduled to be gouged from importers through a

whopping 34% increase in air/post import processing charge from \$30.10 to \$40.20 per declaration. This hit comes off the back of a recent \$6.2 million dollar hike achieved by aligning the postal and air cargo import entry level thresholds. Sea importers also face a fee increase.

- a seemingly dodgy \$6.2 million funding boost to maintain data access for border control agencies. Given \$26 million was already allocated for this purpose, Labor questions whether this is not just more cash being shovelled to plug the Customs budget black hole, caused by the climbing \$200 million blowout of the Customs IT projects.

- The Minister has broken a commitment to industry by failing to secure any funds for a 30-day Customs trading account, as part of the Accredited Client Program (ACP). Incredibly, this ACP also fails to deliver any security gains to the community that the international standard demands.

- It's clear that Minister Ellison's review of anti-dumping is not actually intended to deliver major reform as no funds have been allocated for this purpose.

- Despite ten long years of prompting from the Australian Law Reform Commission, the Courts, industry and even his own backbench, there is no allocation to deal with reform of Customs prosecutions.

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Customs Legislation Bill Amendment

One of the purposes of this Bill is to amend the Customs Act to implement an Accredited Client Program (ACP) that would enable importers meeting the accreditation requirements to utilise a streamlined entry, reporting and duty payment procedure for the importation of goods.

The proposed amendments include provision to implement a scheme for the payment of duty and processing charges in relation to the ACP. Under this scheme, an accredited client is required to pay, on the 15th day of a particular month (Month 1), an accredited client monthly duty estimate that is approximately equal to the total duty payable on the goods that have been and are expected to be imported and cleared for home consumption on RCRs for Month 1.

On the 15th day of the following month (Month 2), based on the full details reported in the peri-

odic declaration(s) covering all goods entered for home consumption on RCRs during Month 1, the accredited client will pay:



- the actual import duty payable on the goods that have been imported and cleared for home consumption on RCRs in Month 1 (reduced by the duty estimate paid in Month 1); and
- the RCR and periodic declaration processing charges with respect to those goods. This payment and reporting arrangement is in contrast to original proposals made some

years ago for full monthly duty deferral.

The Senate Legal and Constitutional Legislation Committee conducted an enquiry into the Bill. The committee reported that a new independent cost benefit analysis of the ACP, updated to reflect the removal of the duty deferral mechanism, would be useful. While the cost benefit analysis undertaken by Price Waterhouse Coopers in 1999 models savings for accredited clients, the accredited client payment model used then was based on the concept of full monthly duty deferral. Since this arrangement is no longer intended, the committee considered that new costings and valuations should be performed to fully elucidate the advantages of the ACP. The government's response to the recommendation for a new cost benefit analysis of the ACP was not known at the time of publication.

Enable importers meeting the accreditation requirements to utilise a streamlined entry, reporting and duty payment procedure for the importation of goods.

ACCC Reports on Part X Investigation

The ACCC issued its report to the Minister for Transport and Regional Services into an alleged breach of Part X of the Trade Practices Act by the members of the Australia to Europe Liner Association. Part X of the Act contains a wide range of provisions controlling and regulating international liner cargo shipping. The ACCC's investigation was in response to a complaint from the Australian Peak Shippers Association that the AELA had contravened negotiation obligations under Part X in relation to the introduction of increased origin terminal handling charges. The charges are levied by a shipping line on ship-

pers (exporters) to recover the costs of stevedoring services provided to the shipping line by a container terminal operator. The ACCC issued a draft report on 23 December 2005 in which it set out its draft view that the AELA had contravened one of the negotiation provisions in Part X. Submissions on the draft report were invited from interested parties. In its final report, the ACCC says that grounds do not exist for the Minister to be satisfied that the members of the AELA contravened the negotiation provisions of Part X in relation to the increase in the charges. The ACCC reached this view taking into account additional informa-

tion received in response to the draft report. But the report urges both liners and shipper bodies to develop arrangements to manage confidential information that is necessary to Part X negotiations. The AELA was dissolved in mid-March 2006. The ACCC has nevertheless proceeded with publishing this report to set out its reasoning and to make observations which may assist the Government in its consideration of its response to the Productivity Commission's inquiry report into Part X.

The ACCC says that grounds do not exist for the Minister to be satisfied that the members of the AELA contravened the negotiation provisions of Part X in relation to the increase in the charges.

Airfreight Fuel Surcharges Spread

Japan Airlines, American Airlines Cargo and British Airways World Cargo have all announced increases in their fuel surcharges effective from May 2006. Most charges will go to 55 US cents per kilogram for international shipments. For U.S. domestic shipments, the surcharge at most airlines has gone up to 22 US cents per pound. Citing the rise in crude oil prices to over \$US70 a barrel, Northwest Cargo raised its fuel surcharges a little higher than others effective May 8. International bulk surcharges will be rose from \$US0.50 to

\$US0.60 per kilogram. Domestic bulk freight and VIP surcharges rose from \$US0.21 to \$US0.25 per pound.



Most airlines maintain fuel indices based on the average spot price of jet fuel in the five major markets of New York Harbor, U.S.

Gulf Coast, Los Angeles, Rotterdam and Singapore. When the index passes a threshold for a significant period, usually two weeks, the fuel surcharge is changed. Chris Bosworth, general manager commercial development at British Airways World Cargo said, "The market remains under intense pressure from climbing fuel costs, which directly impact the costs of providing air freight. It is regrettable but necessary for our fuel surcharge to be increased at this time in line with our fuel index."

"The market remains under intense pressure from climbing fuel costs, which directly impact the costs of providing air freight."

Manufacturing Growth Flat in April

Manufacturing activity remained subdued in April with production flat and employment remaining under pressure, according to The Australian Industry Group - PricewaterhouseCoopers Australian Performance of Manufacturing Index (Australian PMI™), which eased 1.6 points to 50.3. Activity continues to be uneven across sectors, with half (six) of the sectors recording growth and the other half remaining weak. The strengths underpinning activity in the industry were the modest growth in new orders and stocks together with the "against the trend" pick-up in exports. The strongest sectors were food and beverages

and TCF, although the latter monthly readings will require a more consistent run of data to be convincing. Among the industrial-based sectors, only chemicals, petroleum & coal products reported growth in April. The largest falls were in fabricated metals and miscellaneous manufacturing. AI Group Chief Executive, Heather Ridout, said that while the strengthening in the consumer-related sectors was welcome, it was incipient and did not capture the effect, for example, of the latest spike in petrol prices on household disposable income. Other Australian PMI™ key findings in April were:

- Production was unchanged

and employment fell for the tenth consecutive month. Input cost increases moderated in the month, despite rising fuel costs.

- Six of twelve sectors reported growth in activity, up from four in March. Growth was strongest in clothing & footwear and textiles, and weakest in fabricated metals and miscellaneous manufacturing.
- Activity expanded in four states, with Victoria and South Australia reporting decline. Based on the latest National Accounts, the Australian PMI™ suggests growth in non-farm GDP of over 2.5%, and growth in manufacturing production of over 1.5%.

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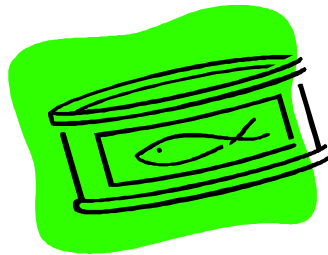
Country of Origin Study shows High cost to Industry

A new study shows it would cost Australians \$120 million a year to extend country-of-origin labelling to canned or packaged food that includes two or less principal whole fruit or vegetable products.

The report also shows that only 10 per cent of consumers would appreciate the extra information about the origin of the ingredients, the Parliamentary Secretary to the Minister for Health and Ageing, Christopher Pyne, said.

"The Australian Government, with the agreement of the Australia and New Zealand Food Regulation Ministerial Council, directed Food Standards Australia New Zealand (FSANZ) to undertake a comprehensive impact analysis on the costs and benefits of the proposed extension of labeling require-

ments," Mr Pyne said. "The report, which includes an independent study by the Centre for International Economics, concluded that this benefit to consumers would be out-



weighed by the costs to industry, which would harm the competitiveness of affected Australian-made goods in domestic and global markets," he said. Mr Pyne said that, as a result of the study, the Government would not support the proposal to extend country-of-origin la-

beling when it is considered by the Australia and New Zealand Food Regulation Ministerial Council. FSANZ has already introduced a new standard for unpackaged fruit and vegetables, meat and fish products, so consumers can clearly see the origins of products in the supermarkets.

"Country-of-origin labeling is important to enable Australians to support their domestic agricultural and manufacturing industries," Mr Pyne said.

"But supporting industry requires us to take a sensible approach to this issue. "Adding unreasonable cost burdens to local companies would be counterproductive to our aim, which is to help local companies."

'The report also shows that only 10 per cent of consumers would appreciate the extra information about the origin of the ingredients,

Exports on Track for Record 2005/06

Australian exports reached their highest level ever for the month of March, topping \$16.1 billion. Deputy Prime Minister and Minister for Trade Mark Vaile said "this continues a strong export performance over the past nine months," Mr Vaile said following the release of the ABS March International Trade in Goods and Services figures. Australia's exports grew by more than 16.8 per cent in the nine months to the March quarter and are on track to reach record highs in 2005-06. Mr Vaile said that it was disappointing that the level of monthly exports achieved in March had moderated from the level achieved in February but noted that this was mainly due to cyclones affecting exports in the Pilbara region of Western Australia. Resource exports fell by 13.4 per cent to \$5.3 billion due to lower volumes of iron-ore, cop-

per ore, LNG and crude oil. Exports of minerals and resources continued to be subject to volatility, in part reflecting disruptions in shipping schedules and temporary mine closures in northern Australia during the cyclone season.



Rural exports rose by 7.3 per cent to \$2.3 billion, manufacturing exports fell 2.3 per cent to \$3.3 billion in March and services exports fell by less than 1 per cent due to lower travel, transportation and other services. Imports rose 1 per cent (\$244

million) to \$17.6 billion in March 2006. Capital goods rose by 13 per cent, with civil aircraft imports up by nearly \$200 million.

"This indicates that businesses continue to invest for the future and reflects the strong outlook for the domestic economy," Mr Vaile said.

Reflecting the moderation in exports and rise in imports, the trade deficit widened to \$1.5 billion in March. Merchandise exports (in original terms) in the year to March were up 31 per cent to North Asian trading partners, with a 45 per cent increase in exports to China, a 28 per cent increase in exports to Japan and a 28 per cent increase in exports to Taiwan. "Exports are on track for very strong growth in the 2005-06 financial year" Mr Vaile said.

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Exporters to Benefit from Extension to Tradestart

Australian businesses, particularly in rural and regional Australia, will benefit considerably from a 2006-07 Federal Budget initiative to extend the Tradestart Programme. Deputy Prime Minister and Minister for Trade, Mark Vaile, said that the Government had committed \$23.3 million over four years to continue the Tradestart programme which has seen over 1,100 new exporters achieve export sales of over \$4.10 million since 2002. "Currently there are more than 50 Tradestart and Tradestart extension offices operating across all states and territories, in addition to eight regional export hubs, to ensure that small and

medium sized companies have access to local export assistance. The Tradestart network also ensures companies in regional Australia have access to services under Austrade's New Exporter Development Programme.



It provides one-on-one advice to new exporters to help them realise their export potential

and to succeed in international markets. It also works to support existing exporters to access new markets overseas. Tradestart is delivered in partnership between Austrade and local partners including chambers of commerce, private sector organisations, and state and territory governments. By leveraging Austrade's knowledge of international markets with its partners' local expertise, Tradestart is an effective way of helping companies into export. This initiative ensures all businesses looking to export can continue to access practical advice and assistance locally" Mr Vaile said.

'Tradestart provides one-on-one advice to new exporters to help them realise their export potential and to succeed in international markets.'

Foot Notes

Don't forget our July 5th, State of Origin function at the Riverview Hotel at Breakfast Creek, hope you can come along to join the fun. Please send your RSVP by the 28th June and we look forward to catching up.

Thanks again for your continued support, it means the world to us.

Kind regards
Kingsley Fletcher



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