

the freighter market will remain depressed for some time. "Despite an unprecedented contraction during 2008 and 2009, we remain confident in the strength of the global air cargo market over the long haul," said Jim Edgar, Regional Director, Cargo Marketing, Boeing Commercial Airplanes.

#### INDUSTRY COUNCIL BOOST FOR AUSSIE STEEL

A new Steel Industry Innovation Council will maximise opportunities for the Australian steel industry to participate in major projects in Australia and overseas. Announcing the council's membership, Senator Kim Carr, Minister for Innovation, Industry, Science and Research, said the Council is made up of the most senior members of the Australian steel industry. "Steel is a core Australian industry because it allows us to go on making things, it underpins manufacturing, construction, transport and more," Senator Carr said. "This Council has a key role in making sure Australia's steel industry is sustainable and innovative. The Council's establishment is recognition of the immense challenges the industry faces, both from the global recession and the increasingly competitive international environment. The Council will be chaired by Mark Paterson AO, Secretary of the Department of Innovation, Industry, Science and Research. "The Council will advise me on appointing a Steel Supplier Advocate to forge connections within the steel supply chain and between Australian steel producers and fabricators and major project proponents," Senator Carr said.

#### AUSTRALIA INCREASES GLOBAL COMPETITIVENESS RANKING

Australia's ranking in global competitiveness has improved over the last year. The World Economic Forum's Global Competitiveness Index for 2009-2010 covered over 130 countries. Australia's new ranking – at 15th – puts it ahead of European countries such as France and Italy. Australia performed particularly well in the financial market sophistication category, contributing to this strong overall performance. Competitiveness indicators looked at in the survey included a country's business sophistication, education and training, financial market sophistication, infrastructure, innovation, labour market efficiency, market size, and technological readiness.

#### BRISBANE BOX DECLINE BUT PORT TRADE CLIMBS

Total trade at the port of Brisbane grew for a 16th consecutive year in 2009, with an increase of 1.7m tonnes from last year to 31.9m tonnes marking a 5.6% increase. However total imports dropped 3.9% to 16.4m tonnes, with container trade falling 4.9% to 896,199 teu. Gains in cereal, coal, iron and steel exports helped boost total volumes shipped from the port by 17.5% from a year ago to 15.5m tonnes, Queensland Transport Minister, Rachel Nolan said.

Meanwhile, scoping research on how the port would be sold was "progressing well" and on track to be completed by the end of this year, Ms Nolan said.

#### AUSSIE FOOD IN DEMAND

Demand from international markets for Australia's diverse range of quality foods remains strong, with Austrade bringing more than 250 food buyers from over 30 countries to attend Fine Food Australia from 7-10 September. Among the buyers Austrade has attracted to sample Australia's food offerings at the prestigious food trade show come those from New Zealand, Thailand, Vietnam, India, Indonesia, Malaysia, Philippines, Singapore, China, Hong Kong, Taiwan, South Korea, Japan and the Middle East. Austrade's National Food and Beverage Manager, Lyndel Jack, said Fine Food 2009 provides an excellent opportunity for Australian companies to build and enhance relationships with international buyers. Fine Food 2008 continues to create export opportunities and to date over \$32million of export business deals have been secured from buyers accompanied to the Show by offshore Austrade staff. Australian total food exports for 2007-08 were valued at \$23.4 billion and accounted for a significant share of Australia's total goods exports.

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#### NEWSLETTER 2009/5

#### NEW GUIDELINES TO ENSURE LOCAL FIRMS GET A FAIR GO

The Australian Government is seeking comments on proposed new guidelines for import duty concession schemes to encourage a fair go for Australian industry and reduce costs for major projects, businesses and consumers. Senator Kim Carr, Minister for Innovation, Industry, Science and Research, said tighter guidelines for the Enhanced Project By-law Scheme (EPBS) and Tariff Concession System (TCS) were among measures to get better results for Australian firms that were announced in July. "The changes to the guidelines are aimed at ensuring early and effective engagement with Australian producers," Senator Carr said. "The proposed changes to the EPBS will encourage greater interaction between major project proponents and Australian businesses by ensuring clearer Australian Industry Participation Plans are in place up-front when projects are being designed. "Implementing an Australian Industry Participation Plan can help to save projects time and money, while giving Australian industry and workers a fairer chance at winning contracts." Early establishment and publication of Australian Industry Participation Plans will also promote greater transparency and accountability for projects approved under the EPBS. Minister for Home Affairs, Brendan O'Connor said tightening the TCS guidelines would clarify everyone's obligations to assess Australian industry capabilities before they applied for tariff concessions. "With these changes, I expect TCS applications to be lodged only after genuine attempts have been made to establish that no Australian manufacturers are able to produce substitutable goods," Mr O'Connor said. "We

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encourage anyone interested in the effective operation of these programs to comment on these proposals so that everyone's views may be considered."

#### BUILDING BRAND AUSTRALIA

Trade Minister Simon Crean has announced the next step in developing a new international brand for Australia with the release of details of a public tender. The Federal Government is calling on submissions from creative agencies for Building Brand Australia. "This is the next step in the process and we are calling on Australia's best creative minds to put their hands up to redefine and enhance Australia's global image," Mr Crean said. – (Continued on Page 2)

#### FIRST-HALF LINER LOSSES PASS \$6 BILLION

Losses sustained by liner freight shipping companies hit more than \$6 billion in the first six months of the year, according to AXS-Alphaliner. All 17 major shipping companies with published financial results reported losses during the period. The bulk of the losses came from the liner shipping operations, the Paris-based research firm said. Current freight rates are cash negative and all major carriers are making losses at the EBITDA level. Cash reserves have been eroded as the carriers' battered balance sheets have come under considerable strain. The situation has led almost all the major carriers to seek additional capital using whatever means available including share placements, rights issues, debt-to-equity conversion and asset sales. Even the largest, A.P. Møller-Mærsk, was forced to succumb to the pressure with the announcement that it has sought new capital through a share placement that raised \$1.58 billion for the company. This followed the successful rights issue by NOL that raised \$985 million in July.



- MAERSK, MSC, EVERGREEN HIKE RATES
- ASEAN-AUSTRALIA-NEW ZEALAND FREE TRADE AGREEMENT BILL
- BUFFETT SEES NO BOUNCE, U.S. "ON THE MEND"
- PRODUCTIVITY COMMISSION ANT-DUMPING REPORT

(Whilst every care has been taken in the preparation, no warranty is given to the correctness of the information contained herein and no liability is accepted for any statement, opinion, error or omission.)

(Continued from Page 1) – “We want a clear vision of how Australia should be seen by the rest of the world in the 21st century.” “We will be looking for agencies to build a contemporary national brand – one which captures the essence of Australia – not just a great place to visit but a great place to live, work, and invest – a trusted trading partner and a great place to pursue an education.” “This is not just about a slogan and it goes beyond the on-going promotion of Australia as a global tourist destination - a reputation that is well established. Building Brand Australia is about promoting Australia as a nation producing quality products and services across a diverse field of activities.” The successful agency will be awarded a \$4 million contract over 4 years. The Australian Government has set aside \$20 million over the next four years to deliver the new brand – much of which will be spent on international promotion. The winner of the tender is expected to be announced in February, 2010, to be followed by a domestic launch. The international launch of the new brand is expected to take place at Shanghai Expo which starts in May, 2010.

#### **PRODUCTIVITY COMMISSION ANT-DUMPING REPORT**

Key points made by the Commission in its recently released draft report include:

- The Australian anti-dumping system, which is based on WTO agreed rules and procedures, benefits a small number of import competing firms, but imposes greater costs on the rest of the economy.
- However, this net economic cost is small. And the scope for Australian industries, like those in most other countries, to fall back on the system to address what are perceived by many to be ‘unfair’ trading practices, may have lessened resistance to more significant tariff reforms.
- This ‘political economy’ argument for retaining the system would be strengthened by reforms to address a number of deficiencies in the current arrangements which can add to the costs for the community. In particular:
  - there is no consideration of the wider economic and other impacts of anti-dumping measures
  - measures can too easily become akin to long-term protection, or outdated in the face of changing market circumstances
  - decision-making and its outcomes are not sufficiently transparent.
- Introduction of a ‘bounded’ public interest test, drawing on similar tests overseas, would be a practical means to take account of wider impacts and prevent the imposition of measures that would be disproportionately costly. The test would embody a starting presumption in favour of measures where there has been injurious dumping or subsidisation. Assessments against the test would be completed within 30 days.

- Some other changes to the current arrangements should be made to achieve a better balance between benefits and costs, including to:
  - allow only one three-year extension of measures beyond the initial five-year term
  - require annual adjustments to the magnitude of measures.

#### **BUFFETT SEES NO BOUNCE. U.S. “ON THE MEND”**

Famed U.S. investor Warren Buffett thinks the economy has “plateaued” along a bottom after a sharp decline, with little sign of recovery. “We have not bounced,” Buffett said in a CNBC television interview, “but we’ve quit going down.” He said he closely watches activity reports from the businesses he invests in plus weekly rail and truck freight traffic indicators. Despite the lack of solid recovery, “we’re on the mend,” Buffett said. In terms of fundamentals, he said the U.S. economy is “immeasurably better” than a year ago. “We’re through the worst of it in residential real estate in all probability,” he said, and “some of the toxic assets have been flushed through” that had threatened the stability of the global financial system. Buffett said “I think the odds are very much against getting significantly worse” unless there is some strong external shock to the economy. “We’re past the critical point,” he said.

#### **DP WORLD DENIES SALE NEGOTIATIONS**

Dubai-based port operator DP World has reasserted that it is not involved in negotiations to sell a stake in the business, adding that talks between parent company Dubai World and a regional private equity player were “no longer ongoing”. In a statement to the Nasdaq Dubai, DP World said: “The board of DP World would like to reiterate previous statements that they have not been involved in any discussions in relation to a potential sale of a stake in the company. “DP World has now been advised by Dubai World that these discussions are no longer ongoing.” The statement follows media reports that a Dubai-based private equity firm had ended five months of talks to buy a stake in Dubai World, which has US\$59bn of liabilities. In June, Dubai World hired AlixPartners, the turnaround experts advising on the General Motors bankruptcy, to help restructure its business.

#### **ASEAN-AUSTRALIA-NEW ZEALAND FREE TRADE AGREEMENT BILL**

The purpose of this Bill is to amend the Customs Act to introduce new rules of origin for goods that are imported into Australia from a party to the agreement establishing the ASEAN-Australia-New Zealand Free Trade Area. The Customs Act amendments will enable goods that satisfy the rules of origin to enter Australia at preferential rates of customs duty. Complementary amendments will also be made to the Customs Tariff Act by the Customs Tariff Amendment. Formal talks between the Governments of the ten ASEAN Member

States, New Zealand and Australia to establish a Free Trade Agreement commenced in March 2005, culminating in the signing of the Agreement in February 2009. The Agreement is the first free trade agreement Australia has signed since the onset of the global financial crisis and demonstrates the Government’s commitment to providing a solid platform to support growth in Australia’s trade and investment with the region. As a group, ASEAN and New Zealand constitute a larger trading partner for Australia than any single country. Two-way trade was valued at \$103 billion in 2007–08, accounting for 21% of Australia’s total trade. The amendments contained in this Bill will be operative from the later of the day the Bill receives the Royal Assent or the day the Agreement enters into force for Australia.

#### **MAERSK, MSC, EVERGREEN HIKE RATES**

Three of the world’s largest ocean carriers, looking to build on the momentum of price hikes that appear to be taking hold around the world, announced new rate hikes on global lanes in mid-September. “The trading conditions for the carriers operating in these markets are still subject to unacceptable rate levels and the situation is unsustainable in the longer term,” the Danish line said. Mediterranean Shipping Co said it will raise rates on all services from Asia to Europe, the Mediterranean and the Black Sea as of Oct 1. Evergreen implemented a rate restoration program and increases in its bunker surcharges.

#### **AIRLINES GROUND 227 FREIGHTERS**

The world’s airlines have grounded 227 freighters, or nearly 12 percent of the fleet of all-cargo planes, in response to the global economic downturn that has cut steeply into cargo traffic and yield, according to the International Air Transport Association. IATA issued the estimate along with a new forecast that the world’s airlines will lose \$11 billion this year following a loss of \$16.8 billion in 2008. “The bottom line of this crisis (with combined 2008-2009 losses of \$27.8 billion) is larger than the impact of 9/11,” said Giovanni Bisignani, Director General and CEO of IATA. IATA’s projection for the full year was sharply worse than the group’s earlier assessment and forecasts airlines’ revenue from cargo will fall nearly 28 percent, or by \$17 billion, this year to \$44 billion. The airline group said cargo yields, a rough measure of pricing, fell 20 percent in the second quarter and IATA forecast cargo yield overall would fall 15 percent this year from last year. Cargo traffic has shown signs of improvement recently, and IATA figures show the traffic in July was up 10 percent compared to the low point in December. “Cargo is a very important indicator of the economy because 38 percent of the total freight (in value) that is exported or imported is moved on aircraft,” he said.

#### **EXTRA SUPPORT FOR SMALL EXPORTERS**

Trade Minister Simon Crean has announced that the

Federal Government will make it easier for Australian exporters and overseas investors to obtain financial assistance. The Federal Government will simplify and expand the powers of the Export Finance and Insurance Corporation (EFIC) to enable it to more effectively provide financial support. Under the changes, a new broader eligibility test for small-to-medium-sized enterprises will be introduced. The changes reflect the increasingly sophisticated role Australian businesses play in the global economy and would help them respond to the global recession. Under the changes, the simplification of EFIC’s powers will reduce the cost burden on exporters of accessing EFIC’s services by streamlining the eligibility criteria. A new net economic benefit test for exporters will allow EFIC to provide assistance in broader circumstances to exporters who have an annual turnover of their corporate group of up to \$100 million. The broader test has been designed to provide effective assistance to exporters seeking to establish global supply and distribution chains and harness the opportunities from the globalising economy. The expansion of EFIC’s mandate will require changes to the EFIC Act.

#### **ASIA PACIFIC TO BE WORLD’S BIGGEST MARKET**

Boeing says that in the next 20 years Asian carriers will add about 750 freighters to the region’s fleet to accommodate growth and airplane retirements, about 27 per cent of the world requirement - second only to the more mature, but slower growing, North America market. Boeing’s projection also shows the Asia Pacific region as a growth leader in the long-term global air cargo market, with routes within China, within Asia and those connecting Asia to other regions outpacing the global average growth annual rate of 5.4 per cent over the next 20 years. Boeing also says the Asia Pacific region will rank as the world’s largest aviation market by 2028, requiring 8,960 new commercial jets valued at approximately US\$1.1 trillion. Asia Pacific is Boeing’s largest market in the forecast for new airplanes in terms of both units required and market value. Boeing also is tipping a move away from larger aircraft to single aisle, mid-size twins and even larger single-aisle jets.

#### **AIRBUS TIPS 2010 RETURN TO GROWTH**

European planemaker Airbus says it believes 2009 traffic is down two per cent but is tipping a 4.6 per cent growth in 2010. Elsewhere, industry body ACI Europe said after a survey of 106 European airports, July passenger traffic fell 4.3 per cent compared with July 2008, compared to an average 9.6 per cent drop during the preceding six months of this year. Freight traffic was down 13.4 per cent compared with July 2008, an improvement on the average 22.4 per cent decrease of the preceding six months. Boeing has reiterated its belief that the airfreight market will bounce back, despite a growing body of evidence that