said Bisignani, referring to IATA's Agenda for Freedom initiative.

QANTAS EVALUATES TASMAN FREIGHT OPTIONS

Qantas Freight will continue to offer wide body international freight capacity across the Tasman when passenger schedules change from 10 June. Group General Manager Qantas Freight, Stephen Cleary, said a number of alternatives were being evaluated to retain wide body freight capacity following changes to the carrier's Tasman passenger schedule, which will see increased use of cargo-restricted B737 flights. "We expect to have replacement capacity in place before then to ensure continuity of service," said Cleary.

INTRODUCTION OF THE POST IMPORT PERMISSION SCHEME

Recent amendments to the Customs Act introduced a number of changes, including the establishment of a post import permission scheme. This scheme allows a permission to be granted after importation in respect of certain classes of prohibited goods so long as the goods were not concealed when imported. Upon identification of imported goods eligible for inclusion in the post import permission scheme, Customs will detain the goods for 30 days, or other prescribed period, while the importer/owner seeks appropriate import permission. Within this period, the importer will be required to provide to Customs written evidence that s/he has sought permission to import the goods. If that does not occur, then Customs will seize the goods in accordance with the Act. If permission to import the goods is refused, then Customs will seize the goods in accordance with the Act. If permission is granted, then it will be deemed that the permission was granted prior to the import and Customs will release the goods. The post import permission option is available regardless of whether the goods were imported by sea, air, post or passengers. It only applies to certain controlled items and it does not weaken the border controls on prohibited items. Importantly, the post import permission scheme does not replace the existing requirement to obtain import permission from the relevant permit issuing authority prior to importation; rather, it allows flexibility to Customs in dealing with importers who genuinely were not aware, or were unable to obtain import permission prior to importation.

ONE IN FOUR BOXSHIPS EXPECTED TO BE IDLE BY 2011

A quarter of the world's containership fleet will be in lay-up by 2011 and freight rates will not pick up significantly until 2014, Claus-Peter Offen, one of Germany's largest shipowners, has forecast. "About 1m TEU is already idle," the shipowner told a ship finance forum in Hamburg. "This number will double in 2009 and triple in 2010." Mr Offen plans to lay up 10 containerships, each with a capacity of 1,200 TEU-2,500 TEU. "Lay-ups are necessary to cope with the current crisis," Mr Offen told the Eighth Annual German Ship Finance Forum, arguing that the market for containerships was suffering from huge overcapacity. "Since we do not know when demand is coming back we have to concentrate on the supply side," he said. "But we won't see as many cancellations of containership newbuildings and scrappings as in the bulker sector." He expects only 10%-15% of containership orders to be cancelled and 1%-2% to be scrapped over the next few years because of heavy down-payments and the fact that the container fleet is relatively new. Worldwide, there are about 750 containerships above 3,000 TEU on order, with 150 of these ordered on speculative basis without a charter contract.

DREDGER ARRIVES FOR NEXT PHASE OF BOTANY EXPANSION

The next phase of the Port Botany expansion project began recently with the arrival of the 130 metre x 22.4 metre dredger, Leonardo Da Vinci . The Leonardo will help dredge the area up to 30 metres below sea level, with the material helping to reclaim about 63 ha of land. The reclaimed area will eventually house the new third terminal and recreational boat ramp. Another dredger is scheduled to arrive in August after the Leonardo has completed her work. It is expected the Marco Polo will take until 2010 to complete her part of the dredging.

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NEWSLETTER 2009/2 **APRIL 2009**

ORDERS FALL & FIRMS RUN DOWN STOCKS

In releasing the Australian Industry Group-PricewaterhouseCoopers Australian Performance of Manufacturing Index (**Australian PMI**®), AI Group Chief Executive Heather Ridout said "The February **Australian PMI**® illustrates that the global downturn is intruding more forcefully into the domestic economy. For manufacturing in particular, the impacts of the global crisis are now compounding the difficulties associated with the structural changes that have been underway in the sector in recent years." "The growing impact of the global crisis is now being felt acutely by the manufacturing sector. Demand for exports has fallen and domestic, business and consumer confidence is very fragile. Many businesses are reporting difficulty in accessing the finance required not only for investment but also for working capital. These are ingredients that could fuel an escalation of the downturn. They point to the importance of the stimulus package passed by the Parliament in February. We expect the further cash bonuses, the investment allowance and the roll out of schools, housing and home insulation programs will be vital for both the manufacturing sector and the broader economy over coming months," Mrs Ridout said. "The severity of the current situation, as illustrated by the **Australian PMI**®, is coming at a time when manufacturing businesses are well advanced in implementing new, more globally integrated business models. In many cases the widespread restructuring brought about by the impacts of the minerals boom and the higher Australian dollar have barely been bedded down. The industry now finds itself in a very different and even more testing business environment," Mrs Ridout said.

BALANCE OF PAYMENTS – DECEMBER QUARTER 2008

Balance of Payments figures for the December quarter 2008 showed a further significant narrowing in the current account deficit (CAD) to $6.5 billion, representing 2.2 per cent of September quarter nominal GDP. This is the lowest current account deficit (as a proportion of GDP) since the September quarter 2001. The narrowing of the CAD was – *(Continued on Page 2)*

CUSTOMS NAME CHANGE LEGISLATION

The *Customs Administration Act 1985* has been amended to rename the Australian Customs Service as the Australian Customs and Border Protection Service. On 4 December 2008, the Prime Minister issued the first National Security Statement. This Statement sets out the national security challenges facing Australia into the future, and a comprehensive approach proposed to be adopted to respond to those challenges. One of the challenges highlighted in the Statement is transnational crime, such as trafficking in persons, drugs and arms, and people smuggling, which involves the organised, unauthorised arrival of people by boat to Australia. Presently, the Australian Customs Service performs a significant role in addressing people smuggling. However, the Prime Minister expressed concern that the current arrangements in relation to addressing this issue involve a wide range of government agencies but lack unified control and direction, and a single point of accountability. This new name will reflect the Australian Customs Service's proposed new capabilities to task and analyse intelligence, coordinate surveillance and on-water response, and engage internationally with source and transit countries to comprehensively address and deter people smuggling.

INSIDE

(Continued from Page 1) – driven by a significant rise in the trade surplus from $1.4 billion in the September quarter to $4.1 billion in the December quarter. This is the largest trade surplus recorded since the series began in the September quarter 1959. The increase in the trade surplus largely reflects a significant fall in the volume of imports and a further increase in the price of coal exports. Import volumes fell by 6.8 per cent in the December quarter, but remain 2.6 per cent higher through the year. Almost all import components fell in the quarter, with the largest falls in services, capital goods and consumption goods.

AUSTRALIA-CHILE FTA COMES INTO FORCE

The Australia-Chile Free Trade Agreement came into force on 6 March, 2009. This was the first Free Trade Agreement to be concluded by the Rudd Government and comes into force a week after Mr Crean signed the ASEAN-Australia-New Zealand FTA. The Minister for Trade said the Australia-Chile FTA is an agreement of the highest quality. "It is the most comprehensive outcome on goods in any FTA that Australia has negotiated with another agricultural producing country since the Closer Economic Relations agreement with New Zealand signed by the Labor Government in 1983. At a time of significant downturn in the global economic outlook, this agreement sends a powerful message of our commitment to expanding trade opportunities," he said. Australian companies looking to do business with Chile should get in touch with Austrade for advice on new opportunities under the agreement. The FTA eliminates immediately Chile's tariffs on almost 92 per cent of tariff lines covering 97 per cent of goods currently traded. This includes Australian exports of coal, meat, wine and key dairy products. Tariffs on all existing merchandise trade will be eliminated by 2015. A Free rate of duty applies to Chilean originating goods, unless a rate is specified in new Schedule 7 of the Australian Customs Tariff. While Chilean originating goods will be eligible for preferential rates of duty, excise-equivalent duties, goods and services tax, dumping duties and other taxes and levies, including cost recovery charges, if relevant, will still be payable in relation to such goods. ACl-FTA allows for Australian importers, Chilean exporters and Chilean producers of goods to obtain advance rulings from Customs regarding future importations of goods into Australia.

SIXTH CONSECUTIVE TRADE SURPLUS IN JANUARY

Australia's trade surplus increased by $553 million to $970 million in January 2009, according to official figures released by the Australian Bureau of Statistics. "The January trade surplus is the sixth-consecutive monthly trade surplus and the eighth-largest on record," said the Minister for Trade, Simon Crean. The increase in the trade surplus was the result of a seven per cent drop in import values, which exceeded the fall in export values of five per cent. "Exports fell for the third month in a row showing that the global economic downturn continued to have a dramatic impact on the Australian economy in January," Mr Crean said. "However, Australia's export performance still compares favourably with other countries in the region." China, Japan, Korea and Singapore all reported falls in the value of their merchandise exports of between 18 and 45 per cent compared to their value in January 2008. In comparison, Australia's exports (in original terms) were 27 per cent higher in January this year than in January 2008. According to the figures, the value of resource exports fell 8 per cent, with coal exports falling 19 per cent to $4.4 billion. A 12 per cent ($129 million) fall in metal exports drove manufactured exports 7 per cent lower in the month. Rural goods exports fell 3 per cent, while services exports rose marginally. Imports fell 7 per cent to $23.3 billion, as falls in imports of capital goods and petroleum were partially offset by an increase in imports of non-monetary gold.

XMAS PRESENT FOR MELBOURNE AIRPORT

Melbourne Airport says that in December 2008, for the first time ever, it topped Sydney as the country's leading airfreight hub. Melbourne airfreight exports were up 23 per cent - at nearly 10,000 tonnes - for the month compared with the previous December. Added services during 2009 are already planned by Emirates, Etihad, V Australia, Air Asia X, China Eastern and Philippine Airlines.

AUSTRALIA SIGNS HISTORIC REGIONAL FREE TRADE AGREEMENT

Minister for Trade Simon Crean joined Trade Ministers from the 10 members of the Association of South East Asian Nations (ASEAN) and New Zealand in signing the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) in Hua Hin, Thailand. This is the largest FTA Australia has ever signed and will reduce or eliminate tariffs across a region that is home to 600 million people and has an annual GDP of A$3.2 trillion. Australia's two-way trade with the ASEAN region is worth $80 billion a year. The agreement will deliver new opportunities across the board for Australian exporters. "With this level of trade, which is bigger than our trade with Japan or China or the United States, this agreement with ASEAN has great potential to increase job opportunities for Australian workers," Mr Crean said. According to Austrade, there are around 18,500 Australian exporters doing business in ASEAN countries. The FTA includes an economic cooperation component to provide technical assistance and capacity building to developing ASEAN countries to assist in implementation of the FTA. "Australia stands to gain from this agreement across many sectors, including exports of agricultural products, industrial goods and services. Australian primary producers are now being guaranteed greater access to developing South East Asian markets, many of which have a growing appetite for high quality Australian produce," Mr Crean said. The Minister for Trade said the Australian industrial sector had also been given an opportunity to expand exports into the ASEAN region. "The Australian pharmaceutical industry, which already exports $600 million worth of product each year to the region, will be operating in almost a completely free trade zone in ASEAN," he said. In the chemical sector, most higher tariffs will be eliminated. For electrical machinery, almost all tariffs will be eliminated in our major markets. With the car industry, Mr Crean said there had been tough negotiations and Australia would eliminate tariffs for all ASEAN nations. "But there will be slower phase-out arrangements for tariffs on vehicles manufactured in Indonesia, Malaysia and Thailand as Australia demanded reciprocal arrangements with those countries," he said.

IATA CHIEF BLASTS TIGHTER CARGO SCREENING RULES

IATA Director General and CEO Giovanni Bisignani called US plans to implement 100 percent cargo screening "misguided" and urged supply chain industry officials to convince US decision makers to take a more global view. "We need a globally coordinated approach that looks at the entire supply chain," Bisignani told 700 industry officials at IATA's recent World Cargo Symposium in Bangkok. Noting that cargo demand "has fallen off a cliff," Bisignani asked global supply chain executives to mount a strong effort against the tighter screening rules set to begin in August 2010. "The industry is in crisis and nobody knows that better than our cargo colleagues," Bisignani said. The way to overcome the setback is through improved security, delivering better products and boosting efficiency, he added. But scanning everything loaded onto the aircraft "is a waste of precious resources," Bisignani said. To be effective, he said, "we must identify the risks involved with a supply chain approach." IATA's Secure Freight strategy focuses on a risk-based approach with shared responsibility throughout the supply chain. After a shocking 22.6 percent decrease in December, global cargo traffic slid a further 23.2 percent in January," according to IATA. In December 2008, IATA forecast 2009 freight volumes to fall 5 percent. Combined with a decrease in yields, this would result in a 9 percent drop in freight revenues to US $54 billion. "The continued decline in cargo markets is a clear sign that we have not yet seen the bottom of this economic crisis," Bisignani said.

CUSTOMS TIME RELEASE STUDY

In 2008, the Australian Customs and Border Protection Service completed its first Time Release Study (TRS), a World Customs Organization endorsed method for measuring the time taken by customs authorities to release imported cargo. The TRS has been identified by Asia-Pacific Economic Cooperation (APEC) as an important tool to identify and improve bottlenecks in customs-related procedures. The results of the Time Release Study 2007 highlight the success of Customs and Border Protection's risk-based cargo intervention policy, and indicate that Customs and Border Protection processes are not a significant impediment to import trade. Factors such as the efficiency of business to business communications and the arrangement of inland transport appear to be greater influences on the timing of the cargo delivery. At the same time, the study also identified opportunities for further improvement in trade facilitation which Customs and Border Protection will pursue together with industry and its partner agencies. At an indicative level, Australia's import cargo clearance performance compares favourably with other economies in the Asia-Pacific region. The scope of the study included imported cargo arriving in the week from 24 to 30 September 2007 inclusive, and was conducted as a data snapshot from Customs and Border Protection's Integrated Cargo System. Supplementary data was sourced from industry for validation of the study.

ASIA PACIFIC FREIGHT SLUMPS 28.1 PER CENT – IATA

The International Air Transport Association (IATA) says international scheduled traffic results for January showed alarming slumps for both cargo and passenger numbers. December's airfreight collapse (-22.6 per cent) worsened to a 23.2 per cent year-on-year demand drop, the eighth consecutive month of contraction for air cargo. "Alarm bells are ringing everywhere. Every region's carriers are reporting big drops in cargo," said Giovanni Bisignani, IATA's Director General and CEO. Asia Pacific carriers, representing 43 per cent of the market, led the cargo decline with a 28.1 per cent year-on-year drop. This was followed closely by the other major market players: European carriers (-23.0 per cent) and North American carriers (-19.3 per cent). While this may appear to be relatively stabilised compared to the precipitous December drop, it is too soon to call a bottom in the air freight market. "Manufacturers are still shedding inventory and cutting production which is expected to lead to further falls in freight volumes," IATA said. "The only good news is that fuel prices remain well below last year's level. But the drop in demand is much more harmful. The industry is shrinking with revenues expected to fall by US$35 billion to US$500 billion, delivering a loss of US$2.5 billion this year," said Bisignani. "Airlines remain in intensive care, but while others ask for government bailouts, our demands on governments are much more modest. First, don't tax us to death in order to pay for investments in the banking industry. This includes the UK government's plans to increase its multi-billion pound Air Passenger Duty and the Dutch government's misguided departure tax," said Bisignani. In 2008, even as governments delivered tax breaks to stimulate economic growth, the airline industry took on an additional tax burden of US$6.9 billion. "Second, give airlines the commercial freedoms that every other business takes for granted. With the world's capital markets in disarray, archaic ownership restrictions are an unnecessary burden that must be lifted. Today's crisis highlights the need to change the structure of this hyper-fragmented and fragile industry,"