question of political will. “There needs to be a serious investment in political capital to restart the negotiations. Key players will need to get serious and put more on the table than they have done to date,” Mr Falconer said, conceding that a number of important issues are still to be resolved. Professor Robert Thompson, Gardner Chair in Agricultural Policy at the University of Illinois, said that the political reality following the global financial crisis was that the US would not give serious support to the Doha Round unless key local interest groups perceived there was a significant real increase in market access in exchange for local trade policy reforms. “Around 2013, the stars might be realigned with the EU and the US considering their respective key farm support policies,” Professor Thompson said. Also addressing delegates on the future directions for trade policy, Andrew Stoler, Executive Director of the Institute for International Trade at the University of Adelaide, said the Doha Round is failing. “In part this is due to the ‘single undertaking’ framework in which it is being conducted, where an unnecessarily large number of countries are involved and are complicating an already complex process,” Mr Stoler said. “Departing from the single undertaking and pursuing agricultural negotiations through a critical mass framework with as few as 35 WTO members would cover more than 80 per cent of global trade in the most important agricultural commodities, and produce an outcome that would likely be more economically important than the Doha Round approach.“Despite the obvious attractions of the critical mass framework, most governments are unable to think outside the box.”

SURGE IN BOX VOLUMES CATCH LINES OFF-GUARD

A spike in container volumes over the past three months has lines contemplating bringing idle ships back into operation in response to customers’ desperation for extra space. Maersk Line Chief Executive, Eivind Kolding admitted that the industry had not been ready for the sudden sharp increase in demand that began in early December and continued right through to the start of the Chinese New Year holidays. “We had no time to prepare, we did not get any signals that this was coming,” Mr Kolding said. Initial figures suggest that total worldwide volumes were up by about 15%-20% on corresponding figures a year ago, when the market was in sharp decline and trade overall contracted by 10%. Even so, it was “far too early to say the crisis is over”, Mr Kolding warned ahead of AP Moller-Maersk 2009 results announcement. “If lines achieved the rate increases they were seeking in the 2010-2011 transpacific eastbound contracts, up for renewal on May 1, then the industry could move out of the red by the end of the year,” he said. That compares with global losses that are thought to have reached around US$20bn in 2009. “Certainly, 2010 will be much better than last year, probably something the industry will be satisfied with, but not anything to brag about,” he said.

GST ADMINISTRATION OF CROSS-BORDER TRANSPORT OPEN FOR CONSULTATION

The Assistant Treasurer, Senator Nick Sherry, has released draft legislation aimed at improving the operation of the GST law by streamlining its application to the domestic transport of imported and exported goods, for public comment. “The draft Bill will reduce the compliance costs for Australian and overseas businesses involved in the transportation of goods, by making the GST law more certain,” the Assistant Treasurer said. “This draft Bill directly addresses concerns relating to the administration of the GST that the transport industry has raised with the Government.” The changes to the law will reduce the involvement of non-residents in the Australian GST system, improve consistency in the GST treatment of postal and non-postal containerised goods, and assist domestic sub-contracted transport suppliers with GST compliance. “I urge anyone involved in the domestic transport of imported and exported goods to look at the proposed legislation and provide your views,” the Assistant Treasurer said.

METHYL BROMIDE FUMIGATION

The European Union has banned the use of methyl bromide as a fumigant. Fumigation certificates for methyl bromide for shipments from European countries that are raised after 18 March will not be accepted by AQIS. Depending on the target of the fumigation, alternative treatments may be available. Consignments that require methyl bromide fumigations can be fumigated on arrival in Australia. These fumigations can be conducted by accredited onshore treatment providers. ISPM15 packing declarations from European countries remain acceptable.

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NEWSLETTER 2010/2 **APRIL 2010**

TARIFF CONCESSION ORDER PROCESS TIGHTER

Customs and Border Protection has introduced a new application form for Tariff Concession Orders (TCOs) to take effect 29 March 2010. The new form reinforces obligations for TCO applicants to provide evidence that satisfies Customs that there are reasonable grounds for asserting that the TCO application meets core criteria. Specifically, the legislation requires provision of all information that an applicant has, or can reasonably be expected to have, and all inquiries that an applicant has made or can reasonably be expected to make. An application meets the core criteria if, on the day of lodgement of the application, no substitutable goods were produced in Australia in the ordinary course of business. The legislation and relevant policy guidelines require that Customs and Border Protection be rigorous in ensuring applicants meet their obligations when lodging an application. This is because some applicants for TCOs are providing less than reasonable information and conducting less than reasonable inquiries to determine whether Australian manufacturers of substitutable goods exist. Customs and Border Protection has noted that, in some instances, the level of information provided in applications has been superficial and has, accordingly, rejected those applications. Customs and Border Protection is aware of occasions when TCOs have been applied for when it is clear, from subsequent investigation and/or legal challenge, that the applicant must have known that substitutable goods were produced, or potentially produced, yet failed to provide this information on the form. It is not the intent of the Tariff Concession System that an applicant should apply for a concession in the hope – *(Continued on Page 2)*

OCEAN CARRIERS REACTIVATE SOME IDLE BOX SHIPS

Ocean carriers are returning laid-up container ships to service at a faster pace to keep up with growing cargo volume, according to a new report by the Alphaliner consultancy. Carriers will have 40 additional vessels of over 3,500 20-foot equivalent units capacity by the end of April, Alphaliner said, including 15 drawn from the pool of ships that have been idle since the beginning of the global downturn. The remainder will consist of shipyard deliveries and vessels being freed up by their current charterers. Demand is increasing with the introduction of new services, capacity upgrades on a few “loops” and additional extra slow steaming, according to Alphaliner, the Paris-based consultancy. “Carriers are gearing up for the summer shipping season with optimism nurtured by a revived demand in most main trade lanes,” Alphaliner reported. Charter ships of 4,000-5,000 TEUs are becoming harder to find after a wave of chartering in the past few weeks. Several carrier-controlled vessels of 4,000-7,000 TEUs are laid up but some could be re-activated at short notice if cargo demand warrants their return to service. The carrier-operated idle fleet has dropped from just over one million TEUs to 630,000 TEUs over the past twelve months, and the figure could fall below 350,000 TEUs in the coming two months as lines re-activate unemployed vessels. The total idle fleet, including charter vessels, stood at 1.24 million TEUs on March 1, the lowest level since July 2009, Alphaliner said. The unemployed fleet could fall below one million TEUs within the next two months as new services and additional demand created by extra slow steaming continue to absorb surplus tonnage and some older 2,500-4,000 TEUs vessels are scrapped.

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(Continued from Page 1) – that a potential producer of substitutable goods will not object. As a result of these concerns, Customs and Border Protection has amended the approved form for TCO applications which now requests more specific responses from applicants. The form has been amended to reflect a practice where the applicant is not always the importer of the goods, but may be an agent, consultant or broker who does not always have first-hand knowledge of the particular goods or industry involved. It is important, where the importer is not the applicant, that information is provided by the intended importer of the goods to the applicant and included in the form. For an applicant to establish that there are reasonable grounds for asserting that there are no local manufacturers of goods the subject of a TCO application, the applicant will provide evidence that inquiries have been made to determine whether local manufacturers exist who can supply substitutable goods in the ordinary course of business. Examples of what constitutes reasonable information and reasonable inquiries are:

- It is reasonable to expect that an applicant (and importer where the importer is a different party to the applicant) will have information or industry knowledge about Australian businesses that produce, or potentially produce, substitutable goods.
- It is reasonable to expect that this industry knowledge may have been obtained through trade fairs, membership of industry associations or normal business operations.
- Where a data base search for local manufacturers is used, it is reasonable to expect that the key word or key words should not be so narrow as to preclude a result.
- Searches are to be comprehensive and multiple searches using different key words would normally be expected.

Where a potential Australian manufacturer of substitutable goods is identified in the search, it must be contacted by the applicant in writing with details of the goods that will be the subject of the TCO application. The applicant will allow a minimum of ten working days for any responses before lodging the application. The operative date for an application will be from the day the application was received by Customs and Border Protection. If an application is rejected the operative date does not apply.

IATA CARGO IMPROVES OVERALL BUT EUROPE STILL LAGS

Compared to December 2009, air freight volumes increased by 3.0 percent in January and pushed the overall cargo load factor to 49.6 percent - a significant increase from 40.1 percent in January 2009. Giovanni Bisignani, IATA's Director General and CEO said, "The 3.0 percent increase in freight volumes from December to January is particularly encouraging. We can start to see the future with some cautious optimism, but better volumes do not necessarily mean better profits. We expect 2010 losses to be US$5.6 billion." IATA reported the strongest cargo upturns have been in Asia, Latin America and the Middle East as businesses re-stock depleted inventories. However, the association said continued growth will require consumers to start buying again and businesses to return to making investments. There are signs of this in Asia but not North America and Europe - where freight volumes remain only 7 percent above the December 2008 low and 15 percent below the cycle peak.

CUSTOMS TARIFF AMENDMENT BILL

The purpose of the Customs Tariff Amendment Bill (No. 1) 2010 is to amend the Customs Tariff to incorporate end-dates for three concessional items.

These amendments provide:

- an end-date of 31 December 2009 for item 53C. This item provided a mechanism to reduce the general rate of customs duty from 10% to 5% for certain goods that were not of a kind used as components in passenger motor vehicles. Item 53C became redundant from 1 January 2010.
- an end-date of 30 June 2010 for item 61. Item 61 provides the means for duty concessions under the Expanded Overseas Assembly Provisions Scheme (EOAP). The continuation of the EOAP beyond June 2010 is not a component of the Government's Textile, Clothing and Footwear (TCF) Innovation Package, as announced in the 2009/10 Budget, necessitating the end-dating of item 61.
- an amendment of the end-date of item 73, from 30 June 2017 to 30 June 2011. The Product Diversification Scheme (PDS) for certain clothing and finished textiles allows importers to earn duty credits through additional production of eligible nominated TCF goods and then to apply those credits, through item 73, to offset duty payable on qualifying imported finished clothing or textile articles. While importers will no longer be able to earn duty credits under the PDS after 30 June 2010, the end-date of 30 June 2011 for item 73 will provide importers with an additional twelve months to use those credits.

NATIONAL FREIGHT STRATEGY IN THE SLOW LANE

The Federal Government could go to the next election without a national freight strategy, with Australia's transport and logistics industry doubtful the long-awaited policy will be tabled until the end of the year. In a speech to the Australian Logistics Council's annual forum in Sydney, federal Infrastructure Minister Anthony Albanese did not give a timeframe for delivering the multi-faceted response on key issues affecting coastal shipping and both landside and portside infrastructure. Mr Albanese indicated he did not expect to see a number of the reports crucial to the overarching strategy until "later this year", signalling the government's response on coastal shipping could be delivered up to 18 months later than planned. The Federal Government was to have responded to a review of coastal shipping by May 2009 but delayed its response to the end of that year, later delaying it indefinitely. Mr Albanese told the forum that the Federal Government was investing almost $36bn over six years to boost road, rail and port infrastructure. The spending comes ahead of Infrastructure Australia's National Ports Strategy and National Freight Network Plan. But industry figures concede a growing scepticism about the timing of announcements on these projects, especially given Infrastructure Australia was still consulting with industry last week on a draft of the ports strategy. Mr Albanese said there had been "robust discussion" on issues such as the long-term masterplans for nationally significant ports and developing a model for consistent approval processes for port precincts, channels and freight corridors.

HAPAG-LLOYD CLEARS 4000 TEU FROM SYDNEY

Hapag-Lloyd evacuated about 4000 teu of empties from Patrick's container terminal at Port Botany in March using the freshly-built boxship, JPO Volans. The German-owned and managed, 50,500dwt vessel was completed in November. Sydney-based Maritime Container Services said the three-day stack run was delayed by the tsunami warning issued for Australia's east coast. Both of MCS's empty container parks in Sydney have been operating at 90% capacity for several weeks with more than 15,000 teu on the ground. MCS, Sydney's oldest and largest container storage company, said capacity at its two facilities would be boosted now that the stack run had been completed.

VTA, SAL TO COOPERATE ON EMPTY CONTAINER PARKS

The Victorian Transport Association and Shipping Australia have agreed to form two working groups to tackle Melbourne's empty container crisis. The information, visibility and exchange group will monitor and assess technology trials with a view to raising park visibility in the supply chain and park operations. The other group, covering park operations, will look at performance, operating hours, managing truck queues and developing industry wide solutions. While the VTA made it clear it was seeking an industry solution, Deputy Chief Executive, Neil Chambers, asked both the Port of Melbourne Corporation and the Victorian Government for support with facilitation. PoMC Chief Executive, Steven Bradford, indicated the port would back the working groups.

MAERSK EXPECTS MODEST PROFIT IN 2010

Cautiously consigning shipping's annus horribilis to history, AP Moller-Maersk Group reported a US$1bn loss for 2009 and predicted a modest return to profit this year. Group Chief Executive, Nils Andersen, said the profitability would emerge "due to slightly better rates than we have seen, and due to the fact that we have become more competitive". But the company also said a return to profitability could not be guaranteed. Mr Andersen cautioned that rates at the end of this year would still not be high enough for the container industry, including Maersk Line, to garner "acceptable returns". Despite this, he expects "significant improvement for Maersk Line" in 2010 following the whopping loss of 2.1bn for the container activities division last year. That shortfall came despite an average bunker price decline of 34% last year. Additionally, slow steaming and other factors led to a 12% drop in bunker consumption. Overall, Mr Andersen was optimistic the industry would continue to hold the line against competitive price cutting and avoid a rush to restore capacity. "Obviously, we learned a lesson," he said, speaking of the industry as a whole. Maersk Line's capacity profile at the end of last year reflected that theme. The container division owns 253 vessels, with another 278 on time charter, and 43 newbuildings on order. Last year, it scrapped 3% of its fleet and laid up 4%, while, at the same time, it added 3% in deliveries. Maersk's US$1bn loss for 2009 compares with a US$3.5bn profit in 2008.

JAPANESE SHIPPING FIRMS SHIFT ORDERS TO BULK CARRIERS, OTHER VESSELS

Two of Japan's largest shipping firms, NYK and "K" Line, reached agreements with shipbuilders to convert some container ship orders to orders for bulk carriers and other vessels, as demand for container shipping is expected to take time to make a full-fledged recovery. NYK agreed with Japan's IHI Marine United and South Korea's Hyundai Heavy Industries to convert seven of its 14 container ship orders to orders for three bulk carriers, two very large crude carriers and two product tankers that carry naphtha and other petroleum products. "K" Line agreed to convert five of its 31 container ship orders placed with various shipbuilding companies to orders for bulk carriers. A spokesman for NYK, Japan's largest shipping firm by sales, confirmed the agreement with Japan's IHI Marine United, a wholly owned shipbuilding subsidiary of IHI, and South Korea's Hyundai Heavy Industries. The spokesman said that the alteration of the container ship orders is in line with the company's policy of "downsizing its container ship fleet and changing to a light asset business," stipulated in its current medium-term management plan. The seven ships to be built under the altered orders are scheduled to be completed between fiscal 2011, which starts in April 2011, and fiscal 2012, the NYK spokesman said, requesting that he not be named. A spokesman for "K" Line, Japan's third-largest shipping firm by sales, said its 26 container ships and five bulk carriers are scheduled to be completed between fiscal 2010 and 2012.

POLITICAL WILL NEEDED FOR DOHA TO SUCCEED

The final stages of World Trade Organisation Doha Round negotiations are a question of basic political will, delegates at the recent ABARE Outlook conference in Canberra heard. Crawford Falconer, Deputy Secretary of the New Zealand Ministry of Foreign Affairs and Trade and former Chair of the WTO Agricultural Negotiations said that, fundamentally, finalising the negotiations is a