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DECEMBER 2013 NEWSLETTER

WHATS INSIDE

HOLD DOWN "CTRL" AND CLICK ON THE HEADING ABOVE TO GO TO THE ARTICLE

Out of Gauge(OOG) shipment at Patrick ports

ACCC TURNS ATTENTION TO PORT CONNECTIONS

Australia's Competition and Consumer Commission (ACCC) has declared itself largely satisfied with the impact of waterfront reform on stevedoring and is turning its attention to port road and rail links. Releasing the Commission's fifteenth Annual Container Stevedoring Monitoring Report, Chairman, Rod Sims, said the industry was healthier than ever before, thanks to increased productivity, new investment, lower unit costs, higher profits and, now, a third competitor which will "spur the industry to become even more efficient". Since 1998, costs have fallen by 44% in real terms as a result of the stevedores becoming more efficient, the ACCC said. Most of this cost saving has been passed onto shipping lines, with average prices falling by 37% in real terms over the same period. Productivity has improved, with cranes moving 29.2 containers per hour in 2012/13 compared with 19.6 in 1998/99, while labour productivity has almost doubled, increasing from 22.4 containers per hour worked in 1998/99 to 41.1 containers per hour worked in 2012/13. However, Mr Sims warned that planned port expansion must be accompanied by targeted investments in road and rail connections to container terminals: "The ACCC considers that further economic reform is required to ensure that related transport issues do not create bottlenecks in and around our growing container ports, and supports initiatives by various governments and other agencies to address these issues, " he said. Reforms need to include changes to heavy-vehicle road provision so that the right investments in the right roads can occur; better signals for exporters and importers to enable them to make better, informed decisions about modal choice; and pricing mechanisms to incentivise truck operators to better use landside facilities. "Without these reforms, Australia risks losing the benefits of investments in capacity expansion and competition at major container ports," Mr Sims said.

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Imported dangerous goods consignment

PORT BOTANY'S NEWEST CONTAINER TERMINAL STARTS

Port Botany's newest container terminal, Sydney International Container Terminals Limited (SICTL), is now operating. It received its first ship in early November, the Forum Fiji. SICTL is a wholly-owned subsidiary of Hutchison Port Holdings (HPH), the world's leading port investor, developer and operator. SICTL is HPH's second international container terminal in Australia. Brisbane Container Terminals (BCT) began operations at its first berth earlier this year with a second berth scheduled to come online in 2014. The Forum Fiji is operated by Pacific Forum Line as part of the Auspac consortium with Neptune Pacific Line. Auspac was also the first customer to call at BCT. SICTL Chief Executive, Dr Steve Gumley, said the development of the terminal has benefited greatly from the development of its sister terminal in Brisbane. Our group has built up considerable expertise in developing new container terminals from the ground up," Dr Gumley said.

DUBAI REPORTS BOOM IN AUSTRALIAN TRAFFIC

Passenger traffic between Dubai and Australia has increased by more than 40 per cent in the months since Australia's Qantas and UAE-based Emirates commenced their alliance, the latest Dubai airport traffic statistics show. According to Dubai Airports, passenger traffic to and from Australia rose 41.7 per cent during September alone compared to the same month last year, far outstripping growth between Dubai and: France (23.7 per cent), Saudi Arabia (22.4 per cent), Thailand (21.8 per cent) and the UK (21.7 per cent). The alliance saw Qantas move its international hub and European stop-over point to Dubai (from Singapore). In total, about 5,407,000 people travelled through the Dubai airport in September, compared to 4,780,394 during the corresponding month in 2012 and year-to-date global cargo traffic has totalled 1,785,539 tonnes, up 6.6 per cent. "Passenger and cargo traffic growth continue and Dubai International is on track to eclipse our projections for 65.4 million passengers and 2.7 million tonnes of cargo," Dubai Airports CEO Paul Griffiths said.

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HEAVY MACHINERY IMPORTS FALL 56% IN SEPTEMBER

Australia's heavy machinery imports reached the second lowest import numbers in the last 12 months at 2161 machines in September, following a yearly high in August, according to Depth Logistics' recent shipping index. The massive drop was only 45 machines better from its lowest in April 2013. However, September's big fall was largely caused by a drop in the public works category which only accounted for 20% of the total import for the month at 439 machines, after 2687 units bulked the previous month's figures by 55%. With the exception of graders and small excavators, with increases of 21% and 42% respectively, all other machinery categories had a significant fall in September, said Depth Logistics in its report. However, on closer examination of shipping index figures for September, tracked loaders also increased by 33% in a month and four wheeled dozers were imported compared to an August base of zero. FOB value in September was also down by 18% from the previous month to $187m, significantly below the 12-month average of about $336m.

FAILURE OF SEPTEMBER 1 RATE RISE ON ASIA-EUROPE TRADE CONFIRMED

The failure of the mooted September rate increase attempts on the Asia-Europe trade has been confirmed following the publication of two freight rate indices. World Container Index's Shanghai-Rotterdam freight rate assessment increased just US$18 to US$2498 per 40ft box. Meanwhile, the Shanghai Containerised Freight Index China to North Europe component declined week on week by US$110 to US$1073 per teu. Carriers had been hoping to increase freight rates on services from Asia to Europe by around US$500 per teu on September 1. Analysts have signalled that this may have been one of the carriers' last chances to increase rates before the industry heads into the northern winter period. Director of World Container Index, Richard Heath, said: "With second quarter financial results showing mixed levels of profitability, many carriers must have hoped that price rises towards the end of the peak season would help to shore up their balance sheets. "Spot rates also have a significant influence on the outcome of contract rate negotiations, which for many shippers on the Asia-Europe trade will be taking place in the fourth quarter." ICAP container freight analyst, Richard Ward, said: "The inability from carriers to maintain rates can be attributed to the fact the planned rate increase that was due to come into force in September has failed, highlighting the limited effectiveness of such rate restoration methods".

IMPROVEMENT IN BUSINESS CONFIDENCE

The October 2013 ACCI Survey of Investor Confidence finds that while business expectations improved significantly over the September quarter, actual business conditions remained relatively unchanged at low levels. Despite the welcome improvement in business expectations, from past experience, this optimism is unlikely to translate into actual outcomes over the coming months given the continued weakness in current trading conditions. While the current index of Own Business Conditions moved into positive territory for the first time in more than two years, Sales and Profitability remained relatively unchanged in negative territory over the September quarter. Nonetheless, forward projections for these indicators for the December quarter have improved significantly to their highest level since December 2010. Actual indexes of National Economic Conditions and Climate for Investment continued to trek sideways and remained deep in contractionary territory over the September quarter. Nonetheless, their expectation indicators for the December quarter have edged up further into positive territory, to their highest levels in three years, suggesting that businesses have become upbeat about Australia's economic performance and the climate for business investment. ACCI's quarterly index of Constraints on Investment found that Business Taxes and Government Charges remained the largest constraint on business investment in each successive quarter since June 2008. It is concerning that government regulatory requirements have inhibited business capital expenditure plans, with Federal, State and Local Government Regulations remaining in the top-ten largest impediments on business investment for the sixth successive quarter. Mr Greg Evans, Chief Economist and Director of Economics and Industry Policy at ACCI commented: "This Survey highlights that while business expectation indicators improved dramatically in September, all actual trading condition indicators have remained relatively unchanged at low levels. It is concerning that we are yet to see the recovery in business sentiment translating into improvement in actual trading conditions since the global financial crisis. Business hiring and investment intentions are also expected to remain subdued for the final quarter of 2013 and early 2014. "While the outcome of the September Federal Election has buoyed business sentiment, manufacturing and construction industries continue to report weak performance, despite the official cash rate remaining at its historical low. This Survey highlights the challenges for the Australian economy transitioning from resources-led growth to a more broad-based growth. The abolition of carbon tax will play an important role in reducing business costs and the bills to repeal the tax should be passed as the first order of business when the new Parliament meets.

"Australia is still facing stiff economic headwinds and the policy indulgence represented by the carbon tax has no economic and environmental merit and it needs to be abandoned."

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HYUNDAI HEAVY ORDER INTAKE JUMPS 67%

Hyundai Heavy Industries (HHI) reported a 66.7% jump in order intake for the first nine months of this year, boosted by stronger performances by its shipbuilding and offshore segments. Total new orders on a group-wide level amounted to US$21.9bn in the nine months, or 73.7% of its yearly target, compared to the year-ago level of US$13.1bn. According to a company report, the South Korean giant received orders for commercial vessels totalling US$6.8bn, or 88.2% of its annual target, against the year-ago level of US$5bn. This year's orders comprise 25 containerships, including 10 vessels of 14,000 teu-18,000 teu for United Arab Shipping Co, as well as 14 liquefied petroleum gas carriers, nine bulk carriers, seven oil tankers, four special ships, two liquefied natural gas carriers, one semi-submersible rig and two other types of vessels. The performance of HHI, the world's largest shipbuilder last year, was in parallel with what many first tier Asian yards achieved in the same period, with demand for newbuilding commercial vessels recovering. The Seoul-listed company also reported offshore orders worth US$6.2bn, exceeding its 2013 target by 2.9%, higher than US$1.6bn recorded in the year-ago period. HHI's industrial plant, engine and machinery divisions also posted improved results, but electric system, construction equipment and green energy segments saw weaker order intake.

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EXPORTS ROSE SLIGHTLY IN SEPTEMBER

Data released by the Australian Bureau of Statistics shows exports (seasonally-adjusted) rose 0.5 per cent to $27.3 billion in September to be 15 per cent higher from a year ago. This follows increases of 3.5 per cent and 0.8 per cent in the previous two months. Goods exports (not seasonally-adjusted) to China in the month of September remained steady at $8.7 billion, while exports to the Republic of Korea and to the 10 ASEAN economies increased 4.4 per cent (to $1.7 billion) and 7.7 per cent (to $2.2 billion), respectively. Goods exports to East Asia totaled $17.5 billion in September. Driving the slight rise in exports was a rise in resources, up 3 per cent to $13.8 billion. Services exports also rose by $8 million to $4.6 billion, with travel services up 1.2 per cent or $33 million. Imports fell 1 per cent to $27.6 billion in September to be 4.4 per cent higher from a year ago. Consumption goods fell 3 per cent to $6.8 billion, and capital goods fell 2.9 per cent to $5.4 billion. This was partly offset by a 2.3 per cent rise in intermediate and other merchandise goods to $9.6 billion, driven by an 11.6 per cent increase in fuels and lubricants. Services imports rose by $21 million to $5.4 billion. Merchandise imports from East Asia increased by 3.8 per cent to $11.8 billion in September. Imports from: China rose 4.4 per cent to $4.7 billion, the 10 ASEAN economies rose 3.7 per cent to $4 billion, and the Republic of Korea rose 28.7 per cent to $977 million. Overall, Australia recorded a seasonally-adjusted trade deficit of $284 million in September, a 59 per cent decline on the revised $693 million deficit in August.

PORT OF MELBOURNE TRAFFIC SURVEY

In late 2012 Port of Melbourne Corporation commissioned a traffic survey with the aim to provide a better understanding of truck and traffic movements in and around the port over a typical day.

The survey and subsequent analysis assesses truck movements:

- into and out of Webb Dock
- between Webb Dock and the Swanson-Dynon precinct
- between the Swanson-Dynon precinct and freight and transport related businesses located to the west of the port

The interpretation and subsequent analysis of the data is complete and the final reports are now available for viewing. The results of the survey are available for download from the Port of Melbourne Corporation website, www.portofmelbourne.com/publications/traffic-surveys.

AUSTRALIA'S AUTOMOTIVE MANUFACTURING INDUSTRY

The Australian Government has asked the Productivity Commission to undertake an inquiry into public support for Australia's automotive manufacturing industry, including passenger motor vehicle and automotive component production. The Commission has been asked to:

- examine national and international market and regulatory factors affecting the industry;
- identify and evaluate possible alternative public support mechanisms;
- identify any significant transition issues or adjustment costs that may arise from alternative support mechanisms or policy changes and how they might be best managed;
- assess the significance of the capabilities within the industry, its direct employment and economic benefits, and its secondary impacts on other sectors of the economy;
- quantify the costs and benefits of existing and alternative assistance mechanisms.

The Commission is to undertake public consultation, inviting public submissions and releasing a preliminary findings report to the public. The Commission is to release a preliminary findings report by 20 December 2013, and to provide a final report to the Government by 31 March 2014.

NEW OBLIGATIONS ON CUSTOMS BROKER LICENCE HOLDERS

The Customs and AusCheck Legislation Amendment (Organised Crime and Other Measures) Act 2013 (Organised Crime Act) received Royal Assent on 28 May 2013. These amendments place new obligations on Customs broker licence holders, which commenced on 28 November 2013.

The following amendments to the Customs Act affect customs broker licences:

- replacing the term ‘person of integrity’ with ‘fit and proper person’
- changes to the criteria for ‘fit and proper person’ tests

• changes to the notification requirements of a customs broker licence holder

• new provisions empowering the Chief Executive Officer (CEO) to impose additional conditions and vary existing conditions on customs broker licences at any time including the ability to consider the suspension, refusal or cancellation of an Aviation or Maritime Security Identification Card (ASIC or MSIC) when determining whether the person is fit and proper under the Customs Act

• a new offence for breaching conditions of a customs broker's licence, and

• other amendments that affect all members of the international trade and transport industry, including new offences for using information held by Customs, changes to the Infringement Notice Scheme, increased record keeping obligations and increased penalties for certain offences.

All customs broker licence holders are required to notify the CEO in writing, within 30 days, where certain events occur. This includes a requirement to notify the CEO when certain persons are convicted of certain offences or become bankrupt. The changes to the Customs Act introduce an additional condition on the holder of a customs brokers licence to notify the CEO in writing, within 30 days, where the licence holder, or certain persons where the licence holder is a company or partnership, have been refused an ASIC or MSIC or had an ASIC or MSIC suspended or cancelled. Where the suspension, cancellation or refusal of an ASIC or MSIC occurred in the 10 years prior to the commencement of these changes, a licence holder must notify the CEO within 90 days of the commencement date.

This licence is also subject to the following additional conditions:

(1) The holder of the broker's licence must, when requested by Customs and Border Protection, ensure that the licence holder and any person who participates in the work of the customs broker completes a Customs and Border Protection Consent to Obtain Personal Information form to allow Customs and Border Protection to undertake a fit and proper person check for each relevant person. The holder of the broker's licence must forward the form to the CEO if requested.

(2) If a holder of the broker's licence becomes aware that information that has been provided to Customs and Border Protection by or on behalf of a client of the broker is false, misleading or incomplete, the broker must, as soon as practicable after becoming aware of the error or omission provide written particulars of the incident to the CEO.

(3) The holder of the broker's licence must not allow Customs and Border Protection systems or information provided by Customs and Border Protection to be used for an unauthorised purpose or to assist, aid, facilitate or participate in any unlawful or illegal activity.