



**Famous Pacific Shipping
(WA) Pty Ltd.**

NEWSLETTER

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LARGEST AUSTRALIAN FREE TRADE AGREEMENT TO BEGIN IN 2010

The largest Free Trade Agreement Australia has ever concluded will come into force on 1 January 2010, following discussion between ASEAN leaders. The Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) spans 12 economies, with over 600 million people and a combined GDP of \$3.1 trillion. The Agreement will cover a massive 20% of Australia's two-way trade, worth \$112 billion. The deal will eliminate tariffs on 96 per cent of our current exports to ASEAN nations by 2020. Currently, only 67 per cent of our exports to the region are tariff-free. This will support Australian industry by promoting exports, and will play an important role in supporting Australian jobs.

This will be the most comprehensive Free Trade Agreement to enter into force for ASEAN, covering a range of areas including:

- Goods
- Services
- Investment
- Intellectual property
- E-commerce

The nations covered by the AANZFTA are the 10 ASEAN Member States: Brunei, Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Burma, the Philippines, Singapore, Thailand, Vietnam; and Australia and New Zealand. The initial signing of the AANZFTA in February was an important sign of the determination of nations to work together to build economic recovery, and the announcement cements that cooperation.

On entry into force of the Agreement, rates of customs duty for AANZ originating goods will either be eliminated or phased to Free over a number of years, but no later than 2020. Certain alcohol, tobacco and petroleum products will continue to be subject to rates of customs duty that are equivalent to the rates of excise duty payable on such goods when locally manufactured. The rules for determining whether goods are AANZ originating goods have also been established. A certificate of origin will be required for each shipment where preferential rates are being claimed.

DUTY RATES REDUCE ON 1 JANUARY 2010

The final phase in the reduction of import duty rates on textiles, clothing and footwear products and on passenger motor vehicles and parts will take effect from 1 January 2010. In general terms rates on TCF goods will reduce to 10%. Rates for PMV and parts will generally reduce to 5% in line with most dutiable goods. The reduced rates will apply to goods imported on or after 1 January 2010. In most cases the date of importation of goods is the date on which a customs import declaration is lodged in respect of the goods.

ACCC REPORT ON STEVEDORES

The Australian Competition and Consumer Commission has noted encouraging signs of growing opportunities for new entry in the larger Australian container ports in its eleventh annual monitoring report on container stevedoring. The ACCC monitors prices, costs and profits of container terminal operators at the largest container ports—Brisbane, Fremantle, Melbourne and Sydney. Container stevedoring at these ports is provided by two firms—Patrick and DP World. The ACCC also monitors two, single operator container terminals at the smaller ports of Adelaide and Burnie. Container stevedoring involves the lifting of cargo in shipping containers on and off ships. "The ACCC's report shows that performance of the stevedores was affected in 2008–09 by the global economic slowdown," ACCC Chairman, Graeme Samuel, said. "The number of containers handled fell in 2008–09 which impacted the stevedores' profits. However, even during these tough economic times, the stevedores were able to maintain prices and achieve rates of returns of close to 18 per cent.

By comparison, the average return on assets for the ASX200 companies was nine per cent. That the stevedores could achieve such results reinforces the ACCC's concerns about the degree of competition in the industry. It seems that the stevedores are not forced to compete for business. As the economy recovers and demand for stevedoring services increases, decisions by state governments and port managers about competition in the larger ports become crucial. We have seen in Brisbane and Sydney that there are other stevedores willing to take up the opportunity to compete against the Patrick-DP World duopoly when given the chance. Melbourne, Australia's largest container port, is reportedly considering whether to bring forward a new terminal development to cope with expected future growth.

These opportunities for new entry provide a real chance, now more than ever before, to facilitate more competition in Australian stevedoring." DP World defended its position based on expansion and investment in new equipment. Patrick owner, Asciano, joined the fray, saying the report confirmed the concerns that stevedores in Australia did not have incentive to invest.

CRANE LIFT RATE STATIC WHILE PORT INTERFACE COSTS FALL

A mixed picture of container stevedoring and shipping performance could be drawn from the latest Waterline report but critics of the stevedoring "duopoly" will find little live ammunition to use against Patrick and DP World. The Bureau of Infrastructure, Transport and Regional Economics (BITRE) report for the second half of last year showed the five-port average crane rate static at 27.5 containers an hour. However, the port interface cost index for exporting a container fell from \$619 per teu, in real terms in the first half of the calendar year, to \$609 per teu, while importing costs fell from \$662 to \$652 per teu.

While total ship visits increased 2.9%, the average vessel working rate increased over the period from 38.6 containers an hour in the September quarter to 40.7 an hour in the December quarter. The average container turnaround time improved from 26 minutes in the September quarter 2008 to 24.6 minutes in the December quarter 2008. This means a potential saving of resources to the road transport industry of approximately 684 hours per day in the December quarter the report said. The average truck turnaround time also improved, from 40.6 minutes in the September quarter to 38.1 minutes in the December quarter. The potential combined saving of resources to the road transport industry for this was put at 695 hours a day in the December quarter.

SYDNEY PORTS PUTS STEVEDORES ON NOTICE

Sydney Ports Corporation Chief Executive, Grant Gilfillan, said recently he would speak to the New South Wales Government about using regulations to implement landside port reforms if there is not an immediate improvement from stevedores following a period of poor performance at Port Botany. "We will be approaching the Minister to move towards regulation if we don't see an immediate improvement from the stevedores in the service provided to industry and their cooperation in delivering these reforms," Mr Gilfillan said. Delays had affected both terminals with truck drivers queuing for up to four hours for each trip to the port. Mr Gilfillan said changes by stevedores to treat Sunday as a normal working day for charging storage came as a surprise given poor stevedoring performance and the lack of consultation.

PORT BOTANY EXPANSION GATHERS MOMENTUM

The \$1 billion expansion of container facilities at Port Botany has reached a significant phase with the laying of concrete "counterforts" which will form the face of the third terminal's 1850 metre long wharf. More than two hundred 20-metre high concrete sections known as counterfort wall units are being constructed on site before being taken by barge onto Botany Bay and lowered into place. These sections are seven storeys high and the contractors have successfully placed ten of them in the water with another 206 to go. This new phase of the program will see one of these counterforts placed in the Bay every day, a massive engineering feat given each section weighs 640 tonnes.

The concrete counterforts will form the 1.8 km of new wharf face against which ships will berth when the terminal is completed in 2011. The outer wall will consist of 199 counterfort sections with an additional 17 counterfort units used for the tug wharves. Sydney Ports Corporation Chief Executive Officer, Grant Gilfillan, said Sydney's ports handle more than \$50 billion in international and domestic trade each year, with around \$40 billion through Port Botany. "Port Botany currently handles a third of Australia's container traffic. In 2008-09 Sydney Ports posted its eighth consecutive year of record container growth when the port handled 1.784 million TEUs" Mr Gilfillan said.

SEASONS GREETINGS

The end of 2009 seems to have come upon us much faster than any other year and, given the global economic upheaval we have experienced, most would say not before time! After surviving this year an enjoyable festive season will offer a well-earned break for everyone in business. It is particularly appropriate this year to say thank you for your continuing support and to wish you and your loved ones a very merry Christmas and the hope for happiness and prosperity in 2010.



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INTERNATIONAL FREIGHT FORWARDERS - CUSTOMS BROKERS

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