



NEWSLETTER

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ORDERS FALL AND FIRMS RUN DOWN STOCKS

In releasing the Australian Industry Group-Price Waterhouse Coopers 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 bonus'es, 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.

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. '

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 good 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. ACF-FTA allows for Australian's importers, Chilean exporters and Chilean producers of goods to obtain advance notings from Customs regarding future importations of goods into Australia.

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. Australia's 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 has 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.

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.

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 retain 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 TED 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 TED-2,500 TED. "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 new buildings 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 TED on order, with 150 of these ordered on speculative basis without a charter contract.



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INTERNATIONAL FREIGHT FORWARDERS - CUSTOMS BROKERS

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