



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

# NEWSLETTER

## SEPTEMBER 2011

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### VICTORIAN FREIGHT INFRASTRUCTURE CHARGE (FIE) NOW TO BE A LEVY

As part of the Freight Futures strategy, it was announced by the previous Victorian Labor Government that a Freight Infrastructure Charge would be introduced at the Port of Melbourne. The charge was to apply to trucks accessing the two main international container terminals at Swanson Dock to pick up and deliver containers. The charge was designed to encourage and support key objectives in support of port and transport efficiency including:

1. Promoting increased use of rail transport to and from the port precinct. The charge was not to apply to trucks carrying containers travelling to or from one of the rail terminals in the port or Dynon precincts.
2. Encouraging off peak use of roads accessing the Port of Melbourne to reduce peak hour congestion around the port.

Labor wanted to raise \$1 billion over 10 years by taxing every truck that went into and out of the port from July this year, at a rate of from \$120 to possibly \$200. It was promised that the tax would be invested in upgrading the port to ease congestion. The new Victorian Liberal Government initially looked has decided that this levy would be too difficult and too expensive to implement in the form initially planned.

The Minister for Ports has formally advised that a Licence Fee will be applied to Port of Melbourne as a levy and is expected to take effect (subject to the relevant legislation) indicatively from 1 July 2012. Early days and we have no further details, as information comes to hand we will advise all Famous Pacific Shipping (WA) clients

### CARRIERS IMPLEMENTING FEES FOR NO-SHOW, ROLLED SHIPMENTS

Ocean carriers are moving toward space and volume guarantees in agreements with shippers that include fees on both shippers and carriers if either side fails to meet the commitments spelled out in the agreements. APL included such guarantees and mutual penalties in some trans-Pacific contracts with shippers this year.

If a customer fails to meet that space allotment within a window of tolerance, it will pay a penalty, and likewise if APL fails to meet the service guarantee or the space allotment, it would be required to pay the customer a penalty.

Maersk Line is developing a similar plan that it will roll out globally year that will include what it calls a "load protection fee." This fee will apply to shippers that fail to deliver booked containers and Maersk will pay a similar fee to shippers for booked containers that are not loaded on outbound Maersk ships as booked. Maersk advised that they will roll the fee out on trades that are ready for its implementation. It will allow a grace period for changes or cancellations by the shipper until seven days before the booked departure from the first load port. After that changes to a booking affect planning and a charge will apply to all reductions of booking or moves or cancellations or no-show. The charge would be \$100 per dry container and \$500 per reefer container. Similarly, Maersk will pay the same charges to a shipper for a container that it fails to load on the scheduled ship.

Maersk will make final a decision on the schedule for the rollout in the third quarter and based on pilot tests conducted this year in Sweden, Germany and some Latin American countries. It also conducted a pilot with a nominal \$10 per container fee for no-show or rolled export containers in the Pacific Northwest last year.

In Maersk's case 30 percent of the containers that are booked do not turn up.

### CARGO SHIPPING REFORM MAY ATTRACT MINERS

SWEEPING changes to the regulation of Australian-registered ships operating on international trade routes may open the door to more of Western Australia's resources being carried by locally owned vessels. The federal government last week announced a new international registration system which will allow Australian cargo vessels to operate tax free, in line with the most competitive shipping regimes in the world, including Singapore. The policy also reframes many of the personal tax and industrial restrictions which made the employment of Australian seafarers unattractive. While the changes are limited to international trade and have no impact on domestic shipping where costs remain high due, in part, to significant union activity, the shipping industry remains hopeful this is the start of a significant reform process to rescue the sector from extinction.

The militant Maritime Union of Australia, which represents some seafarers as well as dock workers, is seen as one of the key players in the wages explosion taking place in the offshore resources sector in the state's north-west. Despite the massive growth in international shipping, including the seaborne trade in minerals from the Pilbara, Australian-registered international trading vessels had declined to just 22 compared to 55 in 1996 carrying just 0.5 per cent of our exports in ships which were significantly older and less efficient than the global average.

In WA, four of those ships are specialist LNG carriers operated by the North West Shelf. Rio Tinto has ships operating out of Queensland carrying bauxite to international customers.

After being stung by big shipping costs, there are unconfirmed reports that Fortescue Metals Group is looking at spending nearly \$500 million to build as many as six ships capable of carrying 250,000 deadweight tonnes each. FMG would not comment on the speculation but acknowledged that its Port Hedland operations were constrained by sailing times rather than ship sizes.

Australian Shipowners Association executive director Teresa Hatch said the new policy provided the opportunity for the nation's ship owners to be competitive. "More companies can consider their options about how they move their products," Ms Hatch said. Shipowners that agree to have their vessels registered as Australian for 10 years will have an effective tax rate of zero.

There will also be tax concessions for Australians who spend three months or more on international voyages, removing a cost that was typically borne by the company. The nationality of seafarers will be more flexible, with just two Australians required as part of a ship's crew. Rates and conditions will also be more internationally competitive.

(Extract from WA Business News, Mark Pownall)

## **AQIS 2011-12 FEES AND CHARGES REVIEW FOR IMPORT CLEARANCE ACTIVITIES AND SEAPORTS PROGRAM**

Quarantine is undertaking a review of fees and charges for Import Clearance Activities including those for Imported Food Services, & for the Seaports program. These fee reviews are progressing with regular monitoring and analysis of revenues & expenditures. The fees and charges review for import clearance activities could affect all importers who are users of any quarantine services and imported food services.

The review of Import Clearance Activity fees will fulfill the commitment made in the June 2009 cost recovery impact statement (CRIS) to review the impact of the 2009 changes and consider further amendments from 2011.

The aims of the current fees and charges review are to:

- maintain the existing delivery of biosecurity services, including the required resourcing of overhead and support services
- support the progress of key business improvements, risk based initiatives & agreed operational priorities with industry, including information technology enhancement, intelligence gathering and analysis, expansion & improvement of third party (co-regulation) arrangements
- ensure appropriate cost recovery of permit granting processes
- consider minor amendments to the Quarantine Service Fee Determination 2005, including further aggregation of fees
- review required reserve balances to minimise risks to the organisations ability to deliver ongoing operations & implement initiatives during a period of significant change, and continued uncertainty of world economies.

The final draft of the cost model has been completed for the fees and charges review. The cost model analyses expenditure and revenue by activity stream. For Import Clearance Activities these streams are:

- Import operations
- Treatment and inspections
- Permit granting

It is anticipated that the fee review process will be completed to allow the introduction of proposed fee amendments from early in the 2012 calendar year. The indicative timeframe for the process is as follows:

### **Month**

February 2011

March 2011

February to June 2011

June 2011 to August 2011

August to November 2011

December 2011 to February 2012

March 2012

### **Process**

Cost model final drafts completed

Discussions with the Department of Finance and Deregulation commenced

Consultation with industry bodies

Cost recovery impact statement process undertaken and certified

Legislation process undertaken and completed

Implementation activities administration

Amendments commence

## **IMPORTING OR EXPORTING GOODS CONTAINING OZONE-DEPLETING SUBSTANCES OR SYNTHETIC GREENHOUSE GASES**

The manufacture, importation and exportation of certain ozone depleting substances and synthetic greenhouse gases is administered by the Department of Environment and Heritage, Customs Prohibited Imports Regulations and the Prohibited Exports Regulations act to ensure that the import and export of certain substances controlled by the relevant Act is regulated in accordance with the requirements of the Act.

### **WHAT IS PROHIBITED**

The Act restricts and regulates the manufacture, import and export of specified ozone depleting substances and synthetic greenhouse gases. An importer or exporter of controlled substances must be licensed under the Act to import or export the controlled substances that are specified in the regulations. There are some exemptions to this licence requirement and these are outlined below:

A comprehensive list includes:

- Chlorofluorocarbons (CFCs) halons
- Hydrofluorocarbons (HFCs) carbon tetrachloride
- Hydrochlorofluorocarbons (HCFCs) methyl chloroform
- Perfluorocarbons (PFCs) methyl bromide
- Hydrobromofluorocarbons (HBFCs) bromochloromethane

Licences to import or export substances controlled under the Act are issued by the Minister for the Environment and Heritage, Licence application forms are available from the DEH website: [www.deh.gov.au](http://www.deh.gov.au)

A licence is required to import controlled substances in bulk form and substances contained in pre-charged equipment (see below).

### **EXEMPTIONS**

- The importation of CFCs contained in pre-charged refrigeration and air conditioning equipment is prohibited under the Act and a licence to import goods charged with CFCs will not be issued.
- Exemptions to the prohibition apply in a limited number of circumstances Only under exceptional circumstances & in accordance with the agreement of the international community through the Montreal Protocol on Substances that Deplete the Ozone Layer, will a licence to permit the bulk importation of CFCs be granted. Further advice on this should be sought from the Department of Environment and Heritage,

For specific advice on the requirements of the Ozone Protection and Synthetic Greenhouse Gas Management Act 1989 (OPSGGM Act) you should contact the Department of the Environment and Heritage.

## **FEEDER OPERATORS FACE HONG KONG CONGESTION**

Congestion at Hong Kong port is developing into a serious and costly problem for container feeder operators and their liner customers. Complaints are coming from a Hong Kong-based group of feeder operators, who ply barges of up to 150 TEU (twenty foot equivalent) in size to and from southern China to Hong Kong. Feeder operators are facing delays of up to seven days when dropping off or picking up boxes at certain port container terminals. This can have the effect of halving the number of barge voyages in any given month. Hong Kong port has been battling with congestion as a result of bad mainland weather disrupting shipping schedules, an unprecedented number of vessel arrivals and an increasing level of barge traffic. A solution has been to increase barge-handling capacity by diverting empty containers to off-dock facilities, thereby freeing up space for transshipment containers. The port has also assigned dedicated berth space for barges and deployed additional harbour cranes.

## **CONTAINER SHIPPING LINE LOSSES SET TO CONTINUE**

Recent flyers have mentioned the introduction of the new mega sized container ships and the need for a far greater capacity on the water, but all is not so well in the industry. K Line the Japanese ocean carrier reported a \$47.7 million loss in the first quarter of financial year 2011. It expects to suffer a group operating loss of \$64.10 million for the financial year 2011, which began April 1, compared with a group operating profit of \$751.4 million a year earlier. Japan's Mitsui O.S.K. Lines (MOL) suffered a net loss of \$103.17 million on a consolidated basis in the first quarter of financial year 2011, which also started on April 1, compared with a net profit of \$266.95 million a year earlier. Japanese ocean carrier MOL's revenue fell 12.1 percent to \$4.48 billion.

Earnings are depressed and economic indicators are beginning to point to further problems. Recoveries are stalling in the US and parts of Europe and inflationary pressures are mounting in China and India. Already there are signs of pressure as lenders become more reluctant to renew existing facilities and to provide further finance. Problems are compounded by high fuel costs and reluctance of bunker oil suppliers to extend credit to some shipping lines that they say are a higher risk. Already South Korean dry bulk operator, Korea Line, tanker operator Omega and container operators The Container Company and Yanghai Shipping are casualties of the current malaise. There are no expectations of failure among the largest shipping lines. Moody's has set a negative outlook for the shipping industry over the next 12 to 18 months saying the business from container carriers to bulk operators is facing overcapacity, and the mega vessels on order have not hit the water yet.

## **PORT BOTANY VOLUME TOPS 2 MILLION TEUs**

Sydney Ports Corporation (SPC) announced that container traffic through Port Botany has exceeded 2 million TEUs (twenty foot equivalent container) in a financial year for the very first time. In the financial year 2010/11, Sydney Ports recorded its tenth annual container throughput record with total container trade of over 2.020 million TEUs. Both exports and imports contributed to the volume, with increased imports driven by the high Australian dollar and also significant growth in the export of cereals, machinery and equipment, and paper and timber products. Full container exports for the 2010/11 financial year totalled more than 458,700 TEUs an increase of 3.6% over the prior year. Imports were even stronger, up 5.2% year-over-year to more than 1,000,450 TEUs.

## **2012 HARMONISED SYSTEM (TARIFF) CHANGES**

The Customs Tariff Amendment (2012 Harmonised System Changes) Bill 2011 was introduced into Parliament in March this year. It contains approximately 800 amendments to the Customs Tariff Act 1995. These will implement the changes resulting from the World Customs Organization fourth review of the Tariff, commonly referred to as the Harmonised System. The Bill will preserve existing levels of industry protection and margins of tariff preference that apply to imported goods, including goods imported under Australia's free trade agreements. The Harmonised System is reviewed every five years to reflect changes in industry practice, technological developments and changes in international trade patterns. Australia is required to implement the changes resulting from the fourth review on 1 January 2012.

### **EXPLANATORY DOCUMENTS**

A concordance of tariff items affected by the proposed changes to the Customs Tariff is available from the 2012 Harmonised System changes information page on the Customs and Border Protection website at: [www.customs.gov.au/site/hs2012.asp](http://www.customs.gov.au/site/hs2012.asp)  
The legislation will affect a number of Customs and Border Protection instruments and advices, including Tariff Concession Orders, Tariff Precedents and Tariff Advices.

### **TARIFF CONCESSION ORDERS**

Customs has commenced a review of Tariff Concession Orders potentially affected by the 2012 Harmonised System changes. They will revoke and reissue those Tariff Concession Orders affected by the changes, with one or more new Tariff Concession Orders. This will be done under the appropriate 2012 Harmonised System tariff classifications and these will be effective from 1 January 2012.

### **TARIFF ADVICES. TARIFF PRECEDENTS AND ORIGIN ADVICES**

The Tariff Advice System allows importers to seek an advance ruling on the classification of specific goods before importation. This is to assist industry in making business decisions about future imports of specific goods prior to committing to importation.

Customs will shortly commence a review of both Tariff Precedents and Tariff Advices potentially affected by the 2012 Harmonised System changes. Where necessary, they will void any Tariff Advices and Tariff Precedents affected by the changes, from 1 January 2012.

Businesses will need to apply for new Tariff Advices where relevant. Customs will process these applications within 30 days provided the applicant supplies the necessary information.

Customs has advised that they will provide further information on instruments and advices affected by the 2012 Harmonised System changes in due course. Information regarding Tariff Concession Orders, Tariff Advices and Tariff Precedents affected by the 2012 Harmonised System changes will be made available at a later date.

Famous Pacific Shipping (WA) will complete a review of all changes and will contact all clients affected by this review and take all necessary steps to re apply for any Tariff Concession Orders and Tariff Advices affected by the changes.



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