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SCI Australia Pty Ltd

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Welcome Message

Welcome to our June newsletter for the clients and friends of SCI Australia. This newsletter is designed to be an informative source about the company and the general industry and includes news, forthcoming events and the lighter side of the people who work for SCI .

We hope that you find this newsletter beneficial and the information provided of great value and interest. We appreciate your suggestions and input for future issues.

United States to Australia & New Zealand Market Adjustment Factor

Please be advised that from the 15th June 2015, a Market Adjustment Factor (MAF) will be applied to all cargo on the direct United States West Coast to Australia/New Zealand trade.

The Market Adjustment Factor is:

USD175.00/20’ and USD350.00/40’

This is applicable for dry, reefer, and all other equipment types.

The MAF is NOT applicable for cargo for routed via PIL’s transhipment service via Asia to Australia and New Zealand.

Port of Melbourne Upcoming Wharf Repairs

Please note that the Port of Melbourne will be carrying out essential wharf repairs at DP World’s Melbourne Terminal.

The Port of Melbourne in consultation with DP World have finalised a schedule for the wharf repairs.

The repairs will be conducted in 2 stages. Stage 1 - 16 days from 16 May and Stage 2 – 14 days from 23 June.

The Terminal will be limited to a two berth operation during both stages. There will be some impact on vessel arrivals during this period.

Southbound General Rate Increase (GRI)

Canada to Australia & New Zealand

We wish to advise that effective 15th June 2015 a General Rate Increase (GRI) will be applied on all cargo moving from Canada to Australia & New Zealand in the following amounts:
Eastern Canada
USD 175 / 20'ft equipment
USD 350 / 40'ft equipment
Western Canada
USD 100 / container

Congestion persists at New York – New Jersey Ports

Heavy volume from larger ships and carrier alliances is straining capacity at New York-New Jersey container terminals as shippers and consignees continue to seek alternatives to the still-congested West Coast ports.
For the last several weeks, port truckers have endured hours-long turn times at one or two of the port's five major terminals each day. The delays usually follow arrivals of large ships that discharge up to several thousand import containers that must be funneled through truck gates during weekday hours.
East Coast ports have been deluged with Asia-origin shipments routed to avoid disruptions during recent West Coast longshore contract negotiations.
Though West Coast traffic flows are improving, New York-New Jersey is still receiving higher-than-normal volumes, even though the West Coast contract has now been ratified by the Union (ILWU) membership.
Other U.S. East Coast ports are impacted such as the Port of Virginia which is also struggling with congestion.
Much of the challenge in New York-New Jersey is blamed by many on container-line alliances, particularly the new 2M alliance of Maersk Line and Mediterranean Shipping Co.
GCT Bayonne, formerly known as Global Terminal, recently handled an extra loader that was the first 10,000-TEU vessel to call on the East Coast. The GTC terminal in Bayonne, NJ is the only major one in New York-New Jersey able to handle the first 10,000 TEU vessel to call on the East Coast.
High on that list is a plan to improve the intermodal chassis availability & creating a joint pool at a certain depot location to pick up or deliver any chassis.
It is expected that the so-called "gray" pool of intermodal chassis that could be interchanged between leasing companies and now operate separately is expected to provide some relief but, the benefit is not expected to be felt for several more months.
Unfortunately, East and West Coast ports' struggle with congestion, though improving, are estimated to take another 4 to 6 weeks or more to return to "normal" activities

What Trade With China Really Means

China's rapid industralisation over the past few decades has seen it emerge as Australia's largest trading partner. But as its demand for our resources slows, its time to broaden this economic relationship by targeting the expanding market of China's middle class.

The 2014 Australia-China Trade Report provides an interesting snapshot of the history of Australia's bilateral trade with China, illustrating its flow-on effect to the Australian economy, even down to the household level.
The report shows that from 1995 to 2011 our direct trade with China rose continuously , accounting for more than 5.5 percent of Australian gross domestic product in 2011, representing $74.2 billion, according to calculations by the University of Sydney using the World Input-Output Database
Furthermore, Australia's two-way trade with China rose by 17 percent in 2013, to a value of almost $17,000 per Australian household, making China our largest trading partner. This compares with much slower growth in our trade with US and Japan. Two-way trade (per Australian household) in 2013 with Japan was almost $8000 and with the United States was just over $6000.

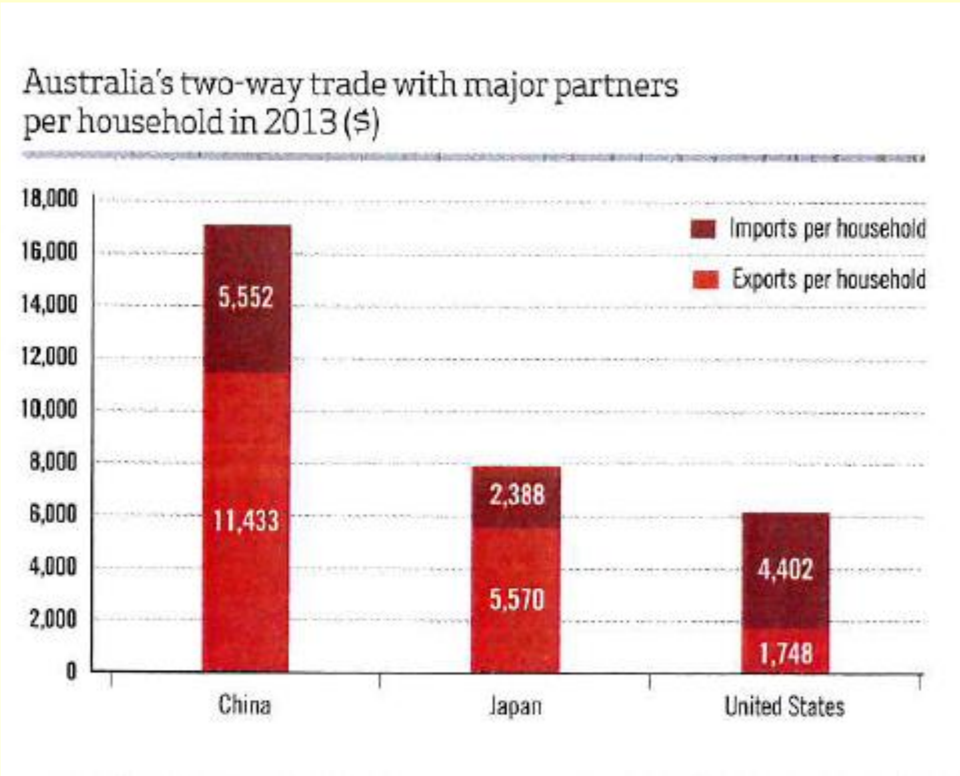
So we're seeing huge growth of China's economy flowing through to Australia. The majority (two-thirds) of Australia's two-way trade with China has been in exports. The WIOD was also used to measure the impact on our employment levels, showing the interaction of all trade with China is worth about 200,000 jobs to the Australian economy.

This is roughly doube what it was in 2007 and translates to about one in 58 Australian workplaces being sustained by direct exports to China. The three largest Sectors benefitting from this strong trade relationship are mining (72,000 jobs), hotels and restaurants (38,000) and arguculture (18,000).
Growth in China's industrial sector has weakened, as seen in slowing demand for Australian resources and the falling prices for iron and coal, but the reality is that China is trying to increase the wealth and income of its middle class so there are still plenty of areas where Australian exporters can potentially benefit. The standout areas of opportunity are food, in terms of quality and security, tourism, and education. In our argricultral trade with China there's been a shift away from the traditional fibres of wool and cotton that used to dominate, to beef, oilseeds and other meat. This reflects in part the chaging dietary patters in China as it switches to a more Western-style diet.

The report also shows that only about 5 percent of our exports are directed at Chinese consumer markets, a level that's below other trading partners. Reaching those markets requires new approaches and engaement with Chinese business partners.

For example, looking at a comparison of Australia-New Zealand argicultral Exports To China, Australia has a larger share of its exports (45 percent) going into the lower-value food, beverages and tabacco processing sector, with only 3 percent as final comsumption products. Whereas New Zealand has 25 percent of its exports in food, beverages and tocacco processing , but 24 percent in consumption.

There's also the opportunities presented by the China-Australia Free Trade Agreement. Although it was signed last November, it still has to be apporved by the Austrlian Parliament. Most of the benefits will come through the gradual removal of tariffs on dairy, beef, horticulture, seafood and other agricultral products, as well as improving access for Australian providers of legal, healthcare and financial services.
Raising the Foreign Investment Review Board screening threshold for Chinese private companies in non-sensative areas of Australia's economy from $248 million to $1 billion will also make it easier for Chinese businesses to invest in Australia. The impact of these changes will take some time to filter through and are long prospects, but they bode well for Australia and China continuing to enjoy a mutually beneficial leading partnership.



Budget 2015 – Ten Items To Note

Customs will never dominate the headlines on Australian budget night, but this does not mean that there are not measures in the budget that impact the customs and global trade community.

Buried away in the budget papers are increases in penalties, increases in fees paid by importers and interesting predictions about the level of duty collections over the next four years.

A quick review of the budget papers reveals the following 10 relevant trade related measures:

1. Penalties to increase

Fines for most customs offences are measured in penalty units. The amount of penalty units will increase from $170 per unit to $180 per unit from July 31, 2015. Most infringement notices for companies are set at 45 penalty units, meaning a $450 increase in penalties for most strict liability offences.

2. Impact of FTAs

Customs duty on items other than fuel, alcohol and tobacco is estimated to fall from $2.95bn in 2014/15 to $1.72bn in 2018/19. Most of this fall can be attributed to duty savings under the China, Japan and Korea FTAs with the balance relating to the drop in the rate on clothing and textiles from 10% - 5% on January 1, 2015.

3. Duty on vehicles

We may not have a local industry in 2019 but we are still expected to have customs duties. Estimates of duty in 2018/19 on passenger motor vehicles is $450m. This seems a high amount for consumers to pay to protect a local industry that will have left the country by 2018.

4. Trusted Trader

The government has announced $5.6m of funding for the development of the Trusted Trader program. The pilot for this program is set to commence in July 2014. It will initially comprise only four sea freight exporters but will expand to over 40 participants of the following 12 months. There was no detail in the budget of the revenue measures associated with this program, such as duty deferral.

5. Taxing of multinationals

The government will target 30 multinationals which it is alleged are involved in profit shifting. Profits can be shifted via a variety of methods. Where those methods relate to the cost of goods (such as overcharging) or the payment of royalties or license fees, reversing those profit shifting strategies may have customs implications. The relationship between customs duty and transfer pricing has always been difficult, and this budget promises to put the issue again in the spotlight.

6. FTA promotion

Expect to hear a lot about the recent FTAs with the Australian Trade Commission and DFAT receiving an increase of $25m over the next two years to promote FTAs.

7. Managing biosecurity risks

The Department of Agriculture will receive increased funding to manage the risks of an increasingly complex global supply chain. Increased activities will include assessing and auditing offshore supply chains and increased surveillance of sea and air cargo terminals.

8. Import processing charge

The government expects that changes to the import processing charge will result in additional revenue of $107m over four years. Part of the changes will cover trade related reform (presumably the Trusted Trader program), remove different charges based on post/air/sea and increase the cost of manual declarations.

9. Broker licence charges

License charges for brokers, depots and warehouses will be restructured with increased licence renewal charges and a new warehouse licence variation charge. These new charges will commence from January 1, 2016.

10. Australian Border Force

The major customs development was announced last budget with the merging of Customs and Immigration. The government is banking on the new Department of Immigration and Border Protection to be efficient. It has budgeted savings of over $40m per year to be achieved by the merger.

The budget shows a trend – importing goods is becoming less about payment of duty. It is budgeted that non-excise equivalent duty will fall by nearly 50% over the next four years.

At the same time we will see other charges increase, such as import processing charges, license fees and penalties.

The decrease in duty does not mean that the role of a broker is any easier. However, when there is less duty to manage it does become harder to demonstrate the benefits to clients.

One outcome of increased compliance activities and the proposed introduction of the Trusted Trader program is that a high level of trade compliance will be rewarded, even if it does not have a duty impact.

Staff Years of Service at SCI Australia

Jacqui Bloom has been with the SCI family for 14 years on 4th June 2015

Kerryn Palmer has been with the SCI family for 9 years. Kerryn left SCI in 2009 to start her family and recommenced with SCI in 2013

How is your Trivia Knowledge?

1. **Who is Australia's only formula one driver?**

2. **Which actor has had leading roles in Pharlap, The Man from Snowy River and Eureka Stockade?**

3. **How much of Australia is classified as desert. A) 8% B) 16% C) 25% D) 35%**

4. **Which of the following is not an Australian innovation? A) Chiko Roll B) Lawn Sprinkler C) Plastic Bank notes D) Wine Cask**

MAY 2015

S	M	T	W	T	F	S
31					1	2
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10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

JUNE 2015

S	M	T	W	T	F	S
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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

JULY 2015

S	M	T	W	T	F	S
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5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Staff Spotlight

Our Staff spotlight this month is our Client Service Manager, **Nick Isgro.**

Sports Team – Collingwood
Ideal Holiday – New York, Los Angeles
Hobbies – Going to and watching AFL
What is playing in your car right now – Nothing, my radio is broken
Where have you travelled to – Thailand, Hawaii
If a genie gave you a wish what would you wish for – More cash
Best advice anyone has ever given you – Keep your money in your wallet
What would you like people to know about you – I am married with two children

Nick Isgro impersonating Alan from The Hangover

FEEDBACK
Should you wish to discuss any of the issues contained in this newsletter please contact your CSO or any of the people listed below;

Mile' Jurcic, Jeremy Nash, Emma Hrehoresin (Melbourne)
Mark Hingston (Brisbane)

Thank you for your continued support.
SCI Australia Pty Ltd

*** Disclaimer**
As this information originates from external sources, SCI Australia cannot be held liable for the accuracy of this information.

Answers to our trivia questions -

1. Mark Webber

2 .Tom Burlinson

3. D) 35%

4. Lawn Sprinkler