ISSUE JULY 2015

SCI Australia Pty Ltd

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Welcome Message

HAPPY NEW FINANCIAL YEAR!!!

Welcome to our July 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.

Southbound Rate Restoration (RR)
South East Asia - Australia Trade

We wish to advise that carriers have announced their intention to implement a GRI on all imports from South Asia with effect of the 1st August 2015.

Please refer to the below for the proposed values of this rate restoration:

South Asia (Vietnam, Thailand, Malaysia, Indonesia, India, Pakistan, Sri-Lanka & Singapore

Effective Date : 01/08/2015

GRI Value : USD200/20' & USD400/40' & HC

We are continuing to monitor the carriers and progress of the GRI's, but it is very much a "watch this space" scenario at the moment.

We do recommend this additional cost be allowed for as of the above effective date.

Should you have any queries regarding the above please do not hesitate to contact our office to discuss further.

Australia's trade performed poorly in May

Australia's exports to Japan were at their lowest since March 2010 this May, while imports were down 5% compared with April and with May 2014, according to the Australian Bureau of Statistics (ABS).

In seasonally adjusted terms, Australia's total goods imports were worth $22.33bn in May, a near 5% decrease on April's total imports worth $23.45bn.

Compared with the prior corresponding period of May 2014, total goods debits this May were down 5%, from $22.45bn.

Total import value of capital goods was down 18%, or $1.06bn in May, compared with April, while intermediate and other merchandise goods fell $113m, or 1%.

General merchandise accounted for the largest percentage of May's total imports, at $21.95bn, down a very slight 0.6% compared with May, 2014, when general merchandise imports were worth $22.10bn.

Imports from China were worth $4.74bn in May, while those from the United States made up $2.56bn of the total goods imports, and imports from Japan came in at $1.65bn.

Meanwhile, exports saw a 1% rise in May compared with April's total goods exports, at $19.89bn and $20.08bn respectively.

However, compared with the prior corresponding period, exports were down near 6%, from $21.35bn.

General merchandise exports accounted for 95.8% of Australia's total exports for the month, and were worth $19.23bn in seasonally adjusted terms.

This category of exports was up 2.5% on April's figures, but down 5% on last May's total exports.

Exports to China were worth $6.75bn this May, up slightly from April's figures and making China Australia's most significant two-way trade partner for the month, yet again.

Goods shipped to Japan were worth $2.86bn for the month, the lowest since March 2010, and those shipped to the United States made up $1.13bn of the month's total exports.

World Shipping Council sets out box-weighing guidelines

THE World Shipping Council has released a set of guidelines for its member shipping lines ahead of the introduction of next year's International Convention for the Safety of Life at Sea amendments, which will see all loaded containers have a verified container weight as a condition of vessel loading.

Last November the International Maritime Organization adopted amendments to Solas Chapter VI, Part A, Regulation 2 — Cargo information, in order to bring long-needed improvements to maritime safety.

The Solas amendments become effective on July, 1, 2016 for packed containers to be exported via sea. The regulations place a requirement on the shipper of a packed container, regardless of who packed the container, to provide the container's gross verified weight to the carrier and terminal representative sufficiently in advance of vessel loading to be used in the preparation of the ship stowage plan.

A verified container weight will be a condition for loading a packed container aboard a vessel for export.

The vessel operator and the terminal operator will be required to use verified container weights in vessel stowage plans, and they will be prohibited from loading a packed container without a verified container weight aboard a vessel for export.

The IMO has prescribed two methods for weighing boxes: either fully loaded using a scale, weighbridge or other permitted devices to verify the gross mass of the container; or by weighing all the packets or cargo items, including pallets and dunnage, with the tare weight of the container.

The second method is "inappropriate and impractical" for cargo items such as scrap metal, unbagged grain and other bulk cargoes that "do not easily lend themselves to individual weighing of the items to be packed in the container". For these cargoes the first method must be used.

Whichever method is used, it is incumbent on the shipper to provide the correct weight. If a freight forwarder or NVOCC is co-loading the cargo shipments of other freight forwarders in a container, the master forwarder named on the carrier's bill of lading is responsible for the accurate cargo weight verification of all the cargo and all packing or securing material from all the co-loading forwarders using the container.

The carrier and terminal operator are allowed to rely on a shipper's signed container weight verification to be accurate and are not responsible for verifying the shipper's weight verification. For the shipper's weight verification to be compliant, it must be signed by a specific person representing the shipper who must be named and identified as having verified the accuracy of the weight calculation on behalf of the shipper.

If a carrier or terminal operator believes that the weight of the container is significantly in error, they can take steps to determine what the accurate weight is, but the regulations do not set out who carries the cost for these disputes.

The full guidelines can be found at: http://www.worldshipping.org/industry-issues/safety/WSC_Guidelines_for_Implementing_the_SOLAS_Container_Weight_Verification_Requirement.pdf

'Ham-fisted' Hutchison reveals Australia failure

Hutchison Ports Australia has told its business leaders that it will reduce its active bidding for services in this market, reduce the size of offerings of services to local customs and that there will be employee lay-offs, according to a what appears to be a widely-leaked memo.

Addressing "All business units", Mr Jack commented: "This has been a difficult decision. We hope it is the right decision and that we will be able to remain active in the Australian market but at a lower cost base to our current situation."

Details of the reduction in services have not yet been revealed nor have the consequent job losses.

"Until such time as we have spoken with our customers and worked through any issues with them we are not in a position to confirm the number of positions that will be lost [or the] precise timeframe," Mr Jack wrote.

It does indeed appear that Hutchison has not widely consulted on its shock-move as industry executives we spoke to – suppliers, customers and others were largely unaware of the drastic steps.

However, some commented that such a move was inevitable.

"I'm not surprised," said one senior executive.

"It'll get worse before gets better. They had a ham-fisted start-up in Australia and didn't put in enough work in building relationships."

The source added that Hutchison were advised to get "good, hard-headed" industrial relations advice but failed to do so.

Those views were somewhat backed up by another executive, at a completely different organisation, who thought that the stevedore's enterprise bargaining strategy had resulted in an overly generous deal.

And that view was, in turn, backed up by yet another executive who argued that it "was probably a bit generous in places."

Meanwhile, Shipping Australia CEO Rod Nairn AM commented that it was "not a surprise" given that Hutchison did not "get the volumes" of cargo and that being unsuccessful in its bid for Melbourne "was probably a factor".

"I think it's bad news for the shipping industry," Mr Nairn commented.

Australia has very much been the Unlucky Country for Hutchison which, after spending hundreds of millions setting up in Brisbane and Sydney was unable to secure the rights to operate the third terminal at the port of Melbourne.

It also lost its Australia CEO Dr Stephen Gumley and last year it suffered further mishap when one of its cranes fell into the water at Brisbane.

"That must have cost them a fortune; something like that would bleed you," one shipping line executive said.

China Australia Free Trade Agreement

The terms of the China Australia Free Trade Agreement (FTA) have been finalised and released. The full text of the agreement provides importers and exporters with the details of exactly what duty rates their goods will receive and how to qualify for preferential rates. Below we set out the key details of the FTA and what you can do now to prepare for the FTA's implementation.

Russell Wiese,

NOW IT IS SIGNED WHEN WILL IT START?

In short, there is still not a definite start date. It's expected that the agreement will officially commence before the end of the year. This will allow one duty rate reduction on implementation and another on 1 January 2016. However, before commencement the following has to occur:

The agreement will be tabled in parliament and put before a Senate committee
The Senate committee will report back to parliament
The parliament will introduce legislation and regulations necessary to implement

Partner

Lynne Grant,
Special Counsel

Fran Smyth,
Lawyer

the agreement

Once enabling legislation is passed, and assuming China has undertaken its own domestic processes, the countries will exchange diplomatic notes and the agreement will commence 30 days later (or sooner if agreed).

IMPORTS – WHAT IS NOT DUTY FREE IMMEDIATELY?

Almost all Chinese qualifying goods will be duty free on introduction of the FTA. Key exceptions and their reduction timetable are set out below.

Product	Existing rate	Rate on introduction of the FTA	Year duty rate will be zero assuming 2015 implementation
Textiles, clothing and footwear	5%	3.3-8%	Most by 2017
Some plastics	5%	3.3 – 4%	Most by 2017
Certain steel and aluminium	5%	3.3 – 4%	Most by 2017
Vehicle components	5%	3.3 – 4%	Most by 2017
Buses and certain passenger motor vehicles	5%	3.3%	Most by 2017
Canned fruit	5%	3.3%	2017
Ground nuts in shells, pineapples, peaches	5%	3.3%	2017
Herbicides	5%	3.3%	2017
Toilet paper	5%	4%	2019
Nappies	5%	6.7-8%	2017
Carpets	5%	4%	2019

The most surprising outcome is clothing and textiles where the general duty rate of 5% is less than the year one rate under the FTA. The duty reduction timetable seems based on 2014 general rates of 10% which were reduced for all countries to 5% on 1 January 2015.

There is a large variety of other products that will still attract duty such as some paper, values, pumps, motors, generators, transformers and hot water systems. Importers should check the rate of the specific tariff classification of their goods.

EXPORTS – TIMEFRAME FOR DUTY REDUCTIONS

There is a wide range of different rates and reduction timetables for Australian exports. Reduction timeframes applying to some key exports are:

Product	Existing rate	Rate on introduction of the FTA	Year duty rate will be zero assuming 2015 implementation

Wine	14%-30%	11.2-24%	2019
Beef	12%	10.8%	2024
Powdered milk	10%	9.2%	2026
Fresh milk	15%	13.5	2024
Cheese	12%	10.8%	2024
Sheep meat	12% - 23%	9.3 – 20.4%	2023

DOCUMENTATION NEEDED TO QUALIFY

Qualification for preferential rates under the FTA will not be automatic. Even if the goods are of Australian origin, without the required certification documentation the goods will be treated by Chinese Customs as the same as a goods from any other country. Origin claims will need to be supported by either a certificate of origin or declaration of origin.

Certificates of origin

This will be documents issued by an official Government body or other approved body. A certificate will be required for each consignment.

Declaration of origin

Manufacturers or exporters will be able to prepare a declaration instead of a certificate of origin, provided that the relevant goods have been the subject of an origin ruling issued by the Customs Department in the importing country. So exports to China will require an origin ruling issued by Chinese Customs and Chinese imports will need to obtain a ruling from Australian Customs.

These seem a very cumbersome requirement. If you are going to require a ruling in addition to a declaration of origin, surely the Customs authority in the exporting country is best placed to provide it. That Customs authority can audit the claims made by the manufacturer or exporter. Further, it is much easier for Australian manufacturers and exporters to deal with their own Customs authority than to have to lodge a ruling request with Chinese Customs.

DO GOODS HAVE TO BE SHIPPED DIRECTLY?

Most trade between Australian and China will be direct. However, it is not uncommon for companies to use a distribution centre in South East Asia, such as in Singapore or Malaysia. Indirect shipment is permitted, provided that the goods are not entered for customs purposes in the third country**.** This can be avoided through the use of a bonded warehouse. If goods will be entered into a third country, importers will need to weigh up the logistical benefits of this approach against the lost duty saving.

IS IT AS GOOD AS NEW ZEALAND'S DEAL?

In the lead up to the announcement of the FTA the talk was of achieving a deal that put us on par with New Zealand. Comparing the rates applying to New Zealand dairy products to those of Australian exports, it is clear that our farmers will be at a disadvantage until 2024.

	Australia		New Zealand	
Product	Rate on introduction of the FTA	Year duty rate will be zero	Current Rate	Year duty rate will be zero
Wine	11.2-24%	2019	Free	NA
Beef	10.8%	2024	1.3% – 2.8 %	2016
Powdered milk	9.2%	2026	3.3%	2019
Fresh milk	13.5%	2024	Free – 3.3%	2017
Cheese	10.8%	2024	Free - 2.4%	2017
Sheep meat	12-23%	2023	1.7% - 2.6%	2016

SOME OTHER KEY PROVISIONS

Most favoured nation clause – It was hoped that the tariff commitments would be subject to a most favoured nation clause, meaning Australia would be on equal footing with countries that enter into FTAs with China in the future. A most favoured nation clause is included in respect of services and investment, but not trade in goods.

Notable exceptions – As expected, there was no joy for Australian exporters of wheat, maize, rice, rice flour, corn flower, soya beans, most vegetable and seed oils, cane sugar, newsprint and cotton.

Anti-dumping – The FTA will not alter the level of existing dumping duties imposed on Chinese exports nor will it prevent or limit future applications for dumping duties.

Trusted Trader – Neither the provisions relating to certificates of origin nor Customs cooperation made allowances for recognition of Authorised Economic Operators (AEOs). This may limit the extent to which the requirements of the FTA may be relaxed for Trusted Traders.

WHAT SHOULD YOU BE DOING NOW?

Importers and exporters are now in a position to precisely determine how beneficial the China FTA will be for them and what they need to do to qualify.

Importers

Importers can review their past imports and determine how much duty they have previously paid on Chinese goods. It may be the case that the goods are already duty free. If you import goods that are subject to duty you can now determine the future rate. If the saving will be significant you can contact your key Chinese supplier to discuss the extent to which the goods are of Chinese origin. You will need to have this conversation now to allow your supplier time to assess origin and arrange the required documentation prior to the FTA commencing.

Exporters

The benefits under the China FTA are deep and narrow. Your product will either benefit significantly or not at all. You are now in a position to assess where your good falls. Where qualifying for the FTA makes sense, you need to assess your goods against the relevant rules of origin. If the rule relates to a local content level and you don't meet the requirement, you can now look at boosting local content. You can also start organising the relevant origin documents.

Rulings and contracts

If there is doubt as to the origin of the goods, or you wish to use declarations of origin, you can obtain an origin ruling from Australian or Chinese Customs. There will be a lot of interest in the China FTA, so we recommend getting in early with a ruling request to avoid delays.

If you wish to utilise the China FTA you should ensure your supply/purchase contracts are adjusted accordingly. We recommend considering the following:

- Do you require your Chinese supplier to provide origin documentation?
- Which party will be liable for duty if preferential status is rejected by the relevant customs authority?
- Can you reject orders if preferential status under the FTA is denied?
- Is there an obligation on your Chinese supplier to cooperate with Australian Customs if there is an audit into the origin of the goods?
- Will the importer assist the exporter with obtaining an origin ruling from the Customs authority of the importing country?

FTAs are traditionally underutilised. Importers and exporters now have 4-6 months before the FTA is implemented to prepare. Those who do not prepare will find it difficult to use the FTA from day one and will be at a competitive disadvantage.

Staff Years of Service at SCI Australia

Jeremy Nash has been with the SCI family for collectively 7 years other than a short hiatus exploring on the other side of the fence, his first stint started in 2008.

Jac's Slice

Ingredients:
90g butter, plus extra for greasing
15-20 Chocolate Ripple biscuits
90g (1 cup) desiccated or shredded coconut
250g milk chocolate drops
125g flaked almonds
1 x 395g can sweetened condensed milk

Preheat the oven to 180*C
Grease and line a 20 x 30 cm pan
Melt the butter and pour it evenly into the cake pan over the baking paper
Cover with a layer of chocolate biscuits and fill in the gaps with broken pieces
Sprinkle over the coconut, chocolate drops and almonds in that order
Pour over the condensed milk and bake in the preheated Oven for about 20 minutes
When the slice is cool, cut it into small squares

JUNE 2015

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JULY 2015

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AUGUST 2015

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30	31					

Staff Spotlight

Our Staff spotlight this month is Kerryn Palmer

Sports Team – Essendon
Ideal Holiday – Italy, Europe
Hobbies – Netball
What is playing in your car right now – Robbie Williams
Where have you travelled – Canada, Europe, USA, OLD
If a genie gave you a wish what would you wish for – World Peace
Best advice anyone has ever given you – Live life with every moment
What would you like people to know about you – I am married with two children and 1 dog.

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**
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