

# ACROSS BORDERS



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Association Inc. (APSA)

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**Across Borders** is published by Freight & Trade Alliance (FTA)

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**Across Borders** is produced by Otime Publications. For advertising rates please contact Steve Moxey on 0400 473 200

**Front cover** – image courtesy Maritime Container Services (MCS) – St Peters, New South Wales

# ACROSS BORDERS

SUMMER 2017



## Keeping Australia's International Trade Moving

2107 marks the first year that Freight & Trade Alliance (FTA) has served as secretariat to the Australian Peak Shippers Association (APSA). During this transitional period we have seen a significant increase in membership underpinning our success as an influential advocacy alliance.

While this edition of Across Borders highlights many of our recent achievements, much more work lies ahead of us in leading ongoing statutory reforms, infrastructure developments, supply chain process improvements and a need to tackle the surge of new and emerging surcharges.

In line with these outcomes, a delegation of APSA / FTA board representatives and members recently had the privilege of meeting with the Hon. Darren Chester, Minister for Infrastructure and Transport. Many of the issues discussed are referenced in this edition's chairman's report and Ministerial foreword.

We would like to take this opportunity to thank the Minister, departmental representatives and our colleagues at Shipping Australia Limited for their ongoing and positive engagement with APSA in our role as the peak shipper body as designated under Part X of the Consumer & Competition Act. We look forward to continuing this role to ensure that exporters have the opportunity to negotiate with Conferences, Discussion Agreements and major Consortia on minimum levels of service.

That leaves us with what we like doing best and that's showcasing "good news" stories. To that end we are again delighted to continue our member feature series with Fletcher International Exports and our most recent sponsor, Maritime Container Services (MCS).

Finally, on behalf of Caroline, Travis and the administrative team at FTA, I would like to wish you and your families a merry Christmas and we look forward to partnering you again in 2018.

By PAUL ZALAI, Co-founder and Director,  
Freight & Trade Alliance (FTA)







By DARREN CHESTER, Minister for Infrastructure and Transport

# NATIONAL FREIGHT AND SUPPLY CHAIN STRATEGY MOVES FORWARD

During September 2017, Freight & Trade Alliance (FTA) and Australian Peak Shippers Association (APSA) representatives had the privilege of meeting the Hon. Darren Chester (Minister for Infrastructure and Transport) and departmental representatives for focussed discussions on logistics and international trade matters.

Following this engagement the Minister has generously provided the following commentary on related federal government initiatives.

Readers of Across Borders know how critical it is to Australia's trade, both international and domestic, that we streamline our freight and supply chain to improve efficiency and boost productivity. To achieve this goal I have been working closely with the transport and logistics sector, state governments and local communities to ensure we are supporting transport infrastructure projects that will help make a real difference.

We are developing the strategy via an Inquiry into National Freight and Supply Chain Priorities, which will set

our understanding of what challenges lie ahead and how we can best take advantage of the opportunities presented.

I would like to thank the Across Borders team for this opportunity to update readers on progress to date. I would also like to thank those members of the Freight and Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) who responded to the study — your expert input is much appreciated.

In early October, I received an update from the Expert Panel assisting the Inquiry, which came as a result of the completion of the first round of consultations, following the release of the Discussion Paper in May.

The Expert Panel comprises Maurice James, Managing Director Qube Logistics; Marika Calfas, CEO NSW Ports; Nicole Lockwood, Principal, Lockwood Advisory; and David Simon, Executive Chairman of Simon National Carriers.

By the end of September, the Inquiry had received 126 written submissions — and of these, 62 were lodged by business or associations involved in the freight industry.

The scope of the Inquiry is broad and far-reaching. The key issues and themes that emerged from the extensive consultation process included access to key national terminals and freight routes; industrial land availability for freight; conflicting movement of freight and passengers during peak periods; national supply chain integration and protection from urban encroachment; and, integrated planning for freight

across jurisdictions.

I am pleased with the level of engagement by and with stakeholders, and with the widespread support for the development of a national strategy that acknowledges the need to improve links between our road and rail freight, and our major ports.

The second stage of the consultation process is now in progress with talks being held with selected stakeholders. The final Inquiry report is due in March 2018.

### COASTAL SHIPPING

Australia's shipping sector is a vital link in the supply chain, but the current coastal trading system has failed. Stakeholders have told me that the current regulatory regime is a substantial burden because of various administrative issues. In a bid to turn this around, I introduced the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017 into Parliament on 13 September with the aim of creating a simpler and more flexible coastal shipping industry that can meet the demands of the modern Australian economy. The Bill is awaiting debate.

In closing, I would also like to congratulate FTA and APSA in the lead up to the first anniversary of your alliance — an alliance that brings together Australia's largest international trade and logistics representative group and the peak body representing Australian shippers for more than 25 years. I am sure the alliance will continue to be at the forefront of all emerging supply chain issues.



# UNLOCKING VALUE ACROSS THE CONTAINER LOGISTICS SUPPLY CHAIN

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## CONTAINERCHAIN

[containerchain.com](https://containerchain.com)



By PAUL BLAKE, Chairman,  
Australian Peak Shippers Association

What an extraordinary time to be involved in the shipping and international logistics sector with the level of change or evolution seeming to accelerate on a weekly basis.

The Australian Peak Shippers Association's (APSA) primary goal is to ensure that Australian exporters have continued access to outwards liner cargo shipping services of adequate frequency and reliability and at freight rates that are internationally competitive.

To this end the Freight & Trade Alliance (FTA) /APSA team have been extremely active in the past few months and will continue to be so in the coming months, on a number of key focus points that contribute to achieving this goal.

Clearly the historical model of container shipping lines negotiating with stevedores and then incorporating the costs of that negotiation into freight rates and Terminal Handling Charges has changed and shippers are now taxed with "defacto" freight rate increases via surcharges levied by the terminal operators on the shippers' transport company of choice.

This departure from the historical model and the potential impacts on the international supply chain is well documented in the Australian Competition and Consumer Commission (ACCC)

# Leading the way on emerging reforms

Container Stevedoring Monitoring report 2016-2017.

In the current model, shippers have no ability to participate in the negotiations between the shipping lines and the terminals as these are confidential agreements negotiated under the umbrella of Part X exemptions.

Neither can shippers participate in the agreements between the terminals and carriers (unless they run their own fleet) and as such are unable to influence any of the costs that emanate from access agreements which the carriers are obliged to sign to deal with the terminals

FTA/APSA has a mandate to ensure that shipper interests are not further eroded in the changed model and as such has undertaken a substantial review by legal counsel and is also reviewing options for the commercial model to be re-aligned so that shippers can be actively involved in a process from which they are currently excluded.

FTA/APSA membership continues to grow and we welcome new members Fletcher International Exports, Alibaba, Biarri Optimisation, eBay, Glencore Agriculture, Wilmar Gavlion, Burra Foods and Flinders Ports to the team and encourage them to be active and engaged at a time of significant change and consolidation in the international trading environment.

An in principle agreement has been reached with Deakin University's Centre for Supply Chain & Logistics (CSCL), headed by Dr Hermione Parsons, to facilitate the development of a forecasting tool for exports, which was flagged in the Spring Edition of Across Borders.

It is imperative that the exporter industry is able to communicate its needs to the shipping industry, so that the Minimum Levels of Service (MLS) which are embedded as primary compliance targets under Part X of the Competition and

Consumer Act are in fact reflective of that need.

The forecasting tool will enable a clearer view of these requirements.

Currently the MLS reflect gross annual targets for container capacity to support registration of shipping line consortia under the Act, however they do not cater in specifics for the seasonal nature of the Australian market and variations in demand.

Having a live and comprehensive capability to forecast demand is not only an effective tool for the shipping industry and compliance, but also as an indicator to Government and the logistics industry of trends and seasonality in the export market.

Initial discussions have taken place with Shipping Australia for FTA/APSA to provide general principles of revised MLS requirements for shippers.

The Federal Government's Inquiry into Freight and Supply Chain Priorities continues and FTA/APSA has been active in the process responding to Scenario Planning conducted by Deakin University and sponsored by the Department of Infrastructure and Regional Development.

Supporting the activity in the formal process of the Inquiry, it was indeed a pleasant opportunity for members of the APSA Board to meet with Minister Chester in Canberra recently and attend a dinner hosted by Henning Harders to discuss and reinforce the key issues raised in the APSA submission to the Freight Inquiry.

A big thank you to Christian Harders at Henning Harders for sponsoring the dinner meeting and we see this as the forerunner to similar events in the future.

There are several "new" and evolving issues for the shipper community to ponder which have the potential to



significantly impact on international supply chains.

The “Big Ships” discussion has re-emerged and alarm bells should be ringing in the Port of Melbourne if the indications of the short term future, as espoused by Shipping Australia, is correct.

FTA/APSA raises the question as to who actually wins financially from the introduction of big ships into the Australian trades?

In recent weeks the Chinese Government has confirmed its commitment to the roll out of an Emissions Trading Scheme which will impact Australian companies trading into China within a relatively short period and especially the mining and steel making sector in the first.

Indications are that Scope 3 (involving supply chain) emissions will be included in the ETS program and as such FTA/APSA has commenced working on the potential impacts and solutions for the introduction of not only the China ETS but also the growing number of schemes appearing on a worldwide scale.



*Ministerial Dinner at the Park Hyatt, Canberra – 19 September 2017*

*BACK ROW - Dominic Dillon (Trade Execution Manager – Cargill), Brett Charlton (Chairman - Tasmanian Logistics Committee), Kurt Wilkinson (Commercial Manager - Fletcher International Exports), Mark Lewis (Manager Grain Services - Riordan Grain Services), Travis Brooks-Garrett & Paul Zalai (FTA/ APSA) MIDDLE ROW – Christian Harders (General Manager – Henning Harders), Caylene Wright (National Distribution Manager - Barrett Burston Malting), Eimear McDonagh (Director - Australian Cotton Shippers Association), Caroline Zalai (FTA/APSA) FRONT ROW – Anthony Byrnes (Commercial Manager - Henning Harders), The Hon Darren Chester MP, Olga Harriton (Global Logistics Manager - Manildra Group), Mark Owens (National Manager Rail, Strategic Planning and Development - Manildra Group)*

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## FTA/APSA hits the world stage -

### Re-asserting the voice of Australian cargo owners and freight forwarders



(LtoR) James Hookham, Deputy CEO, Freight Transport Association of the UK; Sean Van Dort, Joint Apparel Association Forum; Travis Brooks-Garrett, FTA/APSA)

There are currently 15,000 lobbyists registered in Washington D.C. In 2011, for every congressman there were 23 registered lobbyists.

Lucky for us, the political scene in Australia is very different. Politicians are accessible and many of them are, dare I say it, grounded. However, for the last number of years, there has been a major imbalance in Canberra. Infrastructure owners and operators have had the loudest voice in major policy decisions that affect the movement of freight. In the battlefield of political influence cargo owners, who bear the costs and are most affected by inefficiencies and supply chain failures, have been outgunned and outmanned. But this isn't the result of some grand conspiracy. It is about visibility and branding. The large infrastructure owners can afford teams of lobbyists, hold grand events and hire PR firms to spread their message. The infrastructure users (cargo owners and freight forwarders) have not had the same level of political activity and, as a result, to some extent, we have become passengers in the development of freight and international supply chain policy.

The good news is that things are changing. In the last few years, FTA/APSA has invested significantly in

our relationships with the executive branch of politics. We have formed relationships with all relevant Ministers, Shadow Ministers, at both a State and Federal level, and their advisors. We have several key supporters in Canberra, on both sides of the chamber, and we are enormously grateful for their support. We participate in the National Committee for Trade Facilitation (the national peak committee for trade affairs), as well being admitted to the major committees facilitated by the border agencies- the Australian Border Force (ABF), the Department of Agriculture and Water Resources (DAWR) and the Office of Transport Security (OTS).

Our partnership with the Australian Peak Shipper Association (APSA), the largest peak body of containerised exporters in Australia, has only strengthened that voice.

Our political influence is growing but we have a long way to go. It is now up to us to ensure that our engagement with politicians is positive, collaborative and solutions-focused.

However, international supply chain affairs do not stop at the border. For real influence we need to establish an international voice.

#### Global Shippers Forum Achievements 2017:

- **Shippers voice at global level**  
Influential with UN bodies: IMO, ICAO, WCO, UNCTAD, OECD, World Bank
- **Global voice - local impacts**  
Supported/advised competition: USA, New Zealand; Australia, Hong Kong,
- **From confrontation to collaboration**  
Brokering new dialogue in container shipping via OECD
- **Container safety campaign**  
Working with supply chain interests on common goals: WSC, ICHCA, TT Club
- **Air cargo performance indicators**  
Developing new measures with IATA & Cargo iQ
- **Growing membership**  
European Shippers Council, Switzerland, Korea + corporates



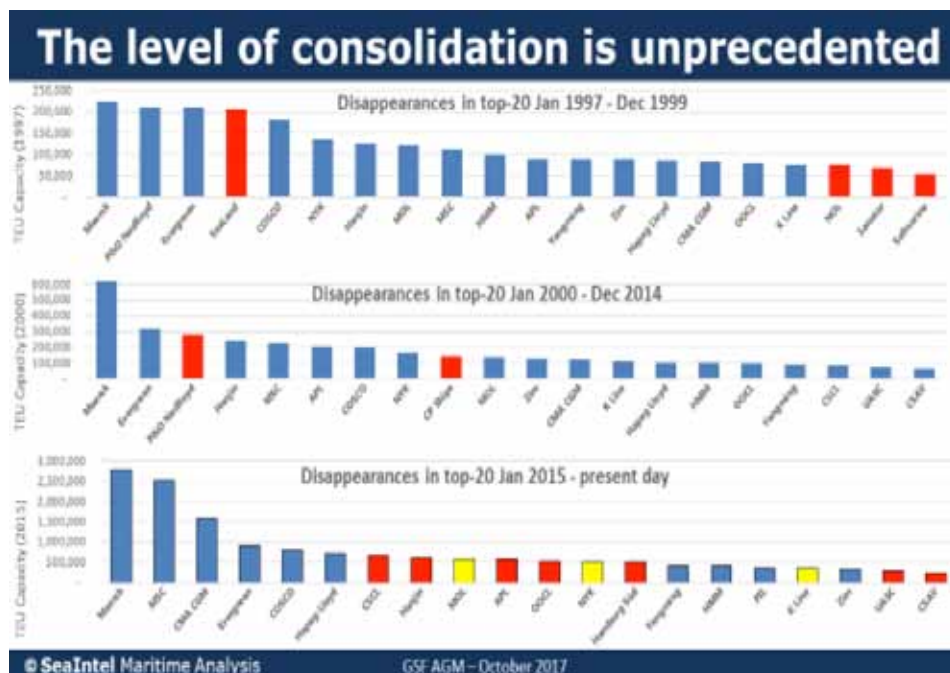


Figure 1 with thanks to SeaIntel Maritime Analysis

In October this year, FTA/APSA was proud to represent Australia at the Global Shippers Forum in the Canary Islands, joining major shipper bodies and UN agencies from around the world.

### The role of the Global Shippers Forum (GSF)

The GSF is the peak body for cargo owners globally, tasked with representing shippers to the World Trade Organisation (WTO), the World Customs Organisation (WCO), the United Nations Conference for Trade and Development (UNCTAD) and with official status at the International Maritime Organisation (IMO) via a partnership with the International Cargo Handling Coordination Association (ICHCA). Members represent the world's major trading nations including China, the UK, the USA, Canada, Sri Lanka, Europe and beyond.

Like FTA/APSA their mission is to ensure that cargo owners have a voice in freight policy.

Over the last few years the GSF has been involved in major advocacy activities that include challenging the concentration of market power in the

liner shipping market; challenging unfair and spurious shipping line surcharges; and leading the way in supply chain environmental policy.

APSA is proud to be Australia's exclusive representative to the GSF and continues to be an active member of the forum.

We are also privileged to be able to share with members some of the key issues that emerged from this year's conference:

### Concentration of the liner shipping market

The amount of M&A activity in the international shipping line market today has no historical parallel. 1997 was the last period of major consolidation between shipping lines. In that year four shipping lines disappeared. 2017 has seen the acquisition or disappearance of nine shipping lines.

The concentration of the liner shipping market remains a potential threat to supply chain owners globally. The experts were clear and unanimous in their prediction of the future: consolidation is not likely to decelerate, and it is likely that we will see 4-7 mega carriers dominating world trade within the next five years. That was the view of Olaf Merk from the International Transport Forum (a branch of the OECD) and it was reinforced by the data presented by Alan Murphy, the CEO and Founder of Sea Intel Maritime Intelligence (Figure 2).

The data presented by Alan also suggested that the over-supply of capacity is not going to ease until at least 2019/2020, and, even then, it

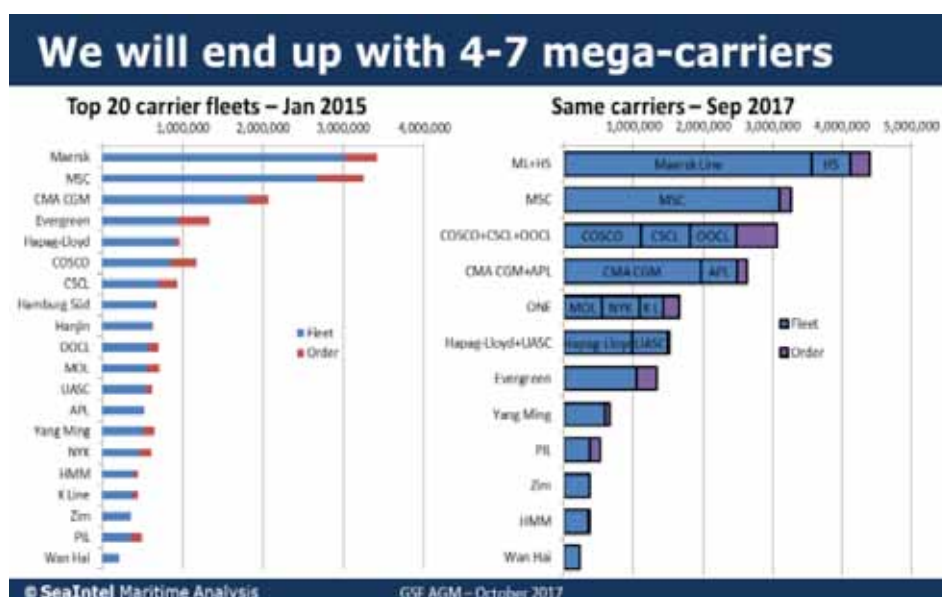


Figure 2 with thanks to SeaIntel Maritime Analysis



*GSF/ICHCA Conference, Canary Islands, 2017*

will only ease on the assumption that there is a complete freeze on megavessel orders and that there is no new rate war for market share.

For more shipping line market data please visit [www.seaintel.com](http://www.seaintel.com)

## **Air cargo reform**

The Global Shippers Forum is a member of the Global Air Cargo Advisory Group (GACAG). Other members include the International Air Transport Association (IATA) and the International Federation of Freight Forwarders Associations (FIATA).

Policy priorities include:

1. Safe transport of lithium batteries
2. Effective border security and advance cargo information
3. Efficient border management and trade facilitation
4. Accelerating industry modernization
5. Minimizing environmental impact

## **Environmental Policy**

Environmental policy is a growing issue for industry that has not received anywhere near enough attention in Australia. The International Maritime Organisation (IMO) is currently engaging in a round of discussions in how they can achieve their emissions targets as set down in the Paris Climate Agreement. The debate over environmental policy at the IMO has seen two distinct positions emerge.

The shippers want:

- Policies that improve the environment and minimise supply chain costs
- Policies that incentivise fuel efficiency, e.g. global emissions trading
- To share costs across stakeholders

The shipping industry wants:

- To introduce a global fuel surcharge ("bunker levy")

- To create a fund for carbon offsets and a R&D scheme run by the shipping industry
- To pass all costs onto shippers

Australian industry will also be impacted by the introduction of the Emissions Trading Scheme (ETS) in China, which will eventually include Scope 3 emissions (emissions from the point of production and supply chain emissions).

While the "green freight" agenda has often been sidelined in Australia, these developments may create a mandate for Australia's freight forwarders and cargo owners to take greater interest in this area. FTA/APSA is working with the Australian representative to the Global Logistics Emissions Council (GLEC) to better prepare our members for these future requirements.

## **Global Shippers Forum 2018**

To strengthen our voice in international freight policy, FTA/APSA is proud to confirm that we will be hosting next year's Global Shippers Forum annual conference in Melbourne from 8 May 2018 to 11 May 2018. This event will cover trade facilitation, supply chain security and other emerging issues, and will be relevant to Government stakeholders, importers, exporters and international freight service providers.

We are also proud to be collaborating with the International Cargo Handling Coordination Association (ICHCA), who will be joining us for their international conference.

To book your tickets please visit [www.ftalliance.com.au](http://www.ftalliance.com.au)

If you would like to be more involved in the activities of the Global Shippers Forum or if you would like to provide input into any of these policy areas please email me directly at [secretariat@auspsa.com](mailto:secretariat@auspsa.com)

# Coynes Freight Management Group

## "You can't toss Coynes for Transport"

### Container Cartage –

Our transport depot is conveniently located on Docklinks road, within 800 metres of the main wharf terminals at Swanston Dock.

General Manager Steve Dean says "Coynes central location to the Melbourne waterfront allows us the ability to read the play of terminal operations on a daily basis". We can therefore adapt well to any delays, and plan deliveries accordingly.

Being positioned on the waterfront, we stage all containers – import or export – through our depot. This gives us the ability to plan, and execute, on time deliveries to client's premises – as the containers are coming from a fixed point – our depot.

Coynes Transport has two divisions, Coynes and Finline. Both divisions have a modern fleet of trucks, and are geared to providing quality services and reliability that our customers have grown accustomed to – some for over 30 years!

Fleet Configurations include:

- Huge Fleet of prime movers and sideloader
- B/Double and Super B double combinations
- 20' and 40' trailers made up of – flat

tops, low profile skels, drop deck, and retractable 20/40' combinations. Also rigid trucks, for delivery of light 20' into client's premises with restricted space.

### Technology –

Our systems provide:

- Online web portal, provides our clients the tools to book and manage their deliveries online.
- The tracking of container movements from timeslot bookings, right through to empty container return.
- Electronic invoicing one day after delivery to client
- Full integration capability with client's in house systems.
- Information on vessel availability and important news flashes regarding our industry.
- Company owned vehicles and permanent sub contractors are equipped with Telematics tracking systems. This allows us to pinpoint the exact positions and locations of our fleet at any given time.

### Warehousing

Coynes Storage Solutions is the answer to all your warehousing and distribution needs.

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metre warehouse in Brooklyn for all your warehousing needs?

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## NEW TRADE SHOW TO HOST GLOBAL INDUSTRY LEADERS – MELBOURNE, MAY 2018

The world's most senior gathering of shippers and logistics providers will meet in Melbourne at the Global Shippers Forum (GSF) and International Cargo Handling Coordination Association (ICHCA) annual general meetings and open conference during May 2018.

The event will discuss trade facilitation, international logistics challenges and other macro trends affecting global trade.

Held for the first time in Australasia, hosted at the impressive Melbourne Convention and Exhibition Centre (CEC), this combined event will be held as part of MEGATRANS2018, Australia's leading logistics and supply chain exhibition.

The Australian Peak Shippers Association (APSA) and ICHCA Australia successfully bid for the combined conference with the help from the Victorian Government, Port of Melbourne and the organisers of MEGATRANS2018.

Paul Blake, APSA Chairman commented that the event will attract hundreds of local and international delegates, once again demonstrating Melbourne's credentials as a destination of choice for global business events.

"This is a once in a lifetime opportunity for Australian importers, exporters and logistics providers, to be at the forefront of global policy and compliance issues. APSA has represented Australia's shippers since 1992 and we are proud to be able to host the global trade community for this event."

Paul Zalai, Director and co-founder of Freight & Trade Alliance (FTA),

the Secretariat for APSA, says the event is set to host policy makers and international trade practitioners from around the world, people whose decisions have a lasting effect on the way cargo is moved in Australia.

"It's quite unique to have transport operators, freight forwarders, customs brokers, logistics providers and government representatives all in the one room discussing trade issues"

John Warda, ICHCA Australia Chairman highlighted the close working relationship between ICHCA International and the GSF noting that conference delegates will receive updates from these peak bodies on their engagement with international organisations including the International Maritime Organisation, the World Customs Organisation and the United Nations Council for Trade and Development.

"The conference will focus on facilitating global trade in an innovative, safe, productive, secure and sustainable manner".

Simon Coburn MEGATRANS2018 Show Director explains that as borders between industries blur, new multi-dimensional concepts have to rise to the challenge, and MEGATRANS2018 is leading the way.

"We're inviting everyone to be a part of this game changing expo format – from hands-on decision makers in the supply chain and logistics industry to CEOs, COOs, regulatory bodies, urban planners and government on all levels".

A special note of appreciation is extended to the initial conference

sponsors, WiseTech Global, Port of Melbourne, TT Club, 1-Stop, Containerchain and Insync Personnel. We would also like to acknowledge the support of the Victorian State Governments and Melbourne Convention Bureau in bringing this event to Melbourne. To find out more about delegate and sponsorship information, please refer to [www.FTAlliance.com.au](http://www.FTAlliance.com.au)

- 8 May 2018 – GSF, ICHCA and VIP - Lord Mayor Welcome Function
- 9 May 2018 – Port Tour and GSF and ICHCA Annual General Meetings
- 10 May 2018 – \*DAY 1 open conference – EARLY BIRD NOW AVAILABLE
- 11 May 2018 – \*DAY 2 open conference – EARLY BIRD NOW AVAILABLE
- 10 – 12 May 2018 – MEGATRANS exhibition – refer [www.MEGATRANS.com.au](http://www.MEGATRANS.com.au)

\*Sessions that meet criteria as prescribed by the Department of Immigration and Border Protection will be accredited for Australian licenced customs broker Continued Professional Development (CPD) points.

“ We’re inviting everyone to be a part of this game changing expo format ”

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GLOBAL

Port of Melbourne

insync personnel

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ICHCA  
AUSTRALIA



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THE FUTURE OF SUPPLY CHAIN AND LOGISTICS

# Unintended consequences

By DALE CRISP\*

The Australian Competition and Consumer Commission has released its 2016-17 Container Stevedoring Monitoring Report, the 19th prepared, as directed by the Federal Government, to check prices, costs and profits at six Australian container ports.



Experience teaches us that the CSMRs are imbued with positivity, at least from the ACCC's perspective; however, delving beyond the accompanying media release and the report's executive summary can usually reveal a little more about the state of the Australian waterfront.

Amongst the 2016-17 headlines, the ACCC highlights the following:

- Revenues per TEU slid 2% to \$16.70; Costs per TEU fell a more substantial 6.8% to \$140.70 per TEU; Operating profits (EBITDA) rose a considerable 25.7% to \$28.90 per TEU; and operating profit margin rose four percentage points to 17.1% per TEU.
- In 2016-17 DP World Australia held a 45% national market share, followed by Patrick at 44% and Hutchison

Ports Australia and Flinders Adelaide Container Terminal each with around 6%. As Melbourne's Victoria International Container Terminal did not open until January this year it is not included in the ACCC's assessment. The Commission notes that Patrick and DPWA's shares of national TEU volumes are beginning to be impacted by increased competition at the east coast ports: indeed, their combined 2016-17 share of 89%, while still high, was the lowest ever recorded in the ACCC's monitoring program. "Improving competitiveness by Hutchison in Brisbane and Sydney and the entry of VICT in Melbourne is expected to further increase the pressure on Patrick and DPWA's national shares," the Commission said.

- The volume of containers passing through Australia's ports is the highest



ever recorded. In 2016-17 Australian stevedores handled 7.2 million TEU, an increase of 3.7%. Sydney's 2016-17 throughput reached 2.5 million TEU, surpassing Melbourne's 2.4 million. Sydney throughput grew by 4.8% during the year, compared to Melbourne's 2.6%. Brisbane led the growth pack at 6.4% while Adelaide rose 2.9% and Fremantle actually slipped 0.4%.

- In terms of container terminal productivity the ship rate (containers handled per hour) rose by a marginal 0.2% to 55.6; the crane rate fell by 1.7% to 29.2 cph; the labour rate also fell, by 1.1% to 46.5%; and truck turnaround times slipped marginally by 0.5 to an average of 29.9 minutes. In real terms productivity has stagnated.

In its report (<https://www.accc.gov.au/publications/container-stevedoring-monitoring-report/container-stevedoring-monitoring-report-2016-17>) the ACCC devotes considerable space to the most contentious topic currently consuming shippers, transport operators and their representative bodies: the imposition of new and/or substantially increased (by up to 900%) infrastructure charges by stevedores and other container chain participants.

"Partly as a response to declining stevedoring revenue from shipping lines, stevedores have increasingly sought to generate revenue from non-stevedoring activities," the ACCC observes. "Revenue from non-stevedoring activities currently accounts for around 18% of total revenue (up from 16% in 2015-16). However, it is expected that non-stevedoring revenue will increase significantly in the future following the decision of some stevedores to implement new or higher infrastructure surcharges on landside operators". The controversy surrounding this issue is explored elsewhere in this edition of Across Borders and at length on the FTA/ APSA website. The ACCC expresses well-founded doubts about some of the justifications offered for these charges but concludes it will not be able to accurately assess the situation until it completes the 2017-18 CSMR and, presumably, it will be some time after that before the Commission is able to take any action if it finds that's required.

In the meantime, by the ACCC's own estimates the infrastructure charges will generate around \$70 million per annum in additional revenues for the Big Two stevedores. And that's not taking

into account DPWA's mid-November announcement of further increases, such that by 1 January 2018 that company's Melbourne infrastructure charge will have gone from \$3 per container in April this year to \$49.20, and in Sydney from \$21.14 (previously \$0!) to \$37.65. (HPA and VICT have not so far levied any such imposts.)

The ACCC will no doubt examine more closely what might be motivating these charges and the shift in revenue sourcing they represent – but will it consider its own role in what is a highly undesirable outcome?

As is its remit the Commission is committed to the promotion of competition in sectors where it identifies market distortions caused by monopolistic or duopolistic behaviour. As such it has been loud in its encouragement of new entrants to the container stevedoring business and continues to talk in hopeful terms of the

impact of the additional competition HPA and VICT bring.

But just what has been achieved?

HPA has invested over \$700 million in Brisbane (opened January 2013) and Sydney/Port Botany (opened November 2013) – yet four years later, in 2016-17, the company held just 6% of the national market. And by my assessment, HPA has lost customers to both DPWA and Patrick this year – indeed I can identify only two regular users in Brisbane and Port Botany – and the \$550 million VICT, now trading for almost a year, has just one.

I would argue that the push for additional competition on the waterfront has backfired spectacularly.

If anything the stevedoring duopoly has been reinforced – and rivals enfeebled – because shipping lines have been able to exploit the situation to drive container lift-on/lift-off prices down, a situation tacitly embraced (in the short-medium term) by





*Victorian International Terminal - Webb Dock East, Melbourne Victoria*

DPWA and Patrick. Their principal aim is surely to outflank/out-manoeuve HPA and ICTSI until these operators give up.

Meanwhile, the 'interlopers' are busily engaged in their own war of attrition that sees them refuse to establish any East Coast joint operating agreement, on the basis that each believes it too can outlast the other.

Of course shipping lines will argue that Australia- or East Coast-wide stevedoring contracts are no longer a necessity and that they, the lines, are unconstrained when it comes to mixing and matching stevedores across ports, according to essentials such as the availability of suitable berthing windows.

But this argument is self-serving and not supported by the evidence: as research undertaken for the Australian Peak Shippers Association shows, by-and-large lines and their consortia and VSAs have aligned their contracts with one or other of the Big Two. There are exceptions but one could almost suspect carriers of doing just enough to keep ICTSI and HPA interested, while happily accepting the deals on offer from Patrick and DPWA.

Global container lines' behaviour is typified by infection of others in the industry with whatever disease they are themselves afflicted. Thus, just as continuing over-capacity in liner trades guarantees that freight rates (and profits) remain depressed, so DPWA and Patrick will be powerless to return their own lo/lo charges to those of 'the good old days' as long as over-capacity at terminals exists. And it will, for

a very long time. With sea-side income locked in a downward spiral compensatory revenues must be found ...

While acknowledging that ICTSI and HPA have made their own decisions to invest, and bear all the risk that entails, one can't help but conclude that the ACCC and supporters of its pro-competitive mantra have driven well over \$1 billion in capital expenditure and who-knows-what in operating losses – all to provide container lines with exploitable market tension and occasional overflow facilities in Australia's three biggest box ports.

Crucially, while the ACCC routinely lauds its own achievements in propelling that waterfront competition, who have been the actual beneficiaries? If we exclude locals employed in the construction and subsequent operation of the new terminals (just how many jobs do automated terminals sustain ... ?) there is only one winner, and that's shipping lines. Overseas shipping lines because, of course, there is now virtually no Australian merchant marine.

Lines will assert, as they always do, that greater waterfront competition/efficiency/productivity translates into lower freight rates for Australian exporters and importers. But, like the oft-perpetuated myth that larger ships mean lower blue sea rates [Shippers: Contact the undersigned urgently if your container line has ever introduced larger vessels to an Australian trade and promptly passed the 'benefits' on to you] any reduction in lines' costs goes first to their bottom line, and may or may not re-surface in the form of a

reduction in your charges.

After all, in the current dog-eat-dog environment that's forced lo/lo charges down, has there been any reduction in THCs levied on shippers? No.

What might be the end game in this last-terminal-standing shoot-out on the waterfront?

DPWA and Patrick both have good reason to covert thy neighbours' facilities.

In Melbourne, both would dearly love to escape the constraints of Swanson Dock and the limitations imposed on ships by the physics of the Yarra River and the air draught of the West Gate Bridge. VICTL, which should now be enjoying a competitive advantage precisely because it is not so encumbered, would be a desirable prize.

In Port Botany DPWA is also constrained from expansion, having not enjoyed Patrick's access to an extra berth granted as a trade-off for vacating Darling Harbour. HPA Hayes Dock would thus be a very attractive proposition for DPWA.

And in Brisbane, well, as happened with CSX's withdrawal and Patrick's resultant acquisition of the abandoned facility to establish its first AutoStrad™ terminal, it's just a matter of the Big Two stepping along the Fisherman Islands quayline to 'share' the HPA space. (It should also be recalled that when CSX finally threw in the profit-less towel in 2004 its Adelaide terminal was acquired by DPWA in conjunction with Flinders Ports, with the latter buying out its partner in 2012.)

In 2014 this writer calculated that with developments then in progress and planned at the three East Coast ports, overcapacity in the Australian container stevedoring sector stood at 60% - and stilted volume growth since then has done little to change that situation.

As things stand now, greater competition amongst Australian container terminals is costing Australian road and rail transport operators and by extension their customers, shippers, big money.

And while the Big Two are busy, have a total of eight berths occupying over 2,600 metres of quayline, 13 ship-to-shore gantries, 38 automated stacking cranes, any amount of supporting equipment and almost 100 hectares of terminal space is idle 90% of the time.

*\*Shipping writer Dale Crisp also provides FTA/APSA with communication and content advice.*

*(Copyright) Images provided by Dale Crisp*





# Are you ready for a port closure or other major disruption to your supply chain?

By SANDY GALBRAITH, Director, Strategic Marine Group

**As the ships calling into our ports grow in size, testing the physical limits of those ports, so the risk of a catastrophic incident that results in an extended closure of one of our ports increases proportionately.**

When a port is forced to close, the impact is not just on the port itself, but on the terminals, the ships that are locked inside, at anchor or en route, the shipper/cargo interests, the shipping agents, the freight forwarders, the pilots and towage operators, to name but a few. Then there is the knock-on effect to the local, state and sometimes, national economies. Very quickly, if not addressed in an appropriate and timely manner, it moves from being a port crisis to a political crisis.

Recent disruptions to trade stemming from the Hanjin failure loom large in the minds of exporters and importers. Bulk trades too are prone to disruption as grain, gypsum and mineral shippers discovered when the port of Thevenard was closed following structural damage to its single berth. This closure lasted months, inflicted commercial damage to the local and regional economies and created contractual difficulties between shipowners and charterers.

When you examine the number of port closures that occur around the world, you would be quite surprised at just how regular an occurrence it is. In the past three months alone, we have witnessed two major European ports – Antwerp and Southampton – and the South African hub port of Durban affected by the groundings of large containerships that blocked for

varying periods access for other ships.

As we see the introduction to the Australian trade of containerships in the order of 10,000 TEU capacity, so we see the pressure coming on the safe working limits of our ports. Nowhere more so than in the port of Melbourne, where the limitations of the Yarra River make berthing for these large ships in Swanson Dock a major issue.

Of course, it is not just containerships that pose a threat to the port's commercial operation. Nor is it just groundings.

We all recall the dreadful floods that devastated Brisbane a few years ago, severely impacting its port operations. Similarly, weather events like cyclones regularly close ports in Australia's north, while in Tasmania in mid-2016 the port of Devonport was closed for three days due to concern for vessel safety in the harbour and channel as a result of extreme weather conditions. Hydrographic and bathymetric surveys and investigations of the river depths were required before the port was allowed to reopen.

The maritime consultancy, Strategic Marine Group, was recently engaged by a large exporter of iron ore to review its plans for coping with port closure in the event of the grounding of a fully loaded capesize vessel in the channel. Risk assessment suggests this kind of event is low probability but should it occur, the effects are high impact.

Some of our biggest bulk ports are handling astronomical numbers of huge ships fully loaded, sometimes in very long departure channels. Groundings have occurred, but so far closures have been avoided. But how long will that remain the case?

Early next year, the Strategic Marine Group plans to launch a series of one-day

workshops focussing on the commercial aspects of a port closure resulting from a shipping incident that requires a salvage solution.

The workshops are aimed directly at those who are most likely to be affected by such an incident, with a particular focus on the cargo.

In addition to looking at the operational aspects of dealing with the problem, we will examine the financial impacts for third parties, the short and long-term effects as well as the consequences for ship owners, charterers and charter parties, ports, cargo interests, ancillary industries, road and rail freight operators. We will also discuss the consequences of a business interruption to the parties and of course look in detail at the legal and insurance aspects.

Finally, workshop attendees will discuss preparation for such an event including what control measures can be applied to mitigate the impact of a port closure.

In addition, the Strategic Marine Group can provide services specifically designed for your organisation on contingency planning to mitigate the impact on your business and associated supply chains.

Established in 2009, the Strategic Marine Group has offices in Victoria, New South Wales, Queensland and Tasmania. The SMG team brings together extensive commercial experience and expertise to adopt a highly business-focussed approach to any technical and operational analysis it undertakes within the maritime and ports industry, particularly for customers operating in Australia, New Zealand and our region.

For further details, email: [info@strategicmarinegroup.com](mailto:info@strategicmarinegroup.com)







# Smart containers talk and listen

By MY THERESE BLANK, Sales and Country Manager, Maersk Line Australia

I would like to thank Freight & Trade Alliance (FTA) and Australian Peak Shippers Association (APSA) for the opportunity for Maersk Line to contribute to topical issues and industry news along with the editors and readers of "Across Borders". We see a lot value in joining the wider debate that is Australian shipping and we hope to participate on a regular basis going forward.

A recurring topic, and one also raised with us by APSA, is the ongoing discussion surrounding shipping line surcharges and whether some of these ancillary charges to shippers are justified. We can appreciate these questions but also want to take the opportunity to balance those with the reality that shipping lines are struggling with the continuous decline in freight rates. This is a clear threat to the sustainability of the industry and specific shipping lines.

In the last 24 months alone, we have seen freight rate reductions of around 20 percent on Australian export and import trades, whilst during that same period the operational costs for shipping lines have increased or at best remained unchanged. Shipping is a business like any other - lines need to deliver sustainable results to their shareholders, at the same time invest heavily in assets like vessels and equipment to provide the network and services that support our customers' business growth. It's a tough balancing act.

Related to the importance of investment,

Maersk Line is very excited to share with the "Across Borders" readers the details of our new reefer product that we think shippers will be excited about. This initiative launched last month was our "Remote Container Management" system, or in short RCM.

## Data driven supply chain visibility

RCM is part of our ongoing investments into developing market leading reefer products, which also counts launching over 50,000 new reefer units globally, in the last 18 months.

The new technology has been well received by Australian reefer shippers, giving RCM a 'thumbs up' for introducing data transparency and peace of mind knowing that their perishable products are delivered in optimal condition to their customers around the world.

With RCM, our customers have complete access to the reefer's current location, temperature and atmospheric conditions inside as well as the power status, at all times and no matter where it may be in the world. Meanwhile, our staff are there to manage the container, either remotely or through notifications to local technicians if a hands-on fix is required.

Access to RCM data is free to customers. By paying a subscription fee customers will be able to download all data from the full journey of the container, thereby giving them an unprecedented level of visibility into their supply chains.

The old days of waiting, hoping and reacting are over. Customers can now monitor and make decisions about their supply chain as their cargo moves,

as well as use the data to study and improve their entire supply chain. Particularly for customers with very sensitive, higher value refrigerated cargo, RCM significantly raises the total value proposition of refrigerated container trade.

## Identify critical supply chain weaknesses

Whilst the impact of RCM is powerful, the technology behind it is relatively simple. A GPS, a modem and a SIM card on all 270,000 of Maersk's refrigerated 'reefer' containers enable location, temperature, humidity and power status readings to be continuously collected and stored. That information then reaches customers and RCM global support teams via satellite transmitters on 400 of Maersk Line's owned and chartered ships.

With clarity about the location and condition of the cargo at all times, not just during the ocean transport but throughout the journey of the container, RCM will help identify problem areas in customers' supply chains and ways to improve them.

For example, if a customer's reefer is not being pre-cooled as agreed at the farm, the customer can easily see this in the temperature graph on their screen and can contact or follow up with the supplier and the farm. Likewise, if a truck driver or port worker turns off the power to the reefer, this will be visible. RCM ensures the customer has the information they need to improve their processes.

## Opening the black box

One of our major global reefer customers - Spanish company, Safir Fruit – has been testing the solution in recent months and their view is clear: For as long as they have been in business, they have wanted a better feel for how their fruit and vegetables were treated before arriving at the customer. During transportation, the reefer container was basically a “black box” and they were eager to get a stronger understanding of the end to end process making sure that the fruit arrived in the best possible conditions. With RCM data at hand, they suddenly have become master of their own goods again. That brings along two important benefits:

Firstly, with full transparency of the complete supply chain, the customers can ensure that the cargo is being treated with the highest care at all stages on the container’s journey.

Secondly, with more reliable data available, the customer can work more strategically on developing products and optimise processes along the entire supply chain.

RCM was recently launched with

Australian shippers and the initial feedback has been very positive. Following a demonstration of the new technology, one large produce exporter was clearly impressed with the benefits of having essential data accessible for every single container movement. They envisage developing and building RCM into their own “internal” system, and eventually doing away with existing data loggers on export shipments.

## Shipping’s digital future

RCM has the capabilities that customers have wanted from shipping lines for a very long time. The technology is well suited for traditional reefer commodities like agriculture, however we also expect RCM will open doors for new opportunities in sectors like pharmaceuticals. Companies with less robust, high value cargo have in some cases been reluctant to deploy sea freight. With RCM, we can now start a dialogue with those customers on how they can better harvest the important economic and environmental benefits of sea transport without compromising on product safety requirements.

The development of smart assets and digital supply chain integration holds

a high priority for Maersk Line. Our exploration of the many opportunities from more intelligent containers is still in an early phase but we have high expectations.

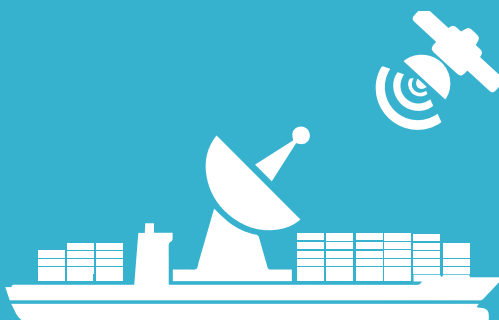
As we receive feedback and learn more from our customers, we will look for ways to improve and expand the value of RCM. We look forward to collaborating closely on this digital transformation journey with customers and partners around the world, including readers of “Across Borders”.

## The easy-to-use RCM platform offers shippers:

- A shipment overview of all containers with journey assessment parameters, option to export to Excel.
- A temperature graph with option to view O2 and CO2 and ambient temperature also available.
- View of container positions on a map, with option to view route
- Journey assessment based on standard thresholds.
- Consolidated list of notifications sent daily. Option to subscribe for notifications via email

maerskline.com

Your promise. Delivered.



## SAFE TRAVELS WITH RCM

Remote Container Management (RCM) is our ground-breaking technology that gives you a whole new level of transparency into your refrigerated cargo supply chain.

We are excited to bring you ultimate visibility and peace of mind when shipping fresh or frozen cargo, ensuring no more surprises when your customer opens your container on arrival.

Find out more at [www.maerskline.com/shipping/what-is-rcm](http://www.maerskline.com/shipping/what-is-rcm)

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# Protectionism in disguise

By RUSSELL WIESE and LYNNE GRANT, Hunt & Hunt Lawyers

It has been suggested that the Productivity Commission conduct independent analysis of each new Free Trade Agreement before signing. Is this simply window dressing for a more protectionist trade policy setting in Australia?

We are living through an era of increasing national trade protectionism globally. Historically, Australia has been open to liberalised global trade and foreign investment. Free Trade Agreements have been one of the tools that Federal Governments, of both political persuasions, have utilised in this joint endeavour.

The negotiation and conclusion of a Free Trade Agreement is an economic and political balancing act. So, when a political party suggested recently that, if it wins Government, it would have the Productivity Commission undertake an independent economic analysis of a Free Trade Agreement before it is signed, has certainly grabbed some headlines.

At first glance, a review by the Productivity Commission of any future free trade agreements sounds reasonable. But dig a bit deeper and you'll find it has real practical complications. On what basis and from which perspective would the Productivity Commission be reviewing the agreement? How will this review improve the quality of Free Trade Agreements that Australia enters into? Critically, is it simply window dressing for a more protectionist policy setting in Australia? Is creating an additional hurdle for an FTA to clear just protectionism in disguise?

The suggestion was that the Productivity Commission:

- be asked to conduct an independent economic analysis of each new free trade agreement before it is signed; and
- independently review free trade agreements 10 years after they are signed to see what the impact they have had.

The second of these ideas has merit, if conducted in the spirit of trade liberalisation. It is generally accepted that the Productivity Commission provides quality, independent advice to governments. Having an independent

body review what has worked and inform future governments about what could be improved is good practice, provided it is done with a level of political sensitivity and doesn't unduly criticise another country or countries with whom we are seeking to advance mutual trade and investment.

But is the first of these ideas realistic? Negotiating a Free Trade Agreement is somewhat like negotiating a commercial agreement, but with the overlaying complexity of domestic, regional and international politics at play.

In the case of a bilateral agreement, there will be two countries with competing priorities and national interests, along with varying political realities. It will always be a case of finding a compromise, so inevitably each country will achieve some, but not all, of its desired outcomes. This difficulty is magnified with multilateral FTAs.

A perfect example is the China Australia Free Trade Agreement which took over 10 years to negotiate. Australian producers of wheat, sugar and rice saw very little improvement in their ability to export to China, despite the free trade agreement. On the Chinese side, China wasn't able to achieve the investment outcomes it was seeking. Ultimately, Chinese State Owned Enterprises still require approval from the Australian Foreign Investment Review Board for all investments in Australia, regardless of the dollar value.

When, in the lengthy and complex negotiating process, would the Productivity Commission review the Free Trade Agreement? If it were asked to review a working draft at an early stage, then it would still be open to significant negotiation, which could render the Commission's input, at least by the time the agreement came before Parliament, largely meaningless. Further, it would involve disclosing for public comment, ongoing confidential international negotiations. But if the Commission

reviews the Free Trade Agreement once negotiations are complete, then the ability to re-open negotiations would be limited and if the Commission suggested there were areas for improvement, would the Parliament vote down the free trade agreement which might overall have benefited Australia?

Currently, Government negotiations (conducted by public servants and not politicians) are informed by a wide cross section of interested parties. Before negotiations for a free trade agreement get going, the Federal Government usually undertake a study of the likely impact of a free-trade agreement on producers, consumers and regulators. Often, opportunities are provided for submissions and these are all taken into account in setting the negotiation framework. Further, before the Free Trade Agreement becomes law, the finalised agreement is reviewed by two parliamentary committees, which take evidence and submissions from the public.

Clearly, the idea of giving business and representative bodies a role in trade negotiations is not new. Indeed, over 200 responses were received by DFAT when it invited public submissions before the start of negotiations of a free trade agreement with the United States over 12 years ago. The current Indonesian FTA negotiations have involved business leaders from Australia and Indonesia providing both countries with advice on where the trade negotiations should be focused, what the key impediments were and how they can be overcome.

By calling for a further process of reviewing Free Trade Agreements, is there an implied suggestion that Australia's current agreements are not in the country's economic interest? What is the evidence for this? Our concern is that claims, not backed by evidence, feed into the protectionist sentiment gaining popularity across the globe.

We should always look at what we have done in the past to see how we can do better in the future. But the question remains, which of our past FTA negotiations have produced poor outcomes for Australia? Which FTAs do we wish the Productivity Commission could have protected us from? If the economic success of Australia's FTAs remain, it is important to ask "what has changed". The answer to that is played out daily on Twitter – protectionists' policies now make good politics.

*If you have any queries about global trade or how we can assist your business, please contact Lynne Grant or Russell Wiese.*





# Mapping Australia's future agriculture transport needs

By LUKE HARTSUYKER, Assistant Minister for Agriculture

As part of the Coalition Government's commitment to building the infrastructure of the 21st Century, \$1 million was provided through the Agricultural Competitiveness White Paper to develop the Transport Network Strategic Investment Tool (TraNSIT).

The TraNSIT tool was developed by the CSIRO to model current and potential agriculture transport routes and identify current transport bottlenecks and inefficiencies.

The Coalition Government has released a report outlining new modelling by CSIRO, which will help drive down transport costs for farmers and cut transportation times to customers by mapping current and potential agriculture transport routes.

Assistant Minister for Agriculture and Water Resources, Luke Hartsuyker, released the report from the \$1 million investment in CSIRO's Transport Network Strategic Investment Tool (TraNSIT) model, which delivers on another Agricultural Competitiveness White Paper initiative.

"One of the top priorities of this government is to boost farmgate returns, making it easier and cheaper for farmers to transport their livestock and commodities to market," Minister Hartsuyker said.

"TraNSIT will inform Australia's future transport infrastructure investment decisions across the agriculture sector. This matters because transport is one of

the highest costs in the value chain.

"TraNSIT identifies current bottlenecks and problems in our transport infrastructure and is able to model how changes to transport routes and new infrastructure will help drive down agriculture transport costs.

"It models current transport movements and allows us to see how infrastructure development will benefit different farming communities across Australia.

"Farms across the country will be able to access comprehensive modelling and information about transport logistics costs and mapping across the supply chain from farmgate to market.

"The Coalition is committed to building infrastructure based on the best available evidence and TraNSIT does this by allowing farmers, industries and government to make sensible and efficient future infrastructure plans.

"TraNSIT will also have significant ancillary benefits of better animal welfare, improved driver and road safety and more informed policy development.

"I thank the team at the CSIRO for developing TraNSIT, which will help get better transport operating outcomes for the nation's agriculture."

Dr Andrew Higgins, Senior Principal Research Scientist at CSIRO in Brisbane and lead author of the TraNSIT report, said the tool will allow industry and government departments to easily access information to improve transport planning.

"The tool works by analysing possible combinations of transport routes and

methods, and determining those that optimise vehicle movements between enterprises in the agriculture supply chain," Dr Higgins said.

"Planned future enhancements of TraNSIT will also seek to maximise agricultural supply chains by increasing their resilience to flood and other adverse weather events to deliver greater farmgate returns for producers."

More information on TraNSIT is available at <https://www.csiro.au/en/Research/LWF/Areas/Landscape-management/Livestock-logistics/TRANSIT> and a copy of the report is available at <http://www.agriculture.gov.au/ag-farm-food/infrastructure/transit>

## Fast facts:

- Transport infrastructure is essential to moving over 80 million tonnes of Australian agriculture output between farms, storage, processors to markets each year.
- Total annual agricultural transport cost (road and rail) is around \$5.8 billion (annual average over the past five years) across more than five million vehicle and 10,000 rail trips. Commodities include beef, sheep/goats, dairy, pigs, poultry, grains, cotton, rice, sugar, buffalo, stockfeed and horticulture.
- \$1 million funding was provided to the CSIRO for the TraNSIT project through the Agricultural Competitiveness White Paper.
- Transport costs account for up to 40 per cent of the market price of agriculture supply chains.



Report by the Centre for International Economics: Australian trade liberalisation: Analysis of the economic impacts

## Clear evidence of the benefits of trade liberalisation for Australia

A new report by the Centre for International Economics has found the average Australian family income was \$8,448 higher in 2016 than it would have been without three decades of trade liberalisation. The report also found one in five – or 2.2 million – jobs are trade-related.

Commissioned by DFAT, the Centre for International Economics (CIE) has updated its 2009 report quantifying the economic impacts of Australia's program of tariff reductions. At a time when protectionist sentiment is evident in some parts of the world, it is important to ensure the availability of empirical data to present the case for the benefits of trade.

The new report – which spans the 30 years from 1986 to 2016 – reinforces the findings from the 2009 study that lowering tariffs and other trade barriers has delivered higher living standards for Australia.

The modelling covers only measures to reduce barriers to merchandise trade – it excludes actions to reduce barriers to services and investment liberalisation, as well as measures by our trading partners. The results, therefore, are a conservative estimate of the benefits from Australia's liberalisation over the past 30 years.

Over this period, the average (trade-weighted) import tariff applied in Australia declined from over seven per cent to less than one per cent. Individual tariffs declined from relatively high levels – including a peak of nearly 90 per cent – to a maximum of five per cent.

In 2016, 79 per cent of all imports (by value) to Australia attracted no tariff. Almost half of all product categories were tariff free for all countries and least developed countries enjoyed tariff free access on all goods.

As tariffs have declined, trade has increased – both merchandise exports and imports – and Australia has become more integrated into the global economy. Apart from some volatility around the time of the Global Financial Crisis, Australia's trade has increased consistently for 30 years.

The other key finding from the report is the importance of trade to employment. It found that one in five jobs, or 2.2 million people, in Australia are employed in trade-related activities. This includes workers in export-oriented sectors such as agriculture, minerals and energy, as well as those in importing and distributing goods into Australia.

The report modelled a further liberalisation of global merchandise trade. It found that this would have a positive impact on economic activity, employment would grow, and in the longer-term, Australian real wages and living standards would increase.

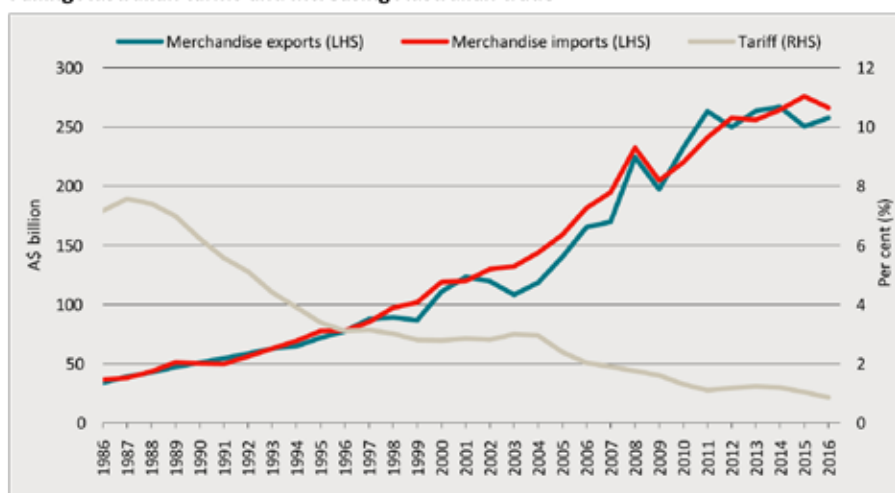
Given calls from some for Australia to change course on trade liberalisation, the report also modelled scenarios of higher global tariffs. It found that such

tariff increases would result in fewer jobs in Australia and, over the longer-term, lower real wages for Australian workers, and reduced household consumption and living standards.

CIE's full report Australian trade liberalisation: Analysis of the economic impacts can be found on the Department of Foreign Affairs and Trade website at [dfat.gov.au](http://dfat.gov.au).

Break out box – In addition to export-related jobs, many Australians are employed in jobs related to imports. Australian Bureau of Statistics' data suggest around 38 per cent of all goods in the Australian economy were imported in 2013-14. Using that share and applying it to the number of Australian workers employed in the distribution industries associated with the movement of goods in the economy (transport and storage, wholesale and retail trade), the report estimates around 671,200 employees are associated with getting merchandise imports to end users. This is six per cent of total Australian employment.

Falling Australian tariffs and increasing Australian trade



Data source: ABS Cat. No. 5368.0 (Table 2) and CIE calculations based on ABS Cat. No. 5368 (Table 2), and Budget Paper No. 1 in various Budgets ([www.budget.gov.au/past\\_budgets.htm](http://www.budget.gov.au/past_budgets.htm)).

# North Asia Free Trade Agreements – Guide for Importers and Exporters

As outlined in the Spring edition of Across Borders, the Federal Minister for Trade, Tourism and Investment, the Hon. Steve Ciobo MP, announced the Australian Peak Shippers Association (APSA) as a recipient of an Austrade Free Trade Agreement Training Provider Grant.

## Events and webinars

As a part of the grant, APSA and Freight & Trade Alliance (FTA) have completed delivery of a series of webinars and face-to-face sessions covering the following topics:

- Export Trade Compliance / ChAFTA Declarations of Origin
- Non-Tariff Barriers to Trade
- Introduction to ChAFTA / Tax Considerations Specific to the Chinese Market
- Introduction to JAEPA / Tax Considerations Specific to the Japanese Market
- Introduction to KAFTA / Tax Considerations Specific to the Korean Market
- FTAs and other issues for Agriculture exporters
- Scams, bribery and corruption - Managing risks in a dishonest world

Recordings from all sessions, including optional online assessments are now freely available at [www.ComplianceNetFTA.com.au](http://www.ComplianceNetFTA.com.au).

Note: Content also attracts CPD points for licensed customs brokers

## E-Learning

As a part of the next phase of this training program, APSA is proud to launch a new e-learning course titled “North Asia Free Trade Agreement Guide for Importers and Exporters” available to members and non-members of the Association and highly suitable for export operators, freight forwarders and any employee involved in export supply chain operations.

The course is self-paced, incorporating audio, text and reference materials and has been designed to provide fundamental knowledge on Free Trade Agreement compliance requirements.

Including the optional online assessment, the course takes approximately two (2) hours providing an overview on the following key areas:

- understand what are Free Trade Agreements and how business can benefit from them;
- know the importance of North Asian Free Trade Agreements tariff arrangements;
- be able to identify the customs tariff code for goods;
- understand how imported and exported goods will be treated by either country by reading their tariff schedules;
- know how the steps required to determine whether your



goods meet Rules of Origin requirements;

- know the Certificate of Origin documentation requirements for your goods; and
- understand the consequences of not completing Certificate of Origin documentation correctly

The e-learning course is freely available at [www.ComplianceNetFTA.com.au](http://www.ComplianceNetFTA.com.au)

For further detail please contact Caroline Zalai at [admin@auspsa.com](mailto:admin@auspsa.com) or 02 99751878

*The above activities have received funding from Austrade as a part of the Free Trade Agreement Training Provider Grant Program. The views expressed within the activities are not necessarily the views of the Commonwealth of Australia, and the Commonwealth does not accept responsibility for any information or advice contained herein.*





# The customs compliance areas that you must focus on

By RUSSELL WIESE and LYNNE GRANT, Hunt & Hunt Lawyers.



Regularly the Australian Border Force (ABF) alerts industry as to the areas that will be the focus of its compliance activities. However, for those that believe that actions speak louder than words, the best guide as to the ABF's compliance activities may be its annual statistics regarding error detection and the issuing of infringement notices. The statistics for the 2016/17 year clearly show which areas will warrant infringement notices and which errors are most likely to be detected.

## Level of compliance activity

The ABF seemingly took a break from issuing infringement notices in 2015/16, but ramped up its activities in 2016/17. The value of infringement notices issued in 16/17 was \$4.8 million, more than double the 15/16 figure (\$1.9 million). This jump was also reflected in the number of infringement notices issued – 584 in 2016/17 versus 266 in 2015/16. If you felt like you were hearing more customs brokers complaining about infringement notices, you were probably right.

## Running a depot – time to review your level of compliance

In 2016/17 the ABF took a keen interest in the level of compliance shown by depot licensees. A licensed depot is a location that goods can be moved to for a short period prior to being cleared for customs purposes. Being a depot licensee is a position of trust given that goods are permitted to be moved to the depot despite not being security assessed or the subject of a duty payment. Non-compliance by a depot operator can lead

to prohibited goods entering Australia or an underpayment of duty.

In 2016/17 the ABF issued 69 infringement notices in respect of a breach of a depot licence. This was an increase from only 16 in 2015/16 and 30 in 2014/15. Anecdotally, we saw an increased level of threats to cancel or suspend depot licenses.

Correlating with this was a sharp increase in the level of infringement notices for offences relating to the movement of goods under customs control. This can relate to unauthorised stoppages during an under bond movement between 2 locations. This can also relate to goods being permitted to leave a depot or licensed warehouse prior to the goods being cleared for customs purposes. These offences can be fairly easy for the ABF to detect. The ABF can identify from its records where goods have been held in a depot for a significant period. During a site audit the ABF can simply ask to see those goods. When they cannot be located the ABF is able to prove the offence. Alternatively, the ABF can review records of when goods left the depot and compare those records to the date the goods were cleared.

If a depot has as a customer an eCommerce retailer, it can expect to handle many millions of low value items a year. It only takes a 0.001% error rate for 1,000 items to go missing a year. Compliance starts with all staff being well informed of the requirements, processes being implemented to facilitate compliance and, crucially, regular internal auditing of compliance with those processes.

In 2016 the ABF did not highlight the unauthorised movement of goods, or compliance with depot licence conditions, as falling within its 5 areas of focus. However, the results from 2016/17 show that the activities of depot operators received extra attention.

## Asbestos laws are now being enforced

The ABF has come down hard on importations of asbestos. While not initially listed as a focus area in 2016, this changed after some high profile reporting of asbestos being found on building sites and in crayons. Fairly or unfairly, a degree of blame was placed on the ABF. It responded with a massive increase in asbestos compliance activities.

Asbestos is a prohibited import. In 2014/15 there were no infringement notices issued in respect of prohibited imports. In 2015/16 the figure was just 10. In 2016/17, 46 infringement notices were issued in respect of prohibited imports. We have not been provided with the detail of what were the prohibited imports. However, it is safe to assume the vast majority involved asbestos.

The infringement notices only tell half the story. Industry has also faced high costs of testing goods for traces of asbestos and the prospect of goods containing asbestos being re-exported.

The compliance activities represents a change in the seriousness with which this issue is being approached. The position of the ABF is bound to have political and community support given the nature of asbestos and the risk it poses to the community. Importers should not expect the attitude of the ABF to change. Rather, it is the approach of importers that needs to change. Importers of goods from any country need to undertake due diligence to ensure that there is zero traces of asbestos in their imported goods.

Our experience is that second hand vehicles from Japan and the US receive special attention from the ABF. The older the vehicle the more likely that a component will contain asbestos. The ABF has become better skilled at identifying potential breaches. Importers of such vehicles need to assume that their vehicle will be held for inspection and will find life easier if they have already had the vehicle tested prior to importation.

## Delivery address is suddenly important

Each year the ABF reviews between 5,000-6,000 import declaration lines and shares the result with industry. Importantly, the ABF found that the percentage of lines containing an error had jumped from 16% in 2015/16 to 28.4% in 2016/17. This is an alarming increase. However, our view is that the jump doesn't necessarily represent a decline in the quality of the work undertaken by customs brokers. Rather,

the ABF audits are focusing on fields in the import declaration that were previously not seen as critical.

The best example is the delivery address field. It is reported that a delivery address error was detected on 194 occasions in 2016/17. This made it the third highest error type. In the previous 2 years delivery address did not make the top 10 type of errors. It is hard to believe that collectively brokers decided in 2016/17 to pay less attention to this field. Rather, it is more likely that compliance levels remained the same, but the detection of the error increased. We assume that this is due to ABF audit practices.

#### Valuation related errors

The ABF did make clear in 2016 that valuation would be one of its focus areas. It is true that valuation is an area where the level of compliance can be low. However, it is also an area of declining significance. Free trade agreements with China, Japan and Korea have meant that a greatly increased number of goods are subject to duty free entry. Further, GST on most imported goods is deferred or claimed back as a credit. The return on discovering a valuation error would be low, if not inconsequential.

Nevertheless, the ABF is entitled to focus on valuation, if only to ensure Australia's import statistics are accurate. Further, an offence is committed merely by communicating

incorrect information, regardless of the impact on duty or security.

A significant valuation related error is valuation date (date of export). This error was detected on 332 occasions in 2016/17, up from 118 in the previous year. Again, the issue seems to be around how the error is being detected rather than a change in customs broker behaviour. For containerised goods, the date of export (and valuation date) is the date that the goods were transported from their place of export. The place of export is where the goods were loaded into the container. It has been standard practice to use the departure date of the vessel as the date of export. However, the ABF is now looking at publicly available information regarding when the container was delivered to the vessel. This is resulting in earlier valuation dates.

The valuation date impacts the date of currency conversion for any goods invoiced in a foreign currency. Unless there is a significant currency fluctuation, the difference in approach between the ABF and brokers should have little impact on the customs value of the goods. While this issue may seem insignificant, given the high level of errors, customs brokers should be including valuation date as part of their internal quality assurance program.

More generally, it is important to note that approximately 50% of the import declaration

errors related to valuation issues.

#### Classification needs to remain a focus area

So much depends on the classification of the goods. It can determine whether a concession applies, what rule of origin should be used under a free trade agreement, whether dumping duties are applicable or whether the goods should be the subject of community protection questions. In 2016/17, classification errors for imports were identified on 194 occasions. For classification alone, this represents an error rate of 3.6%.

Given the importance of classification, this will always be a focus area. It is important that areas of doubt be communicated to the client and risk management strategies adopted. Obtaining a tariff advice normally provides the most certainty. However, it is crucial to realise that if a tariff advice is obtained, the ABF is likely to review whether the importer is complying with that tariff advice. A customs broker should only apply for a tariff advice after informing their client of this approach and obtaining agreement to either accept the outcome or seek internal and / or external review. The strategy cannot be to accept a favourable outcome but ignore an unfavourable one.

#### Compliance relates to refunds as well

Compliance doesn't end after the entry of



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goods, it is equally important to ensure that refund applications contain correct information. Claiming a concession or particular classification when applying for a refund carries the same level of seriousness as when making the same claims on an import declaration.

The statistics show that compliance activity regarding refund applications is on the rise. In 2016/17 642 refunds applications totalling \$4.8 million were either rejected or adjusted. This was a 30% rise on 2015/16 where 454 refund applications were rejected or adjusted.

The reasons for rejections of refunds were not provided. Anecdotally, we have spoken to a number of customs brokers who are having refunds based on retrospective certificates of origin rejected. It is always important to ensure that the mandatory requirements of the certificate of origin are completed. Additionally, if the classification on the certificate of origin does not match the classification used on the import declaration, the reason for this difference should be explained.

Importers, exporters and service providers cannot elect to ignore any particular area of trade or supply chain compliance. However, in selecting the areas of internal focus, we suggest considering each of the following

(1) the particular areas of increased risk or

vulnerability for the specific transaction or entity;

(2) the areas the ABF states will be its compliance focus areas; and

(3) the areas which statistics show the ABF

has actually been focusing on.

Russell Wiese and Lynne Grant are members of Hunt & Hunt Lawyers Customs and Global Trade team and regularly work with customs brokers, freight forwarders, importers and exporters.

## Increasing levels of compliance activity

Offence	Infringement notices 2015/16	Infringement notices 2016/17	Increase
33(6) – Moving, altering or interfering with goods subject to Customs control without authority	150	191	27%
77R(1) – Breach of conditions of a depot licence	16	69	431%
243T(1) – False or misleading statement resulting in a loss of duty	25	63	252%
64AB(10) – Failure to meet reporting requirements for the arrival of a ship or aircraft	12	49	408%
233(1)(b) – Prohibited imports	10	46	460%

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# Australian Trusted Trader – delivery of reforms for importers

By PAUL ZALAI, Director, Freight & Trade Alliance (FTA)

## Consolidated Cargo Clearance Benefit

Freight & Trade Alliance (FTA) commend the Australian Border Force (ABF) in progressing this reform that will significantly assist importers involved in “assembly order” / multiple supplier import consignments.

The outcomes are as a result of our advocacy, extending over a four year period, and are specifically aligned to our formal submission presented to the Australian Trusted Trader Industry Advisory Group during September 2014.

FTA will continue this approach, seeking to extend this benefit to a wider section of the international trade sector and to examine opportunities to further streamlined cargo reporting processes.

The immediate result, effective 15 November 2017, is the release of the “Consolidated Cargo Clearance Benefit”, exclusively available to importers accredited as a part of the Australian Trusted Trader (ATT) programme.

The new benefit will allow ATT importers, or their licensed customs broker, to lodge a single import declaration for consolidated

cargo for all sea cargo types and for air cargo.

This applies for all House bills under a single Master Air Waybill (MAWB) / Ocean Bill of Lading (OBL). Shipping lines, airlines and freight forwarders will continue to provide cargo reports at the supplier level, consistent with current practice, but the consolidated shipment may be cleared on a single import declaration, streamlining the import declaration requirements for ATT importers.

This benefit will allow lodgement of a single import declaration where there are multiple cargo reports.

ABF analysis of Integrated Cargo System (ICS), shows that on average, there will be a reduction in import declarations of more than 10 per cent for ATT importers. This will reduce the amount of corresponding import processing charge (IPC) charges paid by ATT importers.

There is however a catch. If any part of the consolidation matches an import declaration risk profile the entire shipment will be ‘held’. ATT importers will have the choice of reporting their cargo on a single import declaration or multiple declarations if

this is a risk to the clearance of their cargo.

Importers will not need to formally ‘opt in’, or change their ATT agreement to access this new benefit. ATT importers will have the option to access the benefit on a consignment by consignment basis.

## Duty Deferral

FTA has received advice from the ABF that the duty deferral benefit (including Countervailing and Dumping) will be available to ATT importers during the first half of the 2018 calendar year.

Importers or the licensed customs broker will still be required to lodge Import Declarations at a consignment level with the ICS to prepare a statement on the 16th day of the month outlining all duty owing with payment automatically coming out of the ATT importer’s bank account on 21st day of the month.

Please note that deferral does not apply to Excise Equivalent Goods and that Import Processing Charges must still be paid on a per Import Declaration basis.

To learn more about ATT, including the benefits available to your business, visit [www.border.gov.au/trustedtrader](http://www.border.gov.au/trustedtrader).



## Illegal logging laws: what they mean for customs brokers

By DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

**As members of the freight and transport industry, you may not think that illegal forestry practices overseas are your concern. But if you act on behalf of others who import timber or timber products, Australia's illegal logging laws affect you.**

From 1 January 2018, your clients who don't understand their obligations could be paying the cost – in penalties.

Illegal logging is a significant problem. It degrades forest environments, reduces biodiversity, undermines government regimes and revenues, and contributes to greenhouse gas emissions. On a very human level, it deprives local communities of opportunities to improve the quality of their lives. The trade in illegally logged timber also has the potential to disadvantage legitimate Australian businesses and undercuts market prices.

It's been estimated that each year up to 10% of timber and wood-based product imports into Australia come from sources with high risk of being illegally logged.

That's why the Australian Government has put laws in place to help fight illegal logging (both here and overseas) to support trade in timber and wood-based products that have been legally harvested.

### What the laws mean

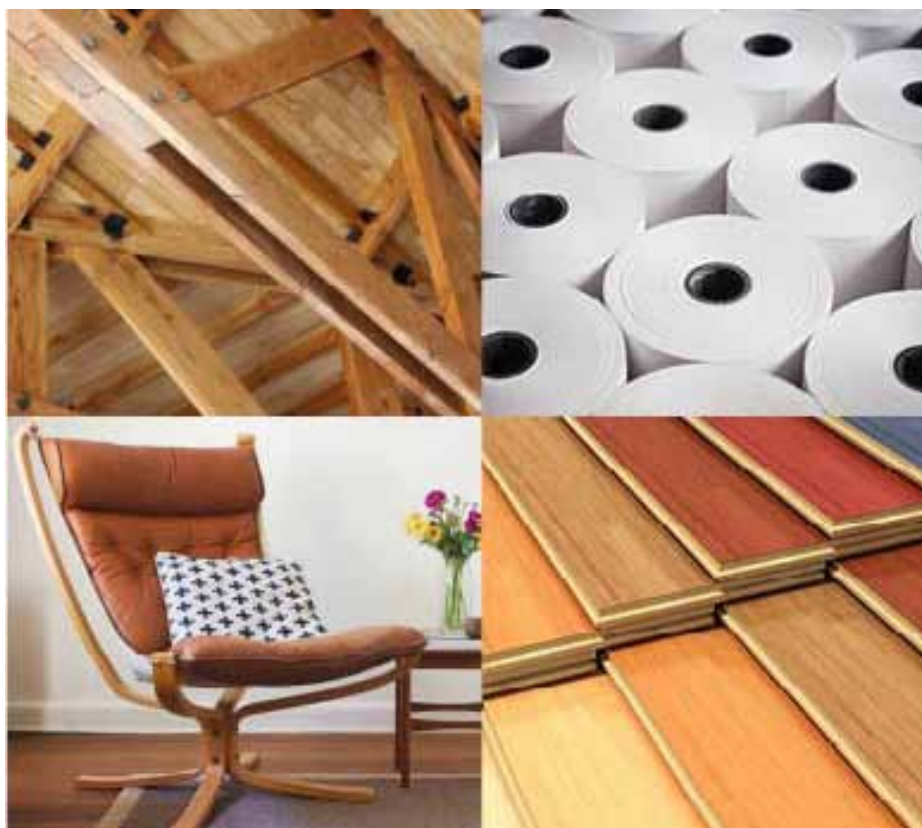
The Illegal Logging Prohibition Act 2012 and its associated regulation affects importers of timber furniture and other

products in two different ways:

- It is a criminal offence to import illegally logged products into Australia.
- Anyone importing certain 'regulated timber products' into Australia must manage the risk that the timber or wood fibre in these products has been illegally logged. This process is known as undertaking due diligence.

Regulated timber products are identified by their tariff codes and include most timber and wood-based products, such

as sawn timber, pulp, paper products, veneer, mouldings, wood panels, flooring, medium-density fibreboard, particle board, plywood and furniture. Importers should be aware that the definition of 'timber' is different to that generally used for biosecurity. For the purpose of the illegal logging laws, timber is considered any wood fibre derived from trees. Exemptions from due diligence apply for consignments where the total value of the regulated goods is under \$1,000 and for post-recycled products.



### The role of customs brokers

While customs brokers aren't directly regulated by the laws, you should make sure your clients are aware of their requirements, and the consequences of not complying with them.

You will be required to answer the illegal logging Community Protection Question if an imported product falls under a regulated tariff code. This question asks whether importers have complied with their due diligence requirements. The question needs to be answered for each regulated product line in a consignment. Brokers should communicate with their clients in order to answer the question truthfully. While the answer to the question won't affect the clearance of the goods, post-import paperwork may be assessed by the Department of Agriculture and Water Resources to confirm whether it was answered correctly and to check the importer's due diligence process.

### What due diligence means

Due diligence involves assessing the risk that the product comes from illegally

logged timber before importing the product into Australia. To do this, the importer must gather information about the regulated products being imported (such as country of harvest, species and any other evidence that product has been legally harvested). Using this information the importer, must then assess the risk that the timber in these products has been illegally logged – using one of three options most relevant to their circumstances. If the conclusion from the risk assessment is higher than low, the importer must mitigate the risk if they still wish to import the product. Importers need to have a documented system that outlines the due diligence process and to keep a written record of the steps taken.

### Managing the laws and penalties

The Australian Government Department of Agriculture and Water Resources is responsible for managing the illegal logging laws and compliance with them.

To allow extra time to help people understand their obligations and to put in place a due diligence system

if required, a 'soft start' period of over three years has been provided. However, this phase is soon to end and from 1 January 2018, penalties for non-compliance will commence. These penalties may be up to \$63,000, so it's now more important than ever to be aware of the legislation and to make sure your clients who import timber or timber products are also aware.

And not only will you be avoiding penalties, but you'll be helping to build a thriving industry in forest-products derived from sustainable sources.

### More information

You can find out more by visiting [agriculture.gov.au/illegallogging](http://agriculture.gov.au/illegallogging), and keep up to date by subscribing to the Illegal Logging e-newsletter: [agriculture.gov.au/forestry/policies/illegal-logging/e-updates](http://agriculture.gov.au/forestry/policies/illegal-logging/e-updates).

You can also contact a team member directly:

Email: [ilca@agriculture.gov.au](mailto:ilca@agriculture.gov.au) or [illegallogging@agriculture.gov.au](mailto:illegallogging@agriculture.gov.au)

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## Changes to cost recovery charges for Biosecurity approved arrangements

By TONY NIKRO, FTA Representative to the Department of Agriculture and Water Resources

Freight & Trade Alliance (FTA) has been pursuing changes to cost recovery since last year's introduction of the blanket \$2900 approved arrangement fee as administered by the Department of Agriculture & Water Resources (DAWR).

The need for reform was supported by the many members, particularly small to medium enterprises, who assisted in our arguments to DAWR throughout the year during our face-to-face forums and by making important contributions to our formal submissions.

During November 2017, FTA received a favourable response in the form of Industry Notices 108 - 2017 and 109 - 2017 outlining proposed changes including a \$500 annual fee for businesses solely involved in customs clearance activities with a capped price for those with several non-broker approved arrangements sites remaining at \$2900.

### **The proposed charges for broker class (19.1 and 19.2) approved arrangement participants include:**

- Participants will pay an annual charge of \$500 in addition to an Automatic Entry Processing (AEP) charge of \$18 per entry. The annual charge ensures brokers not participating in the AEP scheme still contribute to the cost of operating the broker class approved arrangements.
- Participants that also operate a non-broker class of approved arrangement will pay both the higher non-broker charge totalling \$2,900 in addition to an Automatic Entry Processing (AEP) charge of \$18 per entry.

### **The proposed new changes for non-broker approved arrangements include:**

- Biosecurity industry participants with one approved arrangement site will continue to pay an annual charge per ABN, however, this will reduce from \$2,900 down to \$2,500.
- Biosecurity industry participants that operate more than one approved arrangement site will be subject to the \$2,500 charge but will also pay an additional annual charge of \$400, no matter how many additional sites they operate (i.e. total annual charge will not exceed \$2,900 per ABN).
- Should a biosecurity industry participant operate both a non-broker class of approved arrangement and a broker class, in addition to the annual \$2,900 charge, they will also be required to pay an Automatic Entry Processing (AEP) charge of \$18 per entry.

As outlined in the official notices, the consultation process on these proposed approved arrangement charging reforms will conclude 5PM (AEDT) Friday 5 January 2018. Feedback can be sent direct to DAWR at [costrecovery@agriculture.gov.au](mailto:costrecovery@agriculture.gov.au).

We again encourage members to send feedback to [tnikro@FTAlliance.com.au](mailto:tnikro@FTAlliance.com.au) for incorporation into the final FTA submission.

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# Supply Chains Still at the Mercy of Thieves

Analysis by international freight insurer, TT Club reveals that cargo theft remains one of the most significant causes of disruption in the supply chain. Senior Loss Prevention Executive, Michael Yarwood examines the claims latest data shows theft accounts for 10%, by volume and cost of all reported claims in the last ten years.

For any stakeholder operating in the international logistics sector, it will come as no surprise that incidents of cargo theft continue to be one of the primary disruptors through the supply chain. This not only results in direct financial loss, but also has a severe impact on brand reputation and the capability to manage the availability of stock.

Whilst there are inevitably geographical "hot spots", this is a global phenomenon

and one which has yet to be overcome in any part of the world. It is notable that the "hot spots" that do occur are not restricted to areas suffering economic down turn; affluent regions where high value consumer goods are destined are equally susceptible to theft.

TT Club data analysis identified that there are discernible patterns concerning the days of the week and months of the year in which cargo is stolen. Thefts are more frequent between Monday and Friday, with Thursday showing as the most vulnerable day of the week. Naturally, the exact patterns will vary from region to region and through the period. Furthermore, the occurrence of theft will be influenced by factors such as peaks and troughs in freight movement, including ship calls in certain ports. In terms of average value, it is interesting that Sunday indicates a more targeted approach, while Friday thefts are the most lucrative.

The number of notified thefts through the first and second quarters appears reasonably stable, with a peak in March, but the incident rate climbs through the third and fourth quarters,

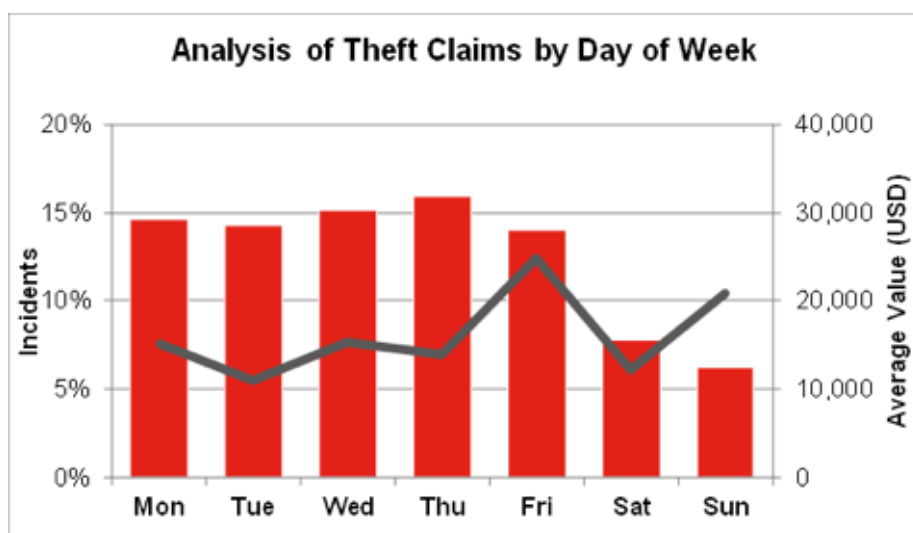
peaking in October. Again there are regional variations with patterns heavily influenced by peaks associated with annual holidays.

Further interrogation of the data relating to attractiveness of cargoes clarifies that the three commodities, electronics, food and drink and clothing, together comprise over 40% of cargo theft incidents. Just eight commodity groups account for just under 60% of cargo thefts, as the following table shows:

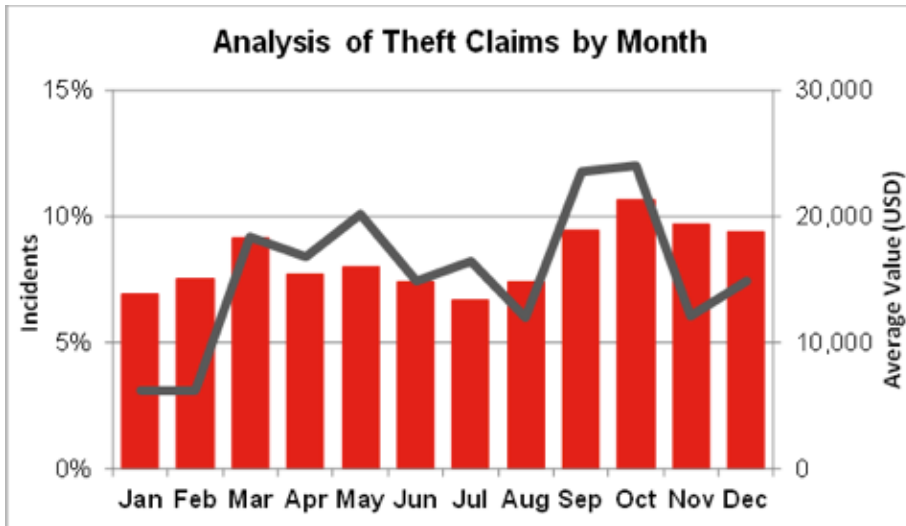
- Electronics 17.00%
- Food & Drink 14.81%
- Clothing 10.13%
- Metals 5.59%
- Machinery & Vehicles 5.26%
- Cosmetics 4.18%
- Chemicals & Oils 1.59%
- Minerals 1.17%

Research suggests that there are elevated volumes of cargo thefts on key traffic routes from major import ports and terminals. It is perhaps inevitable that a disproportionate amount of cargo will be transported along a limited range of such routes. The road infrastructure that carries this traffic through to major population centres serves as a bottle neck and there is rarely sufficient availability of secure parking to satisfy demand. For the criminal organisations this provides an obvious feeding ground. While rail and inland waterway movements are less prone to theft, they are not exempt.

“ theft continues to be one of the primary disruptors through the supply chain ”







Regardless of the geographic location, the subsequent recovery of stolen cargo continues to be challenging, especially in regions where the resources of the relevant authorities are stretched and have priorities which lie outside of the sphere of cargo crime.

Considering the volume of cargo often stolen, one question which plagues operators and insurers alike is; how is stolen cargo disposed of? There are

many stories of the 'Dark Web', social media and auction websites through which volumes of cargo are laundered. Frequently such cargo is understood to be re-exported and shipped to various regional markets in reduced quantities to lower suspicions and avoid detection. Whichever method is selected, it is evident that criminal organisations are adept at moving stolen cargo through the supply chain almost as efficiently

as professional logisticians are able to move legitimate goods.

Security devices to combat such thefts are constantly being developed; technology is advancing rapidly and each emerging product serves to close another loophole in security systems. Where such devices are a visible deterrent, their effectiveness is determined only by the resolve of the thief. If the thief is sufficiently motivated it seems that the cargo will in any event be stolen. The device may dutifully record the exact time, date and location of the crime but the cargo may nevertheless be stolen and not recovered.

There are, however, an increasing number of providers developing covert tracking devices which are small enough to fit within the carton or cargo itself. When undetected by the thief, this technology may in time serve to provide the authorities with invaluable information about temporary storage of stolen cargo and also reveal typical routes to market, which may support more complete and rapid recovery, as well as apprehension of criminals.

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# MAKING FRIENDS WITH YOUR STCs

## A Guide on how to effectively manage your Standard Trading Terms and Conditions

By JAMES COTIS, Logical Insurance Brokers

When advising Philadelphians on fire-safety in 1736, Benjamin Franklin was famously quoted as saying “An ounce of prevention is worth a pound of cure.” In the logistics industry, this prevention may take the form of a carefully tailored insurance program and (perhaps the least nurtured option) well-managed Standard Trading Terms and Conditions (STCs) between you and your customer.

This article will identify issues surrounding STCs and their interaction with insurers, as well as give you that all important ounce of prevention in the form of practical tips and suggestions for effectively incorporating STCs into your business.

### WHAT ARE STCs AND WHY ARE THEY SO IMPORTANT?

As insurance brokers who specialise in the provision of risk management and insurance solutions to the logistics industry, we are often asked about the need for participants to establish and incorporate STCs within their businesses.

Where logistics businesses are seeking liability insurance coverage, a copy of the business’ STCs will need to be provided to insurers for their approval as part of the risk assessment process undertaken by them. Once approved by insurers, it is expected that the logistics operator will continue to use those STCs. If alterations are subsequently contemplated, those must be submitted to their insurers for approval prior to use.

STCs are legally binding on logistics businesses and their customers. When drafting STCs, a balance must be struck between the logistics operator and their customers. STCs should contain the usual essentials, which include:

- The scope of services to be provided;
- The basis of liability;

- Defences;
- Limits of liability;
- Time limits for claims notification, and
- The law and jurisdiction in which the STCs will operate.

Subject to the size of the business’s customers, unfair terms in small business contracts may also require consideration. It is therefore recommended businesses should seek appropriate legal advice from a solicitor with sound experience in transportation law to ensure STCs are adequate for their requirements and comply with both Australian law and any international conventions where applicable. Equally important is to ensure that the STCs are correctly incorporated within the business.

Over the years, we have seen numerous instances of uninsured businesses who have taken short cuts such as ‘borrowing’ STCs from competitors and making a few cosmetic changes in the belief that that will suffice. Often attempting to rely on inadequately drafted STCs usually ends in disastrous results for the logistics business.

We are also aware that trade associations have developed and offer STC templates for use by their members. Whilst we agree that these templates are useful, and generally robust, it is important that they be appropriately customised so that they cover the full scope of your specific logistics operations and that they then

are properly incorporated within the business.

## HOW TO INCORPORATE YOUR STCs EFFECTIVELY

The following is a list of some practical tips to assist you in incorporating your STCs effectively into your business. Note that these tips are not meant to take the place of appropriate legal advice, which we recommend you obtain prior to embarking on any course of action.

- Tip 1: Incorporate your STCs into your customer contracts

Clearly, STCs are ineffective unless they are communicated and agreed with your customer. Consequently, it is most important to take appropriate steps to accurately incorporate your STCs into your customer contracts. Your customers must be offered the opportunity to either accept or reject your STCs prior to an order for services being made.

- Tip 2: Incorporate your STCs within your customer's credit application

Your customers must sign an acknowledgement of your STCs if they intend to trade with you. Although every business has its own practices and processes, a practical example to achieve this would be to incorporate your STCs within your customer's credit application.

- Tip 3: Make your STCs and incorporation clauses visible

Print an incorporation clause on the face of each document and print the conditions on the reverse of your documents, such as letterheads, receipts, quotations, invoices, statements, consignment notes and shipper's forwarding instructions. The incorporation clause and other such notices to your customers should indicate that the STCs have a limiting effect on your liability.

Other suggestions include:

- Clearly publish your STCs on your website so that customers can review and acknowledge them before proceeding with an order;
- Ensure that prospective customers receive, acknowledge and agree to be bound by and sign a copy of your STCs at the commencement of negotiations;

- Include a link to your STCs within your email signature panel;
- Send your STCs to your entire customer base with a note outlining that they will apply to all services offered by your company from a specified date;
- Circulate copies of your STCs at regular intervals to regular customers;
- Keep a register of your regular, new and potential customers to whom you send copies of your STCs;
- Display a large printed copy of your STCs in the reception area at your office.
- Ensure that copies of all signed STCs are kept in good order and securely filed, backed up and retained for at least 7 years after services have been discontinued for that customer.

Important note: Our experience indicates that most difficulties with customers arise from poor communication and/or record keeping. It is critically important to accurately document what services and STCs are initially agreed with your customer and any alterations made during the relationship. If at any stage you amend your STCs (and insurers approve the amendments) you will need to provide a copy of the amended STCs to all your customers (addressed to each specific customer, not templated 'generic' notifications). You must also ask your customers to sign an acknowledgement of those amended STCs.

## CUSTOMER/SUPPLIER AGREEMENTS Vs YOUR STCs

Occasionally, customers may request (or sometimes demand) that their agreements be used instead of the logistics operator's STCs. Where logistics businesses are insured, these requests (and any proposed draft agreements) must be referred to insurers for approval prior to signing. In many cases, these customer and/or supplier agreements do not understand or incorporate international transport conventions and logistics industry standards into their agreements. We would recommend exercising caution consenting to these agreements as they may significantly increase the exposures and liabilities for logistics operators

and, in turn, their insurers. Insurers may find these alternative agreements unacceptable or call for a change in policy conditions and the application of additional premiums and/or increased policy excesses to meet the increased exposure(s).

We understand that nutting out the fine details of STCs as well as consistently updating and amending them as new legislation and/or case law dictates can be an arduous and time-consuming task. However, if it becomes common and regular practice for your business to nurture their STCs, then you may find that you'll never have to go in search of a 'cure' in the event of an incident arising.

## Who we are

James and the team at Logical Insurance Brokers provide specialist risk management and insurance solutions to the logistics industry. Logical is delighted to be associated with the Freight and Trade Alliance (FTA) and is proud to be their appointed insurance adviser since its inception in 2012. James is also a regular presenter at FTA professional development events.

Please call James on 02 9328 3322 to arrange an obligation free discussion and a review of your current insurance program. Alternatively, you can visit Logical's website at [www.logicalinsurance.com.au/logistics](http://www.logicalinsurance.com.au/logistics).

## Disclaimer:

This article is designed to provide helpful general guidance on some key issues relevant to this topic. It should not be relied on as legal advice. It does not cover everything that may be relevant to you and does not take into account your particular circumstances. It is only current as at the date of release. You must ensure that you seek appropriate professional advice in relation to this topic as well as to the currency, accuracy and relevance of this material for you and your business.





## Facing the perfect storm: how digitising will smooth the way in the fast-growing container world

Every year nearly 120 million containers leave ports around the world in an industry that drives the global economy. Yet bookings and prices for 40% of those containers are set by phone calls and emails. And that takes time. What if you could do it online in minutes and track the results?

That's exactly what trailblazing Australian start-up Mizzen has been doing, with a high-tech, fast, cost-saving digitised container booking service that has just notched up its first year in business.

Fifty years ago, the shipping industry was revolutionised by the introduction of containers but, until now, nothing much on price setting and distribution has changed to rock the boat.

But now, unlike using emails or phone calls, freight operators can quickly get port-to-port rates direct from shipping lines through Mizzen, with no intermediaries or mark-ups.

In a few clicks, customers can search shipping line schedules, check dates of departure and arrival, find the right vessel, compare rates and book shipments. A complete transaction can be completed in minutes.

Small wonder that Mizzen, the first start-up of its kind to pioneer a digitised approach to a growing industry which has been slow to change, is rapidly getting the attention of shipping lines and freight operators.

Management consultants McKinsey forecasts the container business will increase in size by two to five times in the next 50 years, using digital technology, artificial intelligence and giant autonomous ships.

Mizzen's Managing Director, veteran shipping executive Jon Charles, said: "What took a freight operator hours on the phone or multiple emails, chasing freight rates and trying to make bookings can now take just minutes on the internet, with new opportunities introduced to insure certainty of being able to make bookings on the vessel needed".

"We had the idea when we sat down and really looked at what could be done to remove the long-standing inefficiency in how prices are set and bookings made. By using our simple system, freight operators and shipping lines can have more certainty, be more efficient and more profitable."

In its first year, Mizzen, based in Sydney, has signed up 45 freight operators and eight shipping lines and is on target to expand into new markets next year.

One of Mizzen's first customers, Richard Lamport of Kalgin Global Logistics, said: "We'd got used to spending so much time, up to half a day, organising a single freight quote and booking for FCLs (Full Container Loads) to go from all main Australian ports to worldwide destinations. We've been in this business for 29 years, shipping thousands of containers all over the world and we estimate that 10 to 15% of our bookings have been delayed because carriers haven't been able to guarantee space. This is only going to get worse as carrier consolidation and mergers and acquisitions continue.

"Since using Mizzen, we can now book online, get comparative rates from different shipping lines, and have the whole thing done within the hour. That has freed us up to sell more volume with our revenue in the past year increasing as a result. We

estimate it has saved us around \$25K per year and countless hours in admin time. It's a better, more efficient way and we have no hesitation in recommending it."

Another early adopter of the system, Lucy Wei of Q Line, added: "It's clear to us that digitising the business is the future, with more automation and more immediate data feedback. We have already seen the benefits in taking advantage of freight rates that we previously would have been unaware of."

Shipping is one of the world's oldest businesses and, in common with many industries, it is slow to adopt change, as Mizzen's Executive Director and co-founder Darren Burden, a former senior digital strategist with Fairfax Media, understands well.

"Media had to go from hot metal to computers, then see its print audience migrate to the web, tablets, and smartphones. But new businesses and new audiences were created. People consume their news in all sorts of ways. In that sense, we are not trying to replace anything in shipping, but we are offering a new channel."

As the recent McKinsey report *Container Shipping: the next 50 years*, concludes: "The shipping industry was built on the vision of strong leaders who dared to sail through the storms. Although it now once again faces a period of disruption—this time from digital technologies—there is a path forward for companies willing and able to seize the day."



*Mizzen Group's Chairman Dr Alan Taylor, Managing Director Jon Charles and Executive Director Darren Burden*

# The app that is changing the container transport industry

The use of internet marketplaces for freight exchange has been very popular and widely adopted by trucking companies in the US. Yet it has taken many years for their international counterparts to catch on to the advantages of these marketplaces. Today, there are a handful of multi-modal freight marketplaces on the Internet which have been around for a number of years specialising in international freight movements, however they have not been developed to their full capacity.

The shipping industry has been around for over 1,000 years, and until recently there have been few major technological breakthroughs. The industry has been operating in the same way all these years, and few have leveraged the Internet for business, except for online tracking and electronic document transfers.

Then, along came 2015, when disruptive technology became the norm in everyday life, with such apps as Uber, AirBNB and AirTasker becoming main stream.

In a similar theme, Movelt4u was born and launched in Sydney in 2017 as an innovative solution for the delivery of shipping containers, using both the internet and phone apps as its solution.

In this industry where volumes are ever changing throughout the course of the year, with truck availability being either under or over utilised, pressure is

placed on transport companies, freight forwarders, and importers and exporters to meet their customers' delivery needs. Invariably, trucks are never in the right location at the right time.

Movelt4u solves this industry problem by collaboratively connecting owner drivers and transport companies to the needs of anyone wanting containers delivered – anywhere – anytime. Movelt4u is the first in the world to develop functionality for pick ups or deliveries from wharves, rail heads, empty container parks – whether they be single or round trip jobs – different size containers and whether they are full or empty. And as the chain of responsibility (COR) laws in Australia take effect, Movelt4u has modelled its registration policy to capture the legislative requirements.

Unlike Uber, Movelt4u's intention is not to drive the prices down for delivery services, but for prices to be determined by the marketplace. As the bids for jobs are not visible to each other, there is no competitive bidding like Ebay.

Movelt4u utilizes today's technology including GPS tracking, "live" updates via email and SMS, driver ratings and various reporting. And, it is all available via your PC, iPad, iPhone or android phone with the app which can be downloaded from iTunes or GooglePlay stores.

If you are an owner driver or transport company looking for more work, a freight forwarder, importer or exporter who needs an urgent delivery, or a transport company requiring more drivers to get through the workload, then Movelt4u is for you.

Register now to connect and deliver.

For more information on  
Movelt4u – [www.moveit4u.com.au](http://www.moveit4u.com.au) –  
Phone 1300 768 212



*The app that is changing the container transport industry. Movelt4u is the first of its kind in the industry, and uses state of the art technology to connect companies and drivers in real time, enabling them to maximise their resources, time and costs. Companies can access reporting on the number of jobs completed, the drivers being used, and various KPI reports to measure performances. Movelt4u easily integrates directly with transport company systems.*



# WiseTech Global launches border compliance engine, BorderWise

Sydney, Australia, 30 November 2017 WiseTech Global, the technology company behind the industry-leading supply chain solution, CargoWise One, has announced the launch of a powerful and comprehensive border compliance engine, BorderWise, for customs brokers, legal and other trade professionals.

BorderWise brings together a range of critical border compliance data, law and regulation, and advanced search functionality to help the user to effectively minimise customs duty and mitigate the risks associated with customs non-compliance for themselves and their customers (importers and exporters) in the countries involved.

WiseTech Global CEO, Richard White, said, "Growing complexity in world trade continues to put pressure on the supply chain, and efficient border compliance is critical. We are creating the data sets and building powerful new technologies to address productivity, costs and risk mitigation in customs compliance."

BorderWise offers the next-generation of compliance management, featuring a comprehensive, integrated suite of legal books, technical documents, tariff-classification tools and reference information. It provides real-time updates

and alerts on legislation, publications and notices from regulatory bodies, to ensure professionals stay informed of changes. BorderWise contains the full breadth of customs publications from the World Customs Organization Harmonized System Explanatory Notes and the principles of valuation, to ratified treaties and local legislation. Industry expert, Director of Sue Danks Tariff Consulting and Vice Chair of CBFCA, Sue Danks, has assisted in the development of BorderWise and said, "With increasing challenges in addressing border regulation, ensuring compliance is fraught with risk. Requirements keep changing as new

legislation and policy changes keep rolling out, while data can be convoluted, difficult to interpret and hard to access efficiently. On top of that, not all customs authorities agree on the interpretation or classification of certain goods, and those opinions

change, often with little or no notice to industry. Most countries have numerous, sometime hundreds, of items of customs legislation or policy documentation, and therefore managing customs compliance is a growing and evolving challenge for customs brokers and self-reporting importers, especially in an environment where serious penalties are issued for non-compliance or duty short-payments.

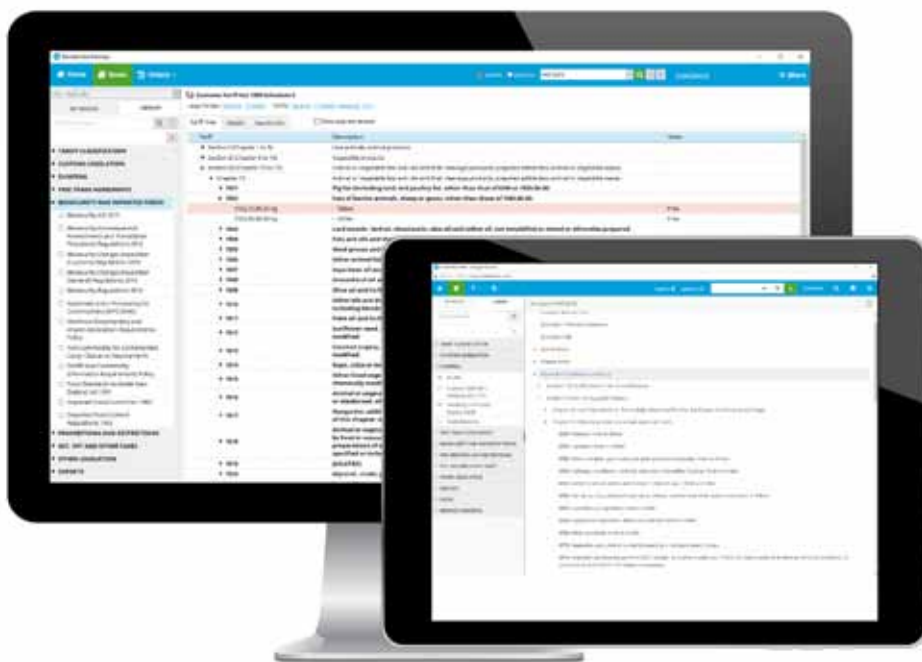
"In my opinion, Australian customs brokers are highly trained and skilled, but in a time of increased regulatory inspections and a penalty regime we all need all the assistance we can to provide advice that is timely and accurate. BorderWise provides that assistance. It is designed to be a powerful border compliance engine that pulls the information together and through advanced guided search, helps present the right information to users in a single window."

The system was developed to help customs brokers work more effectively with their customers in advance of border transactions to maximise compliance, assist with forecasting, reduce risk, and ensure that no more than the duty legally due is paid. In addition to helping reduce compliance risk, fines, penalties and costs, BorderWise can help customs and border protection agencies mitigate safety and security risks arising from the movement of goods through their borders.

BorderWise boasts advanced search functionality, for instance, by the tariff classification or smart word search, to give the quickest and most accurate and relevant information as results.

According to Robert Long, Customs & Tariff Advisor at GEODIS in Australia, who recently started using an early trial of BorderWise, "I have used various customs software since the early 1990's and

BorderWise is certainly the best one yet – the absolutely wide range of source material (books in the library) that can be accessed within the one program is fantastic."





Looking forward, the BorderWise compliance engine is soon to be enhanced even further with natural language processing and machine learning, where in addition to the presented search results,

further due diligence and risk mitigations and additional relevant customs and compliance information will be presented.

"This will be a significant help to customs brokers needing to understand specific and often complex local legislative compliance needs," said Zubin Appoo, Innovation and Technology Manager at WiseTech Global.

"We will also be enhancing BorderWise to contain full audit trail capabilities for tariff classifications to demonstrate due diligence by allowing brokers to electronically and seamlessly have importers signoff on the compliance documentation before the goods are entered for Customs. This feature is

designed to increase transparency and help further mitigate and minimise non-compliance and risk for customs brokers."

Christine Kontos, Senior Customs Tariff Product Manager at WiseTech Global, who has previously served as Victorian regional manager and director of the CBFCA, said, "In designing and building

BorderWise we have brought together huge sets of data including law, regulation and trade data, that will drive our machine learning and natural language processing techniques. This will further enhance BorderWise and customs processing so customs brokers, self-reporters and other international trade professionals can find critical information more quickly, even when the exact phrase or technical term is not found. This will make a significant impact on customs compliance productivity and effectiveness."

BorderWise can be accessed via web or

desktop application, making it even easier for users to make timely and accurate decisions. Fully integrated into CargoWise One, BorderWise can be used by existing CargoWise One customers to significantly enhance their productivity. In addition, WiseTech

Global has made BorderWise available to industry professionals in Australia, as a standalone application available via a monthly on demand license.

For now, BorderWise will be launched in Australia for Australian customs as of 1 December 2017, and is expected to be released in the United States, Canada, Mexico, the EU, New Zealand, Singapore, South Africa and the United Kingdom by the end of 2017. During 2018, BorderWise will then be further enhanced to include Brazil, China, Germany, Italy and Taiwan, with further key economies to follow.

[www.borderwise.com](http://www.borderwise.com)

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# Legal Update

## Checking the T's and C's

By ALEXIS CAHALAN, Principal Lawyer and ALISTAIR SULLIVAN, Solicitor, Thomas Miller Law



In the same week in October 2017, the District Court of New South Wales and the Australian Federal Court both handed down decisions in relation to the Australian Consumer Law (ACL) legislation. The decisions relate to the activities of both a transport operator and a freight forwarder and highlight aspects of the consumer law as they apply to entities in the transport sector.

### **Misleading and deceptive conduct and breach of warranty**

On 16 October 2017, the District Court of New South Wales handed down a judgment that is of significance to all freight forwarders that issue house bills of lading, *Australia Capital Financial Management Pty Limited v Freight Solutions (Vic) Pty Limited* [2017] NSWDC279. The freight forwarder in this case, Freight Solutions, was found liable for misleading and deceptive conduct within the meaning of the ACL and in breach of a warranty of authority resulting in judgment being entered against Freight Solutions in an amount of \$845,456.93.

In this case the finance company, Australia Capital Finance Management Pty Limited (ACFM), entered into a loan

agreement with an Australian exporter of sheep skins and cow hides. The exporter could draw down on the loan upon presentation to ACFM of "original shipping documents... including but not limited to the invoice, customs declaration, packing slip, insurance and bill of lading". If the exporter defaulted on its loan repayments ACFM had the right to take possession of the goods.

The exporter supplied the finance company with the house bills of lading that had been issued by Freight Solutions. These had been signed by Freight Solutions as agent for various carriers. ACFM believed that it was acquiring security of the goods when it was provided with these house bills of lading and that no other person could take possession of the goods without presentation of the bills of lading. The house bills of lading provided had the features of an original bill of lading with the consignee marked "TO ORDER", each bill stamped "ORIGINAL" and none of the bills were endorsed.

The exporter failed to meet one of the drawdowns and the financier expected to recoup its losses against the goods except that the goods had been released on presentation of the carrier's original

bills of lading. The conduct of Freight Solutions in issuing bills of lading purporting to be original bills was found to be misleading and deceptive. It did not matter that Freight Solutions had no intention of doing so.

Freight Solutions was also found to have purported to execute bills of lading as agent for the ocean carrier without authority to issue bills on their behalf or sign as their agent. The Court found that the breach of warranty of authority was the cause of the financier releasing funds, and therefore the cause of its loss, meaning that ACFM also succeeded on this basis. Freight forwarders who issue house bills of lading should be conscious of how they are representing their role in shipping documents particularly bills of lading which also serve as documents of title.

### **Unfair Contract Terms**

In the Federal Court of Australia, *ACCC v JJ Richards and Sons Pty Ltd* [2017] FCW 1224, the new unfair contract terms provisions of the ACL were tested.

The November 2016 amendments to the ACL extended the unfair contract provisions that used to apply only to consumers, to small businesses entering into standard form contracts. At least one of the parties to the contract must be a small business – that is one which employs fewer than 20 people including any casual staff who are employed on a regular or systemic basis. The value of the contract at the time it is entered into must not exceed \$300,000 over 1 year or \$1million if the contract exceeds one year.

A term of a contract can be considered unfair if it:

- would cause a significant imbalance to the rights of the parties and their obligations;

- is not reasonably necessary to protect the legitimate interests of the party benefitting from the term;

- would cause financial or other detriment if it were to be applied or relied upon.

In *ACCC v JJ Richards* the Federal Court found that several of the terms contained in the waste operator's standard form contracts to be unfair. JJ Richards had entered into standard form contracts with over 26,000 customers. These included clauses that allowed JJ Richards to:

- automatically renew contracts unless the contract was terminated 30 days before the end of the term;

- unilaterally increase its prices;

- use reasonable endeavours to perform the collection services but accept no liability if such performance was hindered;

- ensure the customer exclusively used JJ Richards for their waste removal services during the term of the agreement;

- suspend the services for non-

payment within the credit terms yet continue to charge for services during the period of suspension; and

- create an unlimited indemnity in its favour even where the loss was not due to the customer's fault.

In this case it was the Australian Competition and Consumer Commission (ACCC) which sought declarations from the Federal Court to restrain JJ Richards from using these clauses in their standard form contracts. Should a contract term be declared unfair, a court may order that the term be declared void with the balance of the contract to remain on foot. Alternatively, a court may refuse to enforce a contract or direct a refund or the re-performance of services.

Importantly, certain contracts, including for carriage of goods by sea, are excluded. However, a freight forwarder's terms and conditions, extending the period of carriage beyond the sea leg and including transport by road or rail, may still be caught by the provisions of the unfair contract terms legislation.

## Cautionary Tales for Freight Forwarders and Transport Operators

These cases illustrate the need for freight forwarders and transport operators to be careful when providing documents that relate to the carriage of goods, including house bills of lading and standard terms and conditions.

It is important to ensure that house bills of lading are not confused with sea bills of lading and should not include wording such as "ORIGINAL". In addition, to consider the effect of the complete documented transaction before it is concluded. A freight forwarder should also not purport to act as agent for a sea carrier where there is no actual agency, as this will be held to be misleading and deceptive conduct under the ACL.

Transport operators should also check their standard terms and conditions in light of the decision in *JJ Richards*. In particular, it is important to consider whether there is any significant imbalance between the parties to the contract and if so whether this is necessary to protect a legitimate business interest.

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# Circle the Wagons, amazon is coming!!!

By KAI LINCOLN, Seko Logistics

Without downplaying the might and breadth of Amazon, I'd say that the hype surrounding Amazon's arrival in Australia has been one of the most over-saturated topics of 2017. So why not join the masses and throw my own two cents in the bucket. However, as a publication dedicated to our beloved freight and logistics industry, I'll make sure to try and keep things as relevant to us as possible.

As is my habit, to talk about the future, we must first spend a little time on the past. There's plenty you can read about the history of Amazon, (which, mind you, has been around for 22 years now), however there are some very important factors and strategic steps to consider when you think about what Amazon are going to do to the Australian economy. To start with, we all need to stop thinking about Amazon as a retailer. They are technology media business that happens to sell some physical merchandise and logistics services.

Amazon are fortunate in the sense that their visionary leader, Jeff Bezos, was able to look beyond his initial core business model (selling books online) and identify the services that he relied on. Over time he built or acquired services to support his own business. Once mature or established enough, those services could be on-sold to other companies, many of whom were and still are, competitors to Amazon. Hosting services, a marketplace for selling goods, 3PL warehousing with fulfillment by Amazon (FBA) – the list goes on. Amazon's web-services business now accounts for nearly three-quarters of all profits and can help to support their low-margin retail business as well as any new areas that they want to dabble in.

There's no real reason why other retailers here or overseas couldn't have attempted similar things in years past. Why couldn't David Jones have established a property

company to lease shopping space, a 3rd party warehouse solution, coupled with a trucking company to deliver to the areas where DJ's deliveries were already headed. They could've done the same with international freight, customs brokerage, etc., etc. But they didn't. No one else has.

As someone from a 3PL and freight background, we have always sold our services on the premise that we are the logistics experts and retailers are the retail experts and we should focus on our strengths. This is still very true – I've seen some retailers make some very silly supply chain decisions. However, the way that Amazon have moved through the world, they've managed to keep the expertise in the businesses where the expertise belongs whilst leveraging this within the Amazon retail network and on-selling it to others.

To understand where Amazon are going, you just need to look at some of their recent acquisitions and major investments (and those of their related parties). Currently, the big news is around their entrance into brick and mortar grocery retail with the purchase of US chain Wholefoods. Logically, their significant investments in cloud, data mining and AI technology are going to assist Amazon with further personalising online, offline and hybrid shopping experiences. Interestingly, though, their large investments in media are largely ignored when people talk about the Amazon effect on the economy. Twitch, tv, a huge community of online gamers, The Washington Post and sizeable interest in Twitter are a few examples of their recognition of the importance that online and social media play in this modern world of ours. News and the sharing of information has been winning

elections and impacting decisions of countries and economies for a very long time so in comparison, using the media to create habits of consumers is relatively easy these days.

Okay, so what does this mean for us as freight and logistics providers?

Firstly, let's remember, Amazon aren't "coming" to Australia. They've been here for a long time. It's reported that they did AUD 1 Billion in sales in Australia last year. Yeah, not the numbers of a new market entrant. They've had boots on the ground for their technology products for several years now and have been fulfilling physical merchandise

purchases directly from overseas for well over a decade. They are simply expanding their Australian service offerings. Having said

that, their global expansion hasn't been perfect. Reports suggest that 92% of their revenue on product and grocery sales comes from four countries – the USA, UK, Germany and Japan. As logisticians, we know that Australia provides unique geographical challenges that most other countries don't have; We're a big, sparsely populated chunk of land.

However, it is likely that Amazon will disrupt the traditional Australian retail landscape, so, let's start with the one that will probably have the biggest direct impact on many of us – margin pressure. Amazon the retailer is a very low-margin business. Their retail sales return a gross-margin of less than 7%. Even compared to freight forwarding (which as we all know isn't the industry you push your kids into if you want them to get rich) this is measly. So, whilst Amazon have the luxury of their other services propping up their profits, most Australian retailers don't. Local retailers are going

“ *adapt or die* ”

to need to find a way to compete with Amazon's lower cost. As we all know, they are going to look at their cost-base before they start to think about lowering their margins (by the way, for the blue-chip Australian retailers the gross margins sit somewhere in the range of 20-40%, much of which is required to cover the high overhead costs of property and wages).

So, wherever there is a supply-chain cost, retailers will be looking for cost-downs OR innovative supply-chain solutions from us. I think we'd all have to acknowledge that in the world of physical freight there hasn't been a tremendous amount of recent innovation that has led to cost savings for retailers. There's not much sharpening of pencils left for us to do in the traditional commoditised services, so it's time to get out the whiteboards, your favourite bottle of innovation juice and start thinking outside of the boxes that we've grown especially comfortable with.

Next – get ready for your customers to become more demanding around service. As consumers begin to get a taste for next-day, same-day, two-hour deliveries, etc., this will ripple up the supply chain. Everything is going to need to shorten. Of course, there are some physical truths that we can't change – shipping times from China won't drop by much and airfreight capacity will continue to be limited out of the key retail origins. However, this is where innovation will be required. In-country vendor managed inventory solutions, decentralised multi-retailer super-DC's, express recovery and cross-dock solutions are just a few examples of solutions that will become much more commonplace in Australia.

With the compression of the supply-chain will ultimately come further demands on flexibility and visibility. Knowing when a vessel lands and the availability of a container is "so 90's". Being able to track that status online is "so 00's" and being sent push notification emails about statuses is "so 20-teens". Sophisticated dashboards/control-towers that can report dynamically on "what-if" scenarios will become standard.

What am I talking about? You already deal with this in your daily work. A customer calls you and says, "I really need that container urgently, is there any way that you can schedule a late delivery and I'll get the warehouse to stay open late so we can unpack it that night and get the orders out the next day. Oh, and



*Seko Logistics - Geoff Rowan (Sales Director), Justin Irvine (Commercial Director) and Kai Lincoln (Managing Director)*

will this cost anything extra?" Expectation is going to rise to the point where these questions and requests can be dealt with online and your systems will need to shuffle bookings, driver rosters, different warehouse solutions (label on unpack cross-docking, versus storage, versus unpack, value-adding and despatch) all so your customer can see what the impact to cost and time will be and a decision can be made in minutes without waiting for a phone-call back or even talking to a person.

And then, once you've done all that, you'll need to provide measures on how you actually performed.

Fortunately, there are some very smart people out there who are building these systems for the industry, however it's going to take leaders in our industry to recognise that these aren't a fad, but are the changing face and pace of business. There may also be a requirement for businesses to come together in shaping the innovative technology, either through consultation, early-adoption or funding.

We have a demanding customer in our portfolio of clients and we all regularly

remind ourselves that whilst it could be perceived that they're a pain in the ass, the reality is, that with every demand, every time they catch us on a slip-up and every new solution they require, they make our business better. Amazon plays this role for global retail. They are a behemoth who we need to be wary of, they are an agent for change, who we need to admire, and they are a very sound business, who we need to respect.

I've got young children and we can kid all we want about the little Amazon babies that are growing up to serve as the next wave of shoppers for Amazon goods and services, however the reality is that unless we live completely off-the-grid, this is no joke. Amazon or one of their related entities, will have a significant level of influence on us and, especially, future generations. Fight or flight isn't really an option here. Adapt or die is probably more like it.

Let's just hope that unlike Anakin Skywalker\*, Amazon decide to use their super-powers for good and not evil.

*\*Anakin Skywalker is Darth Vader*



# GST on low value imported goods

By DAVID PENPRAZE, Crowe Horwath

With effect from 1 July 2018 the GST treatment on the supply to Australian consumers of low value imported goods made by offshore vendors directly, through online platforms or via redelivery services will change.

This represents a significant modification from the position that has existed since the introduction of GST on 1 July 2000, which provided concessional treatment for low value imported goods. Under the existing provisions GST is not applied to the importation of goods where they fall under the low value threshold.

This change is significant not only in the Australian GST system, but also on the broader global GST or valued added tax (VAT) stage because Australia is the first country or union to introduce such an impost on supplies of low value goods made from outside the indirect tax zone.

Although it is anticipated that governments in various other jurisdictions will follow suit and legislate along similar lines to impose GST or VAT on low value goods imported into their jurisdiction, Australia currently finds itself as the first adopter of such new legislation. Accordingly the trials and tribulations of being the earliest adopter of such legislative changes will be experienced by both the Australian Taxation Office and new GST taxpayers upon their commencement.

The newly legislated model for imposing GST on low value imported goods does not have the effect of removing the low value threshold, rather it imposes an obligation on certain suppliers and deemed suppliers to charge and collect GST on supplies of low value goods under a vendor collection model.

The legislated changes were originally

to take effect from 1 July 2017, in line with the introduction of GST on inbound intangible supplies to Australia which took effect on that date, however after the bill was referred to the Senate Economics Legislation Committee it was passed into legislation in June 2017 subject to two amendments. The first amendment was to delay the introduction of the measures for one year until 1 July 2018, and the second that a Productivity Commission public inquiry into the matter.

The Productivity Commission was asked to undertake a public inquiry into different types of models for collecting GST on low value imported goods, and its final report was produced and provided to the Australian Government on 31 October 2017.

After the final report was tabled in Parliament it was released to the public on 9 November 2017. The final report contained 4 conclusions coming from the inquiry, which can be summarised as follows:

- Conclusion 1 – The revenue collected under the legislated model is likely to be modest and subject to the rate of compliance to the system by foreign suppliers, who will incur significant costs to comply with the legislated model and Australian consumers will be charged higher prices for low value imported goods. However, tax neutrality between imported and domestically retailed low value goods should improve as a result of the legislated model, without Australian consumers incurring any major disruption when importing the goods.
- Conclusion 2 – Although a number of other collection models have been proposed (including transporter, financial intermediary and self-assessment by purchasers) which would mitigate some of the limitations of the legislated model, no other model would be ready for deployment by the 1 July 2018 start date

for the new measures.

- Conclusion 3 – The legislated model is the most feasible model at this point in time, given the Australian Government's decision to change the law to collect GST on low value imported goods and the limitations of alternative models.

- Conclusion 4 – The Productivity Commission has concluded that although there is a case to consider delaying the implementation of the legislated model for various reasons, it considers that there is not sufficient basis to recommend a delay of the current implementation schedule for the new measures.

With respect to the fourth conclusion reached by the Productivity Commission in its inquiry it was considered that, although delaying implementation may result in benefits including providing more time for relevant technological changes to play out, allowing Australia to study and learn from the experiences of other nations who adopt similar measures and to avoid 'first mover' risks, these benefits comprised insufficient impetus for the Productivity Commission to make a recommendation around delaying the current implementation schedule.

In addition to the conclusions reached by the Productivity Commission, the final report also contained a single recommendation that the Australian Government should undertake a comprehensive review of the collection of GST on low value imported goods around 1 July 2023 (i.e. 5 years after commencement of the legislated model) unless exceptional circumstances necessitate an earlier review.

The Productivity Commission flagged several examples of exceptional circumstances which may warrant the undertaking of an earlier review, including extremely low compliance with the legislated model, unintended impacts



on consumers or significant trade policy issues arising.

The Productivity Commission also recommended that the comprehensive review to be undertaken should consider the following key matters:

- The performance of the legislated model during the period from introduction up to the time of review;
- Where the legislated model is achieving unduly low rates of compliance, whether there is merit in introducing other measures for lifting compliance;
- Where the legislated model is achieving high rates of compliance, whether there is merit in introducing other measures to extend the model to higher value imported goods; and
- Whether a valid case can be made to adopt an alternative collection model to the legislated model, taking into account appropriate factors at the time of the review such as relevant technological and process advancements.

Regardless of the recommendation made and conclusions reached by the Productivity Commission it is important to understand and be prepared for the fact that the legislation already passed will be effective from 1 July 2018 as currently drafted, subject to any subsequent amendments that may be made to that legislation between now and the current

start date.

Accordingly, where a supplier (or deemed supplier) makes offshore supplies of goods (except tobacco or alcohol products) that have a customs value of A\$1,000 or less when the price is first agreed with the customer the supply of the goods will be connected with Australia.

In the case where such a supplier reaches the GST registration turnover threshold of A\$75,000 or more on a current or projected basis including its supplies of low value imported goods, the supplier will be required to register for GST, charge and remit GST on those supplies and prepare GST returns.

A number of types of GST registration will be available to such suppliers, including a simplified GST registration for eligible non-residents who want to electronically register, report and pay their GST liabilities on a quarterly basis. This option does not allow the supplier to claim Australian GST credits, however for suppliers operating purely outside of Australia this should not cause issues. Suppliers who only sell low value imported goods will not be able to apply for simplified GST registration until 1 January 2018.

Although these new measures are aimed at the collection of GST on supplies of low value imported goods made by

offshore suppliers, it is noted that there may be substantial interaction between such suppliers and Australian based businesses involved in the importation or freight forwarding of the relevant goods.

It is intended that the new measures will not give rise to border delays in relation to the importation of low value goods where suppliers have already paid GST on the taxable supply, nor should double taxation occur on low value goods at the initial supply and subsequent border entry point.

As noted above, the new provisions are only intended to capture supplies of low value imported goods to consumers. In this regard, an entity will be a consumer if it is not registered for GST or does not acquire the supply in carrying on its enterprise in Australia.

Accordingly, the information provided to suppliers and DIBP at the Australian border is critical to ensuring that supplies of low value imported goods made to registered Australian entities are not subject to GST. Safe harbour provisions apply for suppliers to treat supplies as not connected with Australia if they reasonably believe that the recipient of the supply is not a consumer.

In order for these safe harbour rules to apply, the supplier must have obtained the recipient's ABN and received a declaration or other information indicating that the recipient is registered for GST. In conjunction with these measures, penalties apply to recipients who avoid GST on supplies to them through misrepresenting their GST status.

Where supplies of low value goods are subject to GST a further mechanism exists to prevent double taxation at the border, deeming the importation to be a non-taxable importation if the importer notifies the Comptroller-General of Customs that the goods were supplied as part of a taxable supply at or before the time when the taxable importation would have been made.

The ATO is currently working with DIBP to ensure that the required information to provide such notification is included with the other reporting data provided on the entry of goods for customs purposes. Where your business imports goods and these measures may impact your customers, you should consider opening dialogue with them as to the additional reporting obligations that will arise under the new rules.



*Robert Fais (Australian Taxation Office), David Penpraze (Crowe Horwath) and Sarah Marslen (Department of Immigration and Border Protection) presenting at the FTA – CPD – Border and Biosecurity Compliance Program event, Parkroyal, Melbourne Airport, 6 September 2017*





# Fletcher International Exports leading the way with integrated processing and logistics

Fletcher International Exports is a first generation family owned business, started By Roger and Gail Fletcher over 30 years ago. The company is Australia's most vertically integrated processor and exporter of lamb and sheep meat products. The company operates two highly efficient processing facilities, located in Dubbo, New South Wales, Albany and Western Australia. The two plants have a combined processing capacity in excess of 90,000 sheep and lambs per week, equating to over 4.5 million head per year. The processing philosophy is to utilize as much of each animal as possible.

To complement the existing processing operations, the company has been active in developing significant farming interests. These interests further strengthen the livestock and grain supply chain and provide an opportunity to supply consistently throughout the year.

In the past 10 years the company has developed Fletcher Commodities which exports and markets cotton, grain, pulses and oilseeds through a state of the art grain handling and export

packing facility serviced by Fletcher owned locomotives and wagons.

Fletcher International Exports has been responsive to the changing dynamics of consumer demands in the global marketplace. The expansion of the company's chilled meat business and the development of the grain and pulse export business have been examples of recent responses to meet changing markets and opportunities.

One of the companies core strategies is

to continue to work with its customers to develop new innovative products for changing consumer tastes and lifestyles. The company's full vertical integration from farm and processing to logistics and in market support provides essential capabilities to realize this strategy.

The locations of the company's processing facilities provide clients with unmatched flexibility in terms of shipping. Each site has advantages in transit times to specific markets and contracts can be shipped from either

the east or west coast of Australia to achieve the optimum delivery time.

Fletcher International Exports utilises the latest technology to ensure effective logistics management of cargo to clients in over 100 countries. The company has made considerable investment to completely re-fit production, inventory, sales and shipping I.T. systems. This provides 'real time' order information and places the company in a strong position to manage business growth into the future.

Established in 2009 the Fletcher Commodities Division's asset base of grains packing and intermodal terminal in Dubbo NSW has surged ahead. Beginning with 12,000 metric tonnes of silo storage to service the companies farming requirements the site quickly expanded to the site's current capacity of approx. 350,000mt of storage across silos, sheds and bunkers.

Fletcher Commodities now receives all grades of Wheat, Barley, Desi Chickpeas, Faba Beans, Albus Lupins, Canola and Cotton Seed.

A large proportion of the grain received at Fletcher Commodities is exported to over 40 countries around the world to a variety of different end users such as flour mills, bio-fuel producers, stockfeed companies and retail packaging companies.

The business promotes open communication ensuring transparency and consistency right across the

supply chain when meeting customer's expectations.

Fletcher Commodities and Fletcher Logistics has a class leading facility.

- Grain storage capacity of 350,000 metric tons (silo, bunker and shed) storage.
- Cotton lint warehouse capacity of 25,000m<sup>2</sup>.
- High flow container packing for both 20 and 40 foot containers, bulk and palletised.

The company is in the enviable position of owning all its own logistics infrastructure from the processing plants to the wharf. This includes road trains for the west coast operation and locomotives and wagons for the east coast facility.

Fletcher Logistics handles in excess of 60,000 twenty foot Equivalent Unit (TEU) per annum. The division supports its own logistics and shipping centre, where staff have extensive experience in working with shipping lines, Government Bodies and freight forwarders in making containerised import and export of freight seamless. The intermodal terminal handles a variety of products including abattoir products, mining exports, cement imports, fertilizer imports, grains, pulses, cotton lint, cottonseed and agri/mining chemicals with room to expand into new products. The division is always looking at new ways to service the freight market and

openly encourages enquiry.

Fletcher Logistics manages the entire import and export task from intermodal terminal to port and return. No container job is too big or small. The division prides itself on using a strong relationship network to leverage better value for customers on shipping, trucking and rail rates to ensure our customers have the most competitive options available. Fletcher Logistics promotes open communication ensuring transparency and consistency right across the supply chain when meeting customer's expectations.

Fletcher Logistics owns the longest and heaviest container export train in Australia.

Fleet size of 3 x C44aci UGL 4500 horsepower locomotives, 62 x 60 foot CIMC wagons with a combined length of 1.28km.

With the addition of a banker locomotive in peak season the train has a capacity of up to 6,100mt trailing tonnage, 186 TEU slots per service, three times per week.

Train unloading and reloading is carried out efficiently by three frontline 40mt heavy lift container handlers and several empty handlers, putting the train unload/reload times as one of the best in the country.

When on site, the train stables on the company's private 1.5km double ended loop siding, with over 1000 metres of hard stand train loading area. The train calls all three Sydney container ports before collecting empty containers for the return journey to Dubbo.

The Fletcher Group recently became a member with APSA with the vision of joining like-minded businesses and promoting best practise to the shipping and logistics industries. Both of these industries require significant input from stakeholders further abroad, and we feel it is extremely important that businesses such as ours inform the stakeholders, be it government or consortium of the Strengths, Weaknesses, Opportunities and Threats we face into the future.

For more information about Fletcher International Exports please visit [www.fletchint.com.au](http://www.fletchint.com.au)

If you would like to join the Australian Peak Shippers Association please visit [www.FTAlliance.com.au](http://www.FTAlliance.com.au)







# MCS Maritime Container Services, committed to cost efficient logistics solutions and services for the container, shipping and transport industries

By JAMES WRIGHT, Director, Maritime Container Services

MCS is a 2nd generation family owned intermodal transport business which has been delivering supply chain solutions to our customers for over 4 decades on road and rail. MCS operates from 2 strategic greater Port Botany precinct locations: MCS Cooks River Rail Intermodal Terminal (CRIMT) and Banksmeadow.

CRIMT is underpinned by the largest Empty Container Park in NSW with a holding capacity of 14,000 TEU. The terminal services some 90,000 TEU of regional rail per annum and recycles 2 out of every 3 empty containers back through to the export cycle. MCS's ability to deliver this outcome makes us the supplier of choice to all of the major

international shipping lines calling Port Botany.

The MCS Rail division operates from CRIMT servicing Port Botany via 4 direct rail services per week with plans to increase frequency in 2018. The dynamics of this combined model allows exporters to drop off a loaded container for rail to the port and collect an empty

from the same location, without entering the congestion of Port Botany. This can be facilitated on a 24/7 basis for those transport customers supporting rail.

Each MCS Rail service to and from Port Botany can move up to 170 TEU equating to a reduction of 120 truck movements off one of Sydney's busiest road systems, while supporting the NSW Government's target for increased rail modal share.

Our second operation at Banksmeadow is located just 1 kilometre from Port Botany. The Banksmeadow terminal acts as an interim FCL storage facility for a number of road carriers operating

in the port precinct who do not have the ability to stage containers. In addition, Banksmeadow is a full service Empty Container Park with a capacity of 3,000 TEU.

MCS has big plans for 2018. In conjunction with our joint venture partners GrainCorp, we will commence the operation of Sydney's first port precinct based grain packing facility at Cooks River Intermodal for containerised exports.

Located just 4 kilometres by rail from the container ports at Port Botany, MCS CRIMT is ideally situated to receive grain by bulk rail, pack containers and dispatch to the port. The facility will provide superior access to the growing container market for grain exporters from NSW and will be directly connected by rail to the GrainCorp NSW country silo network. GrainCorp has some 90 country silos in the State with a storage capacity of 11 million tonnes servicing 6,000 NSW country grain growers.

The 'state of the art' Cooks River Intermodal container packing facility, with twin inverter packers, can receive and pack in excess of 250,000 tonnes

per annum of grain. This will deliver some 10,000 TEUs of container exports for NSW to be railed the short distance to Port Botany on MCS Rail, complementing MCS's growing rail container import business on the reverse leg.

The facility will have the ability to access grain from the Queensland border to the Victorian border, with the target source location being the Murrumbidgee Irrigation Area. This will recapture substantial freight volumes that currently seep north and south to Brisbane and Melbourne respectively back via Port Botany.

This project will moreover provide significant benefits to the international shipping lines calling Port Botany by further export uptake as well as reduced downtime on the containers not having to be transported up country for packing.

MCS, are proud to be your independent family intermodal terminal and multi modal port transport operator. Thank you for your continued support as we enter our 45th year of operation stronger than ever.

**“ MCS has big plans for 2018. In conjunction with our joint venture partners GrainCorp, we will commence the operation of Sydney's first port precinct based grain packing facility at Cooks River Intermodal for containerised exports. ”**



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# BSM Luncheon 2017

By ROBERT FLEMING, BSM Global

We were delighted to welcome so many representatives from banking, insurance, shipping, government agencies, terminals and information partners to our annual luncheon, held on September 6th at the Maritime Museum.

While we enjoyed delicious food & cool beverages overlooking Cockle Bay, it was not the view that was the best part of this event.

Here are my top five takeaways from the BSM Global 2017 luncheon - Changing Times, Emerging Trends.

## Changing Times.

The event commenced with keynote speaker - futurist Mark McCrindle sharing his vision for the coming years, by highlighting the ubiquitous trend of continuous development.

He discussed how much our world has changed in recent times, using as an example the evolution of the mobile phone.

I do not miss old mobile phones. Do you remember when text messaging first became a thing? How laborious it was to send a simple text message? I think I used to take 5 minutes just to spell out yes...

We now can't imagine life without smartphones as they have dramatically improved our day-to-day life. So too will advancing the technology and process surrounding supply chain logistics create a positive future.

I look forward to a time where we reflect on the old days of manual process - hopefully asking ourselves why we didn't change sooner, as it has made things so much better - for us, our clients and the whole of the Australian export industry.

## Emerging Trends.

The luncheon format enabled us to hear about forthcoming innovations in our industry. Of great interest was Blockchain. Blockchain will dramatically change the way the shipping industry operates, however it is still on the horizon (it is closing in fast however)

What is here now is GPS enabled container tracking. Just like GPS on our phones has been an absolute game-

“ *When you then consider the broader information that moves across the supply chain, the related parties and how much value is attained when we share data you get a sense of where and how quickly we are going to see changes ...* ”



MC: Mark McCrindle Panel: My Therese Blank (Country Manager, Maersk); Travis Brooks-Garrett (Director, FTA/Secretariat, APSA); Lisa McAuley (CEO, Export Council of Australia); Gerry Gannon (Head of Trade Finance Product, CBA)





*Robert Fleming, BSM Global*



changer, so too will it be for the shipping industry.

There are over 17 million shipping containers dispersed across the globe, however the key stakeholders - the exporter awaiting payment, importer waiting for his delivery, insurance companies, bankers and logistics companies - in the vast majority cases have no idea where containers are.

GPS enabled shipping containers have a positive knock-on effect throughout the whole supply chain, as they are something that can be implemented today.

This technology is a very good example of a variety of improvements that are available when information is shared across the supply chain – Visibility to temperature changes in refer containers will impact the quality of the product , the clients ability to sell the product , cost , reputation , insurance , financing , risk management and ultimately profitability.

When you then consider the broader information that moves across the supply chain, the related parties and how much value is attained when we share data you get a sense of where and how quickly we are going to see changes ...

### **Great minds together create great things.**

Innovation rarely occurs solo. That's why we were delighted to bring together our esteemed panel to discuss the pressing issues in our industry.

A big thank you to My Blank from Maersk, Travis Brooks Garrett from the Australian Peak Shippers Association, Lisa McAuley from the Export council of Australia and Gerry Gannon from Commonwealth Bank for their enthusiasm, interesting insights and informative answers to questions from the floor.

We look forward to bringing together a panel for next years luncheon, and allowing more time for open discussion, as we received a lot of attendee feedback that the panel session was a highlight of their luncheon.

### **We are all in this together.**

Change is hard, however the outcome if we do not embrace what is inevitable is bleaker than the change process.

The Australian export industry competes on the world stage. If we lag behind - we all lose. As the global shipping industry begins to make leaps in their technology and process, Australia must take notice.

If we do not the chain of events is quite

simple - the exporter is no longer globally commercially viable due to non-competitive export costs, then the overall shipping containers leaving our shores full goes down, as so too does everyone's overall business.

On the converse, if we adapt, or even become global innovators here Down Under - the upside for all of us are immense.

### **Bringing everyone together.**

For me however, the best take-away from the luncheon was simply having everyone in the room together talking, networking, exchanging stories from the "coalface", and learning more about what we each do.

I was involved in more than one conversation that resulted in a greater understanding of each other's day to day roles, challenges and wins. I think we need more of this in our industry. Working together just has too much benefit to ignore.

We look forward to an exciting year ahead and are thrilled to confirm that we are committed to facilitating this key initiative on an annual basis.

If you are interested in attending next year's luncheon, please get in touch with Carolyn day from BSM Global - carolyn.day@buysellmove.com.





## The Counter Offer Conundrum

By MATTHEW BROWN, Director, Insync Personnel

Now here is a scenario that I'm sure a lot of readers can relate to.

An employee (let's call them Irreplaceable Alex) hands you their resignation and you're stunned, shocked, grief stricken and angry all at once.

Alex is a great worker. You always thought they enjoyed being part of your company. I mean, why not? You offer a motivating and inspiring office culture, solid remuneration and a memorable Christmas Party!

Then you think something along the lines of, "Uh Oh! Irreplaceable Alex is working on that special project! Alex has been exceptional in the role which he has held for the last 7 years. I can't afford to have him leave!" "How could I find anyone to fill that position as well as Alex did?"

(Well you could use a recruiter but that's not what this article is about)

So you decide to have an earnest chat about the state of play in your organisation and how much you genuinely value them, potential career paths within the organisation.... and then you offer them more money. Sometimes a modest amount, sometimes a lot, it is never a small amount and they decide to stay.

And I must be honest here, this is the part of working in recruitment that all recruiters hate most -the dreaded counter offer. The bane of our existence, the Kryptonite to our Superman!

Ask 100 recruiters what's the one thing they despise the most about what they do, and there'll probably only be one answer – Counter Offers...

And you should despise them too.

Did you know that an incredible 80% of people who accept a counter offer still leave their company after 6 months?

And a MASSIVE 93% of people who accept counter offers have left the company within 18 months, according to a survey conducted by the Wall Street Journal.

That means for 80% of the people who accept your counter offer it's not just about the money, and whilst the extra \$\$\$ may dull their intent and their real reasons for leaving, they eventually remember why they resigned in the first place and for 4 out of 5 of your Irreplaceable Alex's, they'll be gone within 6 months and you're back where you started: even more stunned, shocked, grief stricken and angry all at once. Left wondering why this has happened again and these are probably some of the reasons why:

### Poor Communication

- In a survey of 210,000 employees, less than 50% were satisfied with the information they received from management

### They aren't valued

- 66% did have Salary concerns but 65% also said they don't feel valued. Fair compensation is certainly important, but making sure

you appreciate what they contribute to your company and the world outside it means a lot too.

### Their Manager

- 37% of workers have a poor opinion of their boss' performance. (This is a tough one, as in a lot of instances this can be a challenge to rectify).

### Recognition

- 49% of the Australian workforce said they would leave their current job for one where they are recognised for their efforts and contribution within the workplace (and 93.3% who are recognised regularly, tick the box for job satisfaction)!

### They didn't get that promotion

- 36% of people felt they were overlooked for a promotion and the negatives increase if the workplace overall feels that the person that got it instead was less deserving

### Lack of Training

- In instances where training budgets/opportunities are reduced 77% of companies report lower productivity

### There's nowhere to move

- 45% of workers are dissatisfied with advancement opportunities and 22% of people who don't see options for career development will look elsewhere.

Career development doesn't necessarily mean moving UP the org chart, a lack of cross training opportunities is a common complaint amongst candidates seeking a new opportunity.

#### **Too much work**

- 39% of employees are dissatisfied with work/life balance
- 2/3 employees feel overwhelmed with work
- 80% of people want to work fewer hours
- Good employees tend to attract a higher workload so it's important they don't feel overwhelmed, causing them to leave.

One way to look at it is to ask – do you pay your team to work 40-50 hours a week or do you pay them to do their job and do it well? Flexibility in this area can go a long way towards retaining staff

#### **Lack of Trust**

- 90% of employees rank trust, honesty and fairness as the most valued attributes at work.
- 80% say 'lack of trust' would cause them to leave.
- Author, Dan Pink cites Autonomy as one of 3 critical motivators at work. Studies show the correlation between autonomy at work and employee discretionary effort and loyalty; the less freedom you have in your job, the less likely you are to do your best at work and more likely you are to leave.

#### **Employee's don't know or connect to your purpose**

- 68% of employees believe businesses aren't doing enough to create a sense of purpose

Employees today want to feel that what they are contributing to is greater than just themselves – that they're part of a team with a goal in mind. Remind them of what your company is aiming for and

the role they play.

It's inevitable that every single company will have a rate of employee 'churn', no matter what you do, some staff will always leave.

However by reviewing your own workplace and recognising those 'resignation triggers', you can minimise the risk of having to play the counter offer game with staff members like Irreplaceable Alex.

And when your odds of winning are only 20% - well where's the fun in that?

*Majority of statistics sourced from LocumCo, Roy Morgan, Forbes & RecruitLoop*

For further information please visit [www.insyncpersonnel.com.au](http://www.insyncpersonnel.com.au) or phone 1300 467 962

A large advertisement for insync Personnel. The background is a photograph of a cargo ship's deck, filled with stacks of colorful shipping containers (yellow, orange, blue, and red) stretching towards the horizon under a blue sky with scattered clouds. In the top left corner, the 'insync Personnel' logo is displayed with the tagline 'Our People. Your Future'. In the bottom right corner, the text 'YOUR PARTNER IN TRANSPORT & LOGISTICS RECRUITMENT' is written in large, white, bold, sans-serif capital letters. At the very bottom, the contact information '1300 INSYNC | www.insyncpersonnel.com.au' is shown in white text.

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## More unfair dismissal cases, and lower success rates for employers.

By ED MALLET, Managing Director, Employsure

On average, every three and a half minutes, an unfair dismissal claim is made against an employer. That's 127 a day and employers are losing 60% of the claims.

Unfair dismissal claims are consistently the most common claim year on year. According to Ed Mallett Managing Director of Employsure, "Unfair dismissal claims has become a growth industry of sorts."

"With options available to employees like unions, and advocacy groups, and particularly with the rise of no-win-no-fee lawyers, it's no surprise the employer success rate in unfair dismissal cases are dipping. Lodging an unfair dismissal case is easier than lodging a tax return."

Last financial year, the Fair Work Commission (FWC) lodged a total of 33,071 applications with unfair dismissals being the most common application more than double that of any other.

"The FWC has not provided the data split between large, medium, and small businesses, but what we know from over 14,000 small and medium sized business clients across Australia is that they typically don't have access to the same resources, time, or money to manage and address unfair dismissal claims, as larger organisations. Overall, employer success rates in unfair dismissal cases is only 40% contrasting to an 86% successful outcome when employers contact us for assistance."

Ed says ending an employment relationship is never easy, both for the employer and the employee: "The truth

is that it is no different to any other relationship break up. It is industrial divorce."

"SMEs are under a lot of pressure. They're often swamped and struggling to keep their head above water running their business. So, it's hard to keep across the guidelines, legislation and requirements that they need to be across. SMEs commonly do what they believe is fair, not realising that they have not followed the Fair Work guidelines."

Despite the reason for ending employment, employers must first ensure they understand and comply with the regulatory guidelines or risk a claim for unfair dismissal.

According to Ed "It's critical that the right process in line with the Fair Work Act is followed to the letter or employers run the risk of an unfair dismissal claim. If in any doubt, employers should get advice in advance of taking any steps to terminate employment. This is not a risk restricted to big business. All employers are potentially liable."

"We hear from employers all the time that it is hard to understand what is actually required. The complexities of the Fair Work Act can leave employers exposed".

Ed suggests these five ways to minimise the risk of being hit with an unfair dismissal claim:

### 1. Have clear descriptions of unacceptable behaviour.

Employers need to train staff on good conduct and include clear descriptions of unacceptable behaviour in employee handbooks. This can cover every aspect of employee functions from absenteeism, sick leave, performance and, most importantly, conduct.

### 2. Don't keep policies in a drawer.

When employers have created workplace policies, it's important that staff know about them. A written or computer quiz could ensure employees have read and understood the policies.

### 3. Consistency is key.

All disputes should be dealt with consistently. Employers should adhere to their own policies and procedures to the letter, in every case. Consistently addressing conduct issues will help staff perceive what is appropriate workplace behaviour and what is not.

### 4. Have meetings before the situation gets out of hand.

If an employee is stepping out of the

defined code of conduct, employers are within their rights to schedule a disciplinary meeting to clearly outline the employee's unacceptable behaviour. Following this meeting, a formal, written warning may be justified. If the misconduct is repeated or it constitutes serious misconduct, this could ultimately justify dismissal.

Employsure is Australia's leading workplace relations specialists, bringing together human resources, compliance specialists, and access to legal resources to help employers succeed by establishing fair and safe workplaces for their employees.

Employsure generously provide support to all Freight & Trade Alliance (FTA) and Australian Peak Shipper Association (APSA) members with complimentary access to workplace relations expertise via their dedicated Employer Advice line – phone 1300 651 415 (quote ERA0017).

Employsure currently also support many FTA members with tailored solutions for Fair Work compliance including unique workplace documents, a proactive approach to workplace disputes and insurance services. Managing employees and keeping your workplace safe is a big part of business success. For a referral to Employsure or testimonials from other FTA members, please email [info@FTAlliance.com.au](mailto:info@FTAlliance.com.au) or visit [www.employsure.com.au](http://www.employsure.com.au)

### 5. Get the best advice.

Get expert advice to develop solid employee contracts, workplace policies and performance management programs to put you in the best position possible before a dispute occurs. Employers shouldn't act hastily but instead use expert guidance to gain knowledge of your rights and obligations as an employer.

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# Australian Shipping and Maritime Industry Awards

Freight & Trade Alliance (FTA) was a proud sponsor of the 22nd Australian Shipping and Maritime Industry Awards at the Sofitel Sydney Wentworth on 16 November 2017.

FTA would like to acknowledge all those who nominated as well as the businesses and individuals that were recipients of the following awards.

FTA would also like to extend our appreciation to Paragon Media and Daily Cargo News for hosting this important event that brings together and showcases the diverse sectors of Australia's international trade.

## **Liner Trade Award: Australia-South East Asia, sponsored by Fremantle Ports**

Winner: OOCL

Highly Commended: MSC  
MOL

## **Liner Trade Award: Australia-North East Asia, sponsored by Port of Brisbane**

Winner: K LINE

Highly Commended: COSCO  
Yang Ming

## **Liner Trade Award: Australia-North America, sponsored by Port of Melbourne**

Winner: Hamburg Sud

Highly Commended: ANL  
Maersk Line

## **Liner Trade Award: Australia-NZ/Pacific Islands/PNG**

Winner: Maersk Line

Highly Commended: ANL  
MSC

## **Customer Service Award, sponsored by DP World Australia**

Winner: CMA CGM

Highly Commended: ANL  
Evergreen  
OOCL

## **Environmental or Safety Award**

Winner: Smit Lamnalco

Highly Commended: DP World Australia  
Intermodal Solutions Group

## **Excellence in Bulk Logistics or Heavy Lift Handling**

Winner: BBC Chartering

Highly Commended: Asiaworld Shipping

## **Customs Broker of the Year Award**

Winner: Compliant Customs

Highly Commended: Commercial Freight and Logistics  
Craig Priest (I.H. Hunter)

## **Freight Forwarder of the Year Award**

Winner: VISA Global Logistics

Highly Commended: Customs Agency Services  
Sadliers Global Logistics

## **Maritime Services Award**

Winner: Peter van Duyn

Highly Commended: AMC Search  
Dean Summers

## **Supply Chain Innovation & Technology Award, sponsored by MIRRAT**

Winner: Victoria International Container Terminal

Highly Commended: Maersk Line  
Conweigh

## **Young Achievement Award, sponsored by NSW Ports**

Winner: Alistair Sullivan (Thomas Miller Law Ltd)

Highly Commended: Nathan Arneil (Henning Harders)  
Alison Cusack (ANL)  
Mitch Hawkins (DP World Australia)

## **Port or Terminal of the Year Award, sponsored by Svitzer**

Winner: Port of Brisbane

Highly Commended: Port of Newcastle

## **Seafarers Welfare Award, sponsored by AMSA**

Winner: Sydney Mission to Seafarers

Highly Commended: Port of Townsville and  
Townsville Mission to Seafarers  
Hunterlink

## **Newsmaker of the Year Award**

Winner: Geoff Crowe

Chief Executive Officer at Port of Newcastle

## **Hall of Fame Inductee, sponsored by HFW**

Inducted: David Field





*FTA Table – Anders Dommestrup (Victoria International Container Terminal), Luke Duffy (Containerchain), Paul Zalai (Freight & Trade Alliance - FTA) & Natalia Brooks-Garrett*



*Michael Pope (MC) & Paul Zalai (Freight & Trade Alliance - FTA)*



*Geoff Crowe (Port of Newcastle)*



*Scott Walker (VISA Global Logistics)*



*Clint Latta (Compliant Customs)*



*Anders Dommestrup (Victoria International Container Terminal)*



*Roy Cummins (Port of Brisbane)*



# SPONSORS

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