



LAUNCH OF THE AUSTRALIAN TRUSTED TRADER PROGRAM

Speaking about the recent launch of the Australian Trusted Trader Programme, Senator Michaelia Cash, the Assistant Minister for Immigration and Border Protection, provided the following opinion on the Trusted Trader system.

"Connected border management between Australia and our trading partners is the way of the future. The recently signed and long awaited free trade agreements are a clear demonstration that Australia is open for business. The launch of the Australian Trusted Trader Programme marks a new and exciting chapter in Australia's trade environment. The programme is part of the perhaps unsexy yet nonetheless essential 'nuts and bolts' which allows us to be truly open for business. The recently created Australian Border Force is tasked with a mission to protect Australia's border and manage the movement of people. Though equally relevant to the department's restructure is the facilitation of legitimate trade. Today's globalized economy demands such innovation and the practical implications should not be underestimated. Australian Trusted Trader is a voluntary accreditation programme, free of charge and

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PORT BOTANY RAIL LINE UPGRADE (STAGE 3) UNDERWAY

The Australian Rail Track Corporation (ARTC) has formally asked for Expressions of Interest to deliver Stage 3 of the upgrade to the Port Botany rail line, ARTC CEO, John Fullerton, announced recently. ARTC is delivering the upgrade to the dedicated metropolitan freight line with \$75 million of Australian Government funding under the Government's Infrastructure and Investment program.

The Expression of Interest (EOI) asks for suitably qualified contractors to deliver the track and civil construction work to enhance the Port Botany rail line, including upgrading sections of the network with new, heavier, concrete sleepers, upgraded ballast condition, drainage and heavier rail.

"We all know how critical Port Botany is to the NSW economy and one of the most effective ways we can improve the port's efficiency and productivity is by enhancing the rail network and pushing more of the freight task in-and-out of the port on to rail," Mr Fullerton said.

"This project will allow more efficient trains to access the Port, further improve the line's reliability and productivity and prepare it for future growth. Everyone wins if we increase rail's share of the Port's freight task. Already we are seeing the benefits of stages 1 and 2 to upgrade the Port Botany freight line with new import/export freight and regional freight now accessing Port Botany as a result," said Mr Fullerton.

"Stage 3 will not only improve the rail line's reliability, but improve access and connectivity between the Port and the broader Sydney rail freight network, including the future Moorebank Intermodal Terminal." The project will upgrade final segments of the Port Botany rail line to interstate main line track condition allowing heavier axle loads and much more efficient trains to operate in and out of Port Botany.

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open to all Australian businesses big or small. Many overseas countries already have similar programmes (commonly called Authorised Economic Operator schemes or AEO), including Australia's key trading partners. Over 50 countries already operate similar schemes so the implementation of this scheme is by no means unique, however, to neglect to keep up with our trading partners or competitors would be counterproductive and negligent. Having just returned from China, the need to remain at the forefront of facilitating trade with our largest trading partner was palpable. China's other key trading partners all operate similar programmes, which build closer cooperation and reduce barriers to trade. In fact eight of our top ten trading partners have similar schemes and Australia is the only one of China's top 12 trading partners to not have an AEO."

US WILLING TO DELAY 100PC AUSTRALIAN SCREENING

The Australian Federation of International Forwarders (AFIF) has advised that the US government is- willing to delay implementation of new rules on 100 per cent piece-level examination of US-bound air freight from Australia, with conditions. The US Office of Transport Security (OTS) says the US government will accept Australia's National Cargo Security Program (NCSP) and delay full piece-level screening until July 2017, if the two governments can agree a number of stringent milestones. In essence, Australian businesses will be given two years to ensure they meet the US rules. From the July 2017 deadline, all US-bound air cargo consignments either will originate from a 'Known Consignor' or will be examined at piece-level before they are loaded on passenger aircraft. AFIF and the various government agencies both here and in the US now will work to ensure that Australia's exports to the US meet these interim milestones. "While this extension will give us time to develop and implement the needed regulatory frameworks and operational procedures, it remains a large task in a short time frame," said Brian Lovell, AFIF CEO. "We are still designing the new 'Known Consignor' scheme and putting in place arrangements for piece-level examination."

WORLD CUSTOMS ORGANISATION GUIDE ON CUSTOMS VALUATION AND TRANSFER PRICING

The WCO has published a guide on the relationship between Customs valuation and transfer pricing. It is designed primarily to assist

Customs officials responsible for Customs valuation policy or who are conducting audits and controls on multi-national enterprises (MNEs). It is also recommended reading for the private sector and tax administrations who have an interest in this topic. The Guide does not provide a definitive approach to dealing with this issue. At the time of writing, the Technical Committee on Customs Valuation, the body which has the competence to consider technical interpretation of Customs valuation matters, continues to discuss the issue. Instead, the Guide provides technical background and offers possible solutions regarding the way forward, and shares ideas and national practices, including the trade view.

CHINA-AUSTRALIA FTA (CHAFTA): MYTHS VERSUS REALITIES

A paper published by the Australian Trade Commission addresses some misconceptions about China-Australia Free Trade Agreement (ChAFTA).

FIRST MYTH: Chinese companies will have unrestricted access to Chinese workers for major projects threatening Australian jobs.

REALITY: False

ChAFTA will not allow unrestricted access to the Australian labour market by Chinese workers. It will not allow Australian employment laws or conditions to be undermined, nor allow companies to avoid paying Australian wages by using foreign workers. Australia's existing visa arrangements, including the 457 visa program, will continue to be the basis for implementing Australia's commitments on labour mobility under ChAFTA. The 457 visa program assists employers to address labour shortages by bringing in genuinely skilled workers where they cannot find an appropriately skilled Australian. ChAFTA will not remove the need for employer sponsorship under the 457 visa programme.

SECOND MYTH: ChAFTA will allow Chinese electricians to work in Australia without any skills assessment.

REALITY: False

ChAFTA does not change the required skill levels for Chinese visa applicants. Under ChAFTA, all Chinese applicants for a subclass 457 temporary work (skilled) visa, including electricians, will still need to have the requisite skills, qualifications and work experience to work safely in Australia, as well as meeting all the other regular visa requirements, before a 457 temporary work visa is granted.

All such visa holders will also continue to have to obtain any required Federal, State or Territory licenses or registration, to commence work within 90 days of arriving in Australia and be engaged in accordance with Australian workplace law,

including awards and workplace health and safety.

The commitment undertaken in the ChAFTA side letter on skills assessments simply brings China into line with visa applicants from most other countries around the world with regard to application and skills' assessment processes.

THIRD MYTH: Investor state dispute settlement (ISDS) provisions will allow Chinese companies to sue the Australian government if they make a loss on investments.

REALITY: False

The ISDS provisions in ChAFTA provide a mechanism for Australian or Chinese investors to pursue international arbitration based on a claimed violation of the national treatment commitment in the investment chapter. ISDS does not protect an investor from a mere loss of profits following a change in government policy or regulation. ISDS does not prevent a government from changing its policies or regulating in the public interest and investors should understand the relevant regulatory environment before they commit to making their investment.

FOURTH MYTH: ChAFTA will allow businesses to import dangerous substances, such as asbestos.

REALITY: False

ChAFTA will not make any changes to Australia's safety regulations or import/export prohibitions. There are no changes to restrictions on the import of asbestos and other dangerous products.

FIFTH MYTH: ChAFTA will allow food importers to bypass Australia's food safety processes and import contaminated foods, such as berries.

REALITY: False

ChAFTA does not affect Australia's science-based biosecurity system. SPS market access matters are separate to and negotiated independently of FTA negotiations. Australia's biosecurity arrangements are science-based and Australia will not negotiate away our risk assessment processes in FTAs. There are no changes to our quarantine and testing processes, which will continue to apply to food imports including berries.

10 YEARS OF AUSTRALIAN BUSINESSES MAKING USE OF AUSFTA

The Australia US Free Trade Agreement (AUSFTA) has proven its value to Australian businesses in the ten years since its entry into force according to Trade Minister, Andrew Robb. "The business community has experienced much lower tariffs on our exports to the United States thanks to the agreement, and I encourage Australian exporters to continue maximising the opportunities it provides," Mr Robb said. Two-way trade in goods and services between Australia and the United States has increased from \$41

billion in 2004, the year prior to AUSFTA's entry into force, to more than \$60 billion in 2014. In that time, the proportion of imports from Australia entering the United States tariff-free has increased dramatically. In 2004, only 46 per cent of imports from Australia entered the United States tariff-free. By 2014, 90 per cent of imports from Australia entered the United States tariff-free. A further 6 per cent of Australian imports entered under preferential AUSFTA tariff rates. On 1 January 2015, duties on a further 10.7 per cent of US tariff lines were removed, and more reductions will ensue. By 2023, 98.4 per cent of US tariff lines will be duty-free.

Two-way investment has more than doubled, from \$642 billion in 2004 to over \$1.3 trillion in 2014.

The United States is the largest investor in Australia and the number one destination for Australian investment abroad. AUSFTA benefits also continue to flow to Australian importers and consumers. As a result of AUSFTA, in 2014 \$7.5 billion of US imports into Australia were tariff-free, out of a total of \$7.6 billion that used AUSFTA.

GOVERNMENT WRAPS UP CONSULTATION WITH SYDNEY AIRPORT

The Australian Government's plan for a Western Sydney airport has reached a significant milestone, with the conclusion of a nine-month consultation period with the Sydney Airport Group. Deputy Prime Minister and Minister for Infrastructure and Regional Development Warren Truss said the Australian Government consulted with Sydney Airport Group on a full range of issues on how a new airport for Western Sydney will meet the growing needs of the region. "We expect a Western Sydney airport, which could open for business within a decade, will handle up to five million passengers in its first year and grow steadily over time," Mr Truss said. "An airport for Western Sydney will be a full-service airport capable of handling both domestic and international flights, meaning for the first time Western Sydney residents would be able to access air services quickly and easily. The end of this consultation phase completes the first element of the Commonwealth's contractual obligations under the right of first refusal process. We have afforded the owners of Sydney (Kingsford Smith) Airport the first opportunity to develop and operate a second major airport in the Sydney region as part of the terms of the 2002 sale agreement for Sydney (Kingsford Smith) Airport. The consultation process involved over 65 meetings over the nine-month period. The meetings allowed both parties to put forward views on the project and saw an open exchange of ideas. We will now work through the issues and review the range of options for an airport proposal that will meet Sydney's aviation capacity needs

and deliver the best possible outcomes for the people of Western Sydney and the nation, including economic growth and job creation. To support the consultations with Sydney Airport Group, detailed planning and analysis for an operational airport by the mid-2020s is progressing at pace, including the commencement of a new and robust environmental assessment," he said.

RISK THAT MANUFACTURERS WILL MISS OUT ON FTA BENEFITS

"The overall aim of Free Trade Agreements (FTAs) should always be to provide a net benefit to Australian companies but there is a growing perception that manufacturers should be getting more out of the agreements than they currently are," according to Australian Industry Group Chief Executive, Innes Willox. "This concern is highlighted in Ai Group's submission to the Inquiry by the Federal Parliament's Joint Select Committee on Trade and Investment Growth into the Business Experience in Utilising Australia's Free Trade Agreements. The Ai Group submission argues that while FTA gains should be enjoyed by Australian importers, exporters and investors across the board, there are many examples of FTAs not delivering a competitive advantage to manufacturers. The submission identifies that the most common reasons for not engaging with FTAs include low levels of understanding of how FTAs work; difficulty in accessing information; non-tariff barriers having a greater impact on manufactured exports, and FTA's not meeting exporters' needs. The first and most significant barrier, particularly for Small to Medium Enterprises (SMEs), is accessing information. While the recent efforts of Austrade and the Federal Government to conduct outreach seminars on the North Asian FTAs are welcome, they still lack the level of practical information that companies require to adequately utilise an FTA. The significant benefit of all FTAs is the reduction of tariffs. However, information on the rate and scale of tariff reductions and the rules that companies must meet to qualify for Australian origin are often very difficult to obtain. Many manufacturers report that the tariff saving is not worth the administrative burden. And others miss out because they assume the benefits are received automatically. Also, while the recent formal signing of the FTAs with China and Japan are welcome as are the agreements with eight of our top ten trading partners, looking ahead we should be strategically targeting markets with potential, but which aren't yet strong trading partners. For example, emerging African or Latin American countries could be identified for future FTAs.

CUSTOMS NATIONAL REFUNDS OFFICE

A recent edition of the Australian Border Force's "Border News" contained the following: "Australian Customs and Border Protection Service (ACBPS) regularly conducts compliance assessments of applications for refunds of duty and other taxes. In Australia, industry enjoys streamlined provisions for the lodgement of applications for refunds of duty and other taxes. In the 2013-2014 financial year, ACBPS received 93,624 refund applications and returned \$272 million dollars to importers. While around 97 percent of all applications are automatically processed and assessed without intervention ACBPS regularly assesses a small number of refund applications for completeness and correctness. ACBPS may assess these refund applications in response to general or specific risks, or as part of a general compliance and quality assurance process. If a refund application is referred for assessment, the assessing officer may request the documents associated with the import declaration. Lodgement of a refund application alters the previous version(s) of the associated import declaration, meaning ACBPS may seek additional information relating to any goods on the declaration before a decision is made to approve or reject the refund application."

TRADE AND ASSISTANCE REVIEW 2013-14

In 2013-14, Australian industry received over \$17 billion in gross assistance from the Australian Government through budgetary outlays, tax concessions and tariffs according to the latest annual Trade and Assistance Review (The Review) by the Productivity Commission. Notably, budgetary assistance to industry in 2013-14 was about 17% (or \$1.3 billion) higher than in 2012-13. The Review finds that while tariff assistance today is much lower than it was - from as high as 125% in 1985 to a maximum of 5% today - on average it 'taxes' every Australian about \$150 each year. Businesses incurred an estimated \$7.3 billion in additional input costs in 2013-14, from the same source. The net effect of assistance varies significantly by sector. Manufacturing remains the biggest beneficiary, receiving around \$7 billion in net assistance. Other sectors do far less well from the taxpayer. Services once again bear a greater imposed cost - with the tariff penalty on their inputs perversely outweighing the benefit from government assistance measures. The Review highlights that services are more important than traditional trade statistics suggest.