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SMALL BUSINESSES ACROSS AUSTRALIA TO REAP THE REWARDS FROM JAPAN TRADE DEAL

From 15 January, 2015, Australian small and medium enterprises (SMEs) will benefit from increased access to the Japanese market. Australian businesses should take advantage of the new opportunities opened up by the Japan-Australia Economic Partnership Agreement (JAEPA). JAEPA is the most liberalising trade agreement Japan has ever signed. SMEs in the services sector will benefit from guaranteed access to a variety of areas. Law firms will have improved access to the Japanese legal services market and financial service providers will have guaranteed cross-border access when providing wholesale investment advice and portfolio management services. Australian education providers will also have guaranteed access to Japan's higher education services market. This includes vocational and technical education, potentially enhancing the overseas competitiveness of our TAFE sector.

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GOVERNMENT AND SIMTA JOIN HANDS OVER MOOREBANK

Qube and Aurizon, acting together in the SIMTA consortium, will develop the whole Moorebank site in 2015, subject to approval from the boards of Qube and Aurizon along with government approval. The precinct will include an open access import-export (IMEX) freight terminal with an ultimate capacity of 1.05m containers a year, and an open access interstate freight terminal with an ultimate capacity of 500,000 containers a year. Minister for Infrastructure, Warren Truss, along with Finance Minister, Mathias Cormann, made the announcement in a joint statement. "The government welcomes a submission from the Moorebank Intermodal Company outlining its proposed approach for developing the Moorebank Intermodal Terminal," the ministers said. Industry reaction was positive. "This deal on Moorebank reduces the demand for public funding and allows the intermodal centre and supporting developments like warehousing to span both the Commonwealth and SIMTA owned land," said peak body, Infrastructure Partnerships Australia. Michael Kilgariff, Managing Director of the Australian Logistics Council, commented that "one of the keys" to moving freight to and from Port Botany is through the development of a unified, open access, Moorebank. "We therefore welcome confirmation that the Moorebank Intermodal Company and the SIMTA have agreed to develop the Moorebank site on this basis. "The announcement is an important milestone in the process to develop a much-needed intermodal facility in Sydney's south west," Mr Kilgariff said.

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In addition to these new and non-traditional sectors, JAEPA presents significant opportunities for SMEs involved in more traditional export markets. Our farming community will benefit from preferential access on a wide range of agricultural products. Asparagus is Australia's largest vegetable export to Japan, and from 15 January the three percent tariff on asparagus has been removed, as has the five per cent tariff on macadamia nuts, which is great news for such an iconic Australian product. For beef producers, Japan's high beef tariffs have been cut sharply for Australia. Many cuts start immediately, and even more will take place on 1 April, giving us an even bigger advantage in such a major, influential international market. New market-access opportunities have also been created for seafood exporters. As part of our commitment to this FTA, Australia will eliminate our remaining tariffs on imports from Japan. This is a good news story for Australian SMEs. Lower tariffs mean a cheaper imported business input which in turn, means more support for competitiveness and for increased profitability for small businesses. JAEPA is one of three bilateral trade agreements Australia has concluded with our North Asian trading partners which will provide major market access gains for Australian exporters. The Korea-Australia FTA entered into force on 12 December 2014, and the Government is working towards entry of the China FTA by the end of 2015.

Support for SMEs seeking export opportunities is also available via the Export Finance Insurance Corporation (EFIC) and the Export Market Development Grants (EMDG) programme.

PERTH AIRPORT MASTER PLAN APPROVED

Perth Airport's strategic direction has been laid out for the next 20 years, with its Master Plan approved by the Australian Government. Minister for Infrastructure and Regional Development, Warren Truss, said the Master Plan predicts significant growth in passenger and aircraft numbers.

"Perth Airport currently contributes $2.61 billion to the gross regional product of Western Australia and facilitates 17,800 full time jobs," Mr Truss said. "The Master Plan I have approved outlines its aim of lifting gross regional product to an exceptional $7.04 billion by 2034, which will have significant benefits for Western Australia's economy. To match this growth, the airport has proposed a third runway, a new terminal and improvements to its surface transport plan." Mr Truss said the airport has also committed to improving its consultative mechanisms with stakeholders, and will work closely with all levels of government to ensure the best outcomes for the community. "Perth Airport has committed to work with the Government of Western Australia to finalise the route and station locations for the proposed Forrestfield-Airport rail link."

STRONG LATE 2014 LEADS TO IATA'S POSITIVE 2015 OUTLOOK

Worldwide demand for airfreight should expand by 4.5 percent in 2015, according to the International Air Transport Association (IATA), besting the expected rise in world trade by one-half percent. However, IATA CEO, Tony Tyler, cautioned that, while he is optimistic, other factors such as political risk and macro-economics could impact trade flow. IATA released strong air cargo demand figures for November 2014, due in part to a healthy rise in world trade. The stagnation in the air cargo industry that began in 2011 was met with strong growth in international trade in the second half of 2014, while domestic production of goods remained stable. For the peak-season figure from November, IATA reported that airfreight demand, measured in freight-tonne-kilometres (FTK), rose by 4.2 percent, compared with November 2013, which was also a robust month for FTKs. This global rise in demand came overwhelmingly from the Asia-Pacific and Middle East regions, representing 93 percent of worldwide growth in November. Asia-Pacific carriers captured 55 percent of the global FTK growth, with a market share of 39.7 percent, while the Middle East region accounted for 38 percent, with a market share of 13.3 percent. European carriers saw only a small 0.9 percent rise in FTKs, with capacity increasing by 2.6 percent. The EU continues to sputter due to concerns over the euro and economic sanctions against Russia. Not every region enjoyed November growth, however. In North America, carriers saw a decline of 0.3 percent in FTK, along with a drop in capacity of 2.6 percent, even though port strikes by ILWU workers created more demand for airfreight. The U.S. economy should support a return to growth, IATA predicted.

AND THE WINNER IS... SHANGHAI

The Chinese port of Shanghai, with a throughput of 35.29 million teu, took the crown in 2014 as the world's busiest container port for the fifth year in succession. Last year's box volumes were 4.5% higher than the 33.77 million teu recorded in 2013. Shanghai overtook Singapore in terms of container throughput in 2010. The Lion State has yet to release its full year figures for 2014. In comparison, Australia's box trade has been increasing month-by-month. Container trade in Australasia and Oceania in 2014 grew from the previous year by an average of 1617 teu per month, according to data from Container Trade Statistics (CTS).

The region's combined import and export trade in November 2014 (the last month for which data is available) was up 3.54% to 567,500 teu this year from 548,100 teu in November 2013. November's Australia/Oceania figures in 2014 represented 5.18% of global box trade that month. Australasia and Oceania have largely exported greater volumes compared to volumes from the previous year on a month-by-month basis, with volumes increasing by 600 teu per month on average since November 2013. Exports from the region reached 220,300 teu in November 2014, 2% of total global exports, and were up 3.38% from the same period the previous year. January 2014 saw the biggest change year-on-year, up 12.82%, and March 2014 saw 327,700 teu exported, the greatest volume per month from January to November. Import volumes for the region have also been trending up, with total box imports reaching 347,000 teu in November 2014, 3.17% of the worldwide trade.

BOX THROUGHPUT TO GROW

A series of cargo and throughput-related forecasts have been released by the State and Commonwealth authorities for the period to 2032/33. For Sydney, the volume of full containerised exports is projected to increase to 869,000 teu by 2033. Growth in full containerised exports is forecast at 3.4% a year until 2033, which is lower than the average of 3.8% over the last 14 years. The slowdown will likely be caused by slower average growth in Australia's main export markets and a forecast slightly higher exchange rate of US$0.82 per A$ compared to a 20-year average of US$0.75 per A$. The volume of full containerised imports is forecast to more than double from the current volume (approximately 1.1m full import teu last year) to 2.6m teu by 2033. This represents a forecast growth rate of about 4.6% per year. For Brisbane full-containerised exports, which increased by an average of 5.8% per year over the last 14 years, are expected to increase by 5% per year over the 20 years, from 335,000 teu in 2012/13 to 890,000 teu in 2032/33. This is due primarily to a positive economic outlook for the major export destination countries for Brisbane and the forecast increase in GDP of the OECD region. Full-containerised imports are forecast to increase by 6.6% per year over the next 20 years, from 480,000 teu in 2012/13 to 1.7m teu in 2032/33. Port of Fremantle's total container trade is forecast to grow 5.8% per annum over the next 20 years to 2.1m teu in 2032/33, says new research. This uplift follows from a yearly increase of 6.6% over the last 14 years to 670,000 teu in 2012/13. Total containerised imports through the port are forecast to increase by 5.7% per annum to 1m teu. Total containerised exports, which increased by 6.5% a year over the last 14 years, are forecast to increase by 5.8% a year over the next 20 years to 1m teu in 2032/33. For Melbourne, the volume of containerised exports and imports are both expected to grow at the same rate of 4.8% per year over the forecast period to about 3.2m teu each by 2032/33.

LEVELLING THE PLAYING FIELD FOR AUSTRALIAN MANUFACTURERS AND PRODUCERS

The Australian Government is bolstering Australia's anti-dumping system with a range of reforms to ensure Australian industry is in the strongest position to compete on a level playing field, while complying with international trade rules. Minister for Industry, Ian Macfarlane, and Parliamentary Secretary, Bob Baldwin, announced the reforms which will ensure that Australian manufacturers and producers have access to the assistance and information they need about the anti-dumping system. "Australia supports free trade, but free trade should also be fair trade," Mr Macfarlane said. "The dumping of goods from overseas is harmful to Australian businesses and action can be taken to prevent this behaviour under World Trade Organization rules. Where local companies are being injured by dumping practices they are able to seek trade remedies. The Government's reform package not only delivers on our election commitments but also introduces additional measures to strengthen the anti-dumping system and respond to industry concerns. "The changes will ensure that while Australia becomes increasingly open to trade, Australian industry is not left vulnerable to dumping by foreign companies." Mr Baldwin said the new measures would place a significant onus on foreign exporters to cooperate in anti-dumping investigations, provide a range of new support services for Australian companies who access the system and streamline a number of processes. "One of the significant outcomes of these reforms is that overseas exporters who choose not to cooperate with anti-dumping investigations will face higher dumping duties and have interim measures imposed as early as possible," Mr Baldwin said.

"The Government is implementing a range of new and expanded information and support services for Australian companies. These include using the AusIndustry business hotline to triage enquiries, tripling the number of International Trade Remedy Advisers to better manage the increasing workload and establishing an Anti-Dumping Information Service to provide consumer information and undertake economic analysis of trends and trading behaviours across markets. Changes will also be introduced to improve the way the merits review of anti-dumping is undertaken by the Anti-Dumping Review Panel. They include raising the legal threshold for applications, introducing a conference mechanism for all parties and introducing a scaled fee for applications." The reforms will be complemented by a range of technical amendments to modernise Australia's anti-dumping laws. This includes reforms to address practices where products are slightly modified to avoid the payment of dumping duties.

DELIVERED DUTY PAID (DDP) TRANSACTIONS

A new Australian Customs and Border Protection Notice provides general guidance on delivered duty paid (DDP) transactions for the purposes of the Customs Act and the GST Act. Section 68 of the Customs Act requires goods that are imported into Australia to be entered for home consumption or for warehousing by the owner of the goods. Section 4 of the Customs Act defines “owner” in relation to goods as:

… *any person (other than an officer of Customs) being or holding himself or herself out to be the owner, importer, exporter, consignee, agent, or person possessed of, or beneficially interested in, or having any control of, or power of disposition over the goods.*

In a DDP transaction, both the overseas seller/supplier and the Australian purchaser/ consignee are “the owner”. Either could enter the goods for home consumption under the Customs Act. However, in a DDP transaction it will usually be the overseas supplier that does.

Under the GST Act, GST is payable on an importation of goods into Australia where the importation is a taxable importation. In the case of a DDP transaction, the overseas supplier makes the creditable importation and may be entitled to an input tax credit on GST paid on the taxable importation. The overseas supplier will need to be registered for GST in order to claim an input tax credit. In summary, both the parties to a DDP transaction, and any broker or carrier that makes an entry or a SAC to the Australian Customs and Border Protection Service (ACBPS) in relation to that transaction must retain commercial documents for five years. It is an offence to not retain commercial documents. In a DDP transaction, the ACBPS may seek commercial documentation from:

- the overseas supplier;
- the Australian buyer, and/or
- any customs broker or carrier that lodged an entry or a SAC with the ACBPS in relation to that transaction.

It is an offence to fail to produce commercial documents to an authorised officer when required to do so. ACBPS has statutory responsibilities to pursue the recovery of debts, unless it is uneconomical to do so. It is often very difficult and uneconomical to recover debts from overseas suppliers. It is therefore likely that where duty has been short-paid or entirely evaded by an overseas supplier in a DDP transaction, the ACBPS will seek to recover the duty by issuing a demand against the Australian buyer of the goods. That possibility should, therefore, be taken into account by any Australian buyer before entering into a DDP transaction.

DON’T TAX ONLINE SHOPPING: NEW REPORT

Extending the GST to online overseas purchases of $1,000 or less would be an expensive and damaging mistake, according to new research released by free market think tank the Institute of Public Affairs. A new report, No to the GST attack: Why the exemption for online purchases must stay, argues that putting a GST on low-value imports will not help Australian retailing, and will only succeed in making Australians pay more when shopping online. “The government should rule out this anti-consumer and protectionist proposal,” says Dr Mikayla Novak, Senior Research Fellow at the Institute of Public Affairs and the author of the report. “This proposal will do nothing to limit the advantages of internet shopping. It would still be cheaper to buy low value products from overseas retailers online than local retail outlets in store, even if the GST exemption is revoked. For example, a copy of the novel Gone Girl is available for $25.98 at Dymocks or $13.94 from online overseas retailer bookdepository.com. If the GST was applied to this, the cost from bookdepository.com would only rise to $15.33, still leaving it 41 per cent cheaper than buying from Dymocks. The tax would also be so hard to collect that the costs of extending of GST would exceed the revenues collected. The Productivity Commission found that reducing the GST low-value threshold down to $100 would have raised $495 million for the government in 2010-11, but it also would have cost the government $1.2 billion to collect it. The only thing extending the GST will achieve is increasing the cost of living for Australians, for no good reason,” says Dr Novak. The report also argues that the true path to reviving the Australian retail industry is to liberalise the regulations that contribute to the high retail costs in Australia. These problems include a highly regulated labour market, severe land use restrictions and trading hour conditions. “If the government is serious about helping the Australian retail industry, it should liberalise it. There are many problems with the Australian retail industry. The answer to those problems is certainly not removing the GST exemption on low-value imports,” says Dr Novak.