

If you aren't grateful for what you already have, what makes you think you would be happy with more. Roy T. Bennett

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## Bio-Security Import Levy Increase

The Australian government announced the introduction of the Biosecurity Import Levy in the 2018-19 Budget with an expectation to raise \$325M over 3 years from a proposed commencement date of 1 July 2019. The associated modelling announced in the budget referred to collection of \$10.02 per twenty-foot equivalent (TEU) and \$1 per tonne for non-containerised cargo with stevedores and port operators to be the collection agents.

Industry is already paying significant cost recovery fees to the department on import transactions.

This is underpinned with a transparent process aligned to the *Australian Government Cost Recovery Guidelines* whereby industry has input into the design and use of funds. It remains unclear why the new levy did not follow this approach which would ensure that funds are directly used in building a stronger biosecurity system, including measures to streamline activities and reduce costs at the border.

Of additional concern, it remains unanswered whether the levy will directly contribute towards the support and management of BMSB and other emerging biosecurity threats. As we now understand it, the Biosecurity Import Levy is not a cost recovery initiative, it is a tax going direct into the federal government's consolidated revenue.

The department has advised that the levy will be used to protect our environment, agricultural and tourism sectors from biosecurity risks. In response, a legitimate argument put forward from some members is that based on this need, the required additional revenue should be collected from Australian tax payers.

Assuming that industry is to pay the levy, it has been questioned why the financial burden is not being shared with air and sea passengers as well as air cargo and mail operators.

We understand that it would have been unattractive for government to impose a new tax on the public and tourists or revisit the controversial concept of a "parcel tax" against online internet purchases.

In summary, the common perception is that sea cargo was the obvious soft target for the new tax.

Revised modelling now proposes that shipping lines are responsible for paying the levy. This is a significantly improved outcome by removing the imposition from stevedores and the transport sector. The revised model maintains a \$10 per TEU tax but has added an extra level of complexity by charging shipping lines on the weight of import vessels and makes an adjustment to the proposed tax imposition on bulk and break-bulk cargo.

We will keep you updated of the outcomes.

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# Low-Sulphur emissions for shipping industry

Starting Jan. 1, 2020, ships must comply with a sulfur emissions limit of 0.5% mass by mass, down from the current stipulation of 3.5%.

As ocean lines adjust, shippers and supplier industries must follow suit, creating lingering questions of whether the supply chain will be ready for the upcoming shift at the start of the new year.

The lion's share of responsibility to comply with IMO regulations will fall in the hands of the carriers. They'll need to ensure their fleets meet the sulfur requirement through one of three methods:

1. Purchase and use low-sulfur fuel.
2. Purchase and install scrubbers.
3. Use liquefied natural gas (LNG).

Most ships will go with the first option, and only a handful will use LNG, said Simon Heaney, senior manager of container research at Drewry. By the end of the year, up to 2,000 ships may be retrofitted with scrubbers, according to an estimate by IHS Markit — far less than IMO's prediction that 3,800 vessels would have scrubbers.

## Will ocean freight rates increase?

Probably — but by how much remains to be seen. Heaney told Supply Chain Dive he foresees a "substantial" increase in 2020.

"How much of that is base rates ... will be dictated by supply and demand," he said. "But you put on this extra surcharge, then there will clearly be an increase in 2020 over 2019."

Fuel prices will play a significant role in the rise of shipping rates, as 60% of a ship's operating cost is fuel, Welch said.

## How should shippers prepare?

While shippers don't need to make any changes to their cargo or booking process, they do need to prepare for the inevitable price hikes.

"If [carriers] don't succeed in getting an equitable share of the burden between themselves and their customers, they are likely to hemorrhage profits this year" .

Major shipping lines announced last year some form of surcharge or bunker adjustment factor (BAF). Many of those surcharges took effect at the beginning of this year to offset costs shipping lines anticipate in 2019 as they invest in new ship technology and possibly scrubbers.

We suggest you start discussions with CNI Operations as soon as possible in preparation.



## BREXIT—MORE LIKE TO BE OR NOT TO BE...

Hamlet may have been a more effective negotiator for the UK as their Government negotiators are making very little in roads on an acceptable exit strategy.

### WHAT IS IT ALL ABOUT?

The British people voted to leave the European Union ('EU') in June 2016. The formal process for the UK's exit from the EU began when the UK Government triggered Article 50 of the Treaty of Lisbon on 29 March 2017, commencing the two year process of negotiating the terms of its exit. The UK is scheduled to formally leave the EU on 29 March 2019.

### What happened?

The UK held a referendum on 23 June 2016 to answer the question: "Should the UK remain a member of the EU, or leave the EU?" By a margin of 51.9 per cent to 48.1 per cent, the UK voted to leave the EU (commonly referred to as 'Brexit'). A breakdown of votes by region is listed below.

	Stay	Leave
<b>England</b>	46.6%	53.4%
<b>Scotland</b>	62.0%	38.0%
<b>Wales</b>	47.5%	52.5%
<b>Northern Ireland</b>	55.8%	44.2%

### What does Brexit mean for business?

The Australian Government is paying close attention to the UK's exit preparations.

There will be no changes to the rules covering our trade and investment interests and people-to-people ties with the UK and EU while the UK remains within the EU, or during the expected transition period.

The Government is continuing to liaise closely with the UK and the EU, to identify future implications for Australian businesses operating in, or trading with, the UK and/or Europe.

This includes contingency planning in the event that the UK leaves the EU in a 'no deal' scenario.

A 'no deal' scenario is one where the UK leaves the EU and becomes a third country at 11pm GMT on 29 March 2019 without a Withdrawal Agreement and framework for a future relationship in place between the UK and the EU.



## Australia grounds Boeing's 737 MAX

Australia's aviation safety authority has banned all Boeing 737 MAX aircraft from flying to or from the country in the wake of two deadly plane crashes involving the brand new aircraft in the past five months.

Overnight, the European Union's Aviation Safety Agency also suspended all 737 MAX flights in Europe as a precautionary measure. It followed similar moves by several countries including China, France, the UK, Turkey, Singapore, Germany, Ireland, the Netherlands and Malaysia.

In what is a major blow for the aerospace giant Boeing and an unusual split from American aviation regulators, Australia's Civil Aviation Safety Authority said on Tuesday night that it was in the best interests of safety to ground the jets, operated here currently by Fiji Airways into Adelaide, Sydney, Brisbane and Melbourne.

Singapore's SilkAir also flies 737 MAX 8s into Darwin and Cairns, but was already moving those services onto older planes after Singaporean authorities grounded the MAXs earlier on Tuesday.



## Australian Border Force Newsroom ...

Two men charged with serious drug offences after 18 kgs of meth seized in South Australia

Two men have been charged with allegedly importing around 18 kilograms of methamphetamine hidden in modified 4WD recovery winches in Adelaide.

It is estimated 18 kilograms of methamphetamine has a street value of \$13.5 million\*. This equates to almost 180,000 street deals of methamphetamine.

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New ABF patrol vessel for NSW

The Australian Border Force (ABF) has today launched a new Port, Harbour and Coastal (PHC) vessel to strengthen its maritime capabilities across New South Wales.

Based in Sydney, the 12.4 metre *Lord Howe Island* is one of a suite of vessels launched across the country to provide the ABF with a greater range and maritime operational capability.



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## China Trade War Update. Does anyone know what is going on?

The China trade war is on pause again. New tariffs, which were supposed to double on March 2, are part of a new ceasefire agreement between Beijing and Washington. Is it a 60-day trade truce? Is there no timeline on it? Nobody knows.

This Chinese trade war is a moving target. Market insights on the subject seem to change every third day. We went from Trump and Xi Jinping ready to sign a “great deal” at the Mar-a-Lago resort in Florida in March to Trump and Xi ready to sign something that looks kind of like a deal at the Mar-a-Lago resort in April to maybe Xi is not coming after all ... in a matter of 72 hours.

China and the U.S. battling over trade is like watching the Qld play NSW in State of Origin. What on earth is this game? Why is Greg Inglis playing in the centres? What’s Morgan doing at Fullback? Oh, man, and here comes Matt Gillette to kick a field goal. Okay, this is getting ridiculous. So is the trade war.



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## Are you confused with international Trade documentation?

A recent survey highlighted 4 out of 5 Importers are confused about what documentation is required for what purpose.

“Not surprising!” said Dan Duignan, CNI’s Sales Director. “With government looking to pass more and more responsibilities down to the importer level, their main form of compliance is through documentation audit process”, he added.

“It all sounds good in the first instance, however importers, and exporters, are becoming overwhelmed with the pure volume of documentation and in particular, the specifics of each documentation.” Mr Duignan added importers and exporters were spending more of their time in this area instead of their actual operations.

If you have any documentation concerns, please don’t hesitate to contact CNI customs Section. CNI has TAE (Training and Assessment Educators) qualified staff that can assist with any training needs.



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