Newsletter Date: October 2018

"Itis amazing what you can accomplish if you do not care who gets the credit"
Harry S Truman

CARGO NETWORK INTERNATIONAL PTY LTD

Three (3) New FTA's due for 2019

INSIDE THIS ISSUE:

New FTA's due 2019	1
Brown Stink Bug USA Trucking issues	2
Shipping surcharges	3
USA-China Trade War	4
LNG Import Plan	5
ABF Seizure	6

There are three new FTA's to commence in 2019 with legislation currently being passed through Federal Parliament.

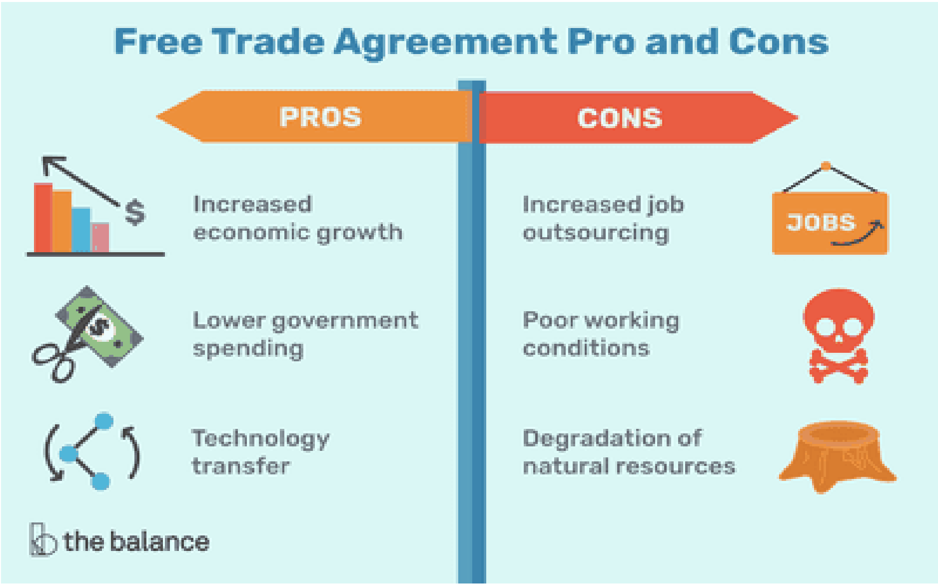
The three new FTA's are "Trans Pacific Partnership-11" (TPP-11),

"Peru Australia Free Trade Agreement" (PAFTA) and

the Regional Comprehensive Economic Partnership (RCEP) which may become operative in 2019.

The TPP-11 being a plurilateral FTA will require a more in depth legislative framework than the other two (2) FTA's.

"Over time, free trade works with other market processes to shift workers and resources to more productive uses, allowing more **efficient** industries to thrive. The results are higher wages, investment in such things as infrastructure, and a more dynamic economy that continues to create new jobs and opportunities. "



DAWR—Brown Marmorated Stink Bug Measures—the saga continues….

The Department of Agriculture has provided preliminary advice on this year's Brown Marmorated Stink Bug (BMSB) season. New seasonal measures will apply for goods shipped on or between **1 September 2018 to 30 April 2019**.

MEASURES

The proposed seasonal measures apply to certain goods shipped as sea cargo from target risk countries.
As soon as seasonal measures have been finalised, we will publish information in the News & Updates section on our website. This will include applicable goods and countries, as well as specific treatment rates (chemicals, temperatures and duration).

The measures instigated by the Department of Agriculture, Water & Resources are like the shifting sand at Bondi beach - constantly moving. Whilst this issue is a very difficult issue to manage, and we are all in agreeance that the integrity to our Agricultural sector must be preserved and maintained, the practicality of facilitating the movement of cargo has been extremely trying, to say the least.

Cargo Network International staff are in constant contact/dialogue with DAWR and the Freight Depots to facilitate the movement of your cargo as smoothly as possible, but we are experiencing delays in the process simply due to the volume of cargo moving through the "peak" season.

Should you have any questions, please contact our Customs/Quarantine experts.

USA companies are complaining they can't find enough truck drivers to ship their stuff because of Amazon.

While demand for truckers has gone up with the rise of e-commerce, a federal mandate for electronic logging devices that took effect in December is limiting the number of hours drivers can work.

Trucks account for more than 70 percent of all tonnage moved in the U.S., according to the American Trucking Association. A shortage of drivers has persisted for years due primarily to an aging workforce and poor compensation for the long hours away from home coupled with increasing demand led by Amazon, according to industry experts.

Adding to the shortage, a federal mandate for electronic logging devices that took effect in December is limiting the number of hours drivers can work. Previously, a driver may have started the clock only after picking up goods from a warehouse. But now the devices are taking into account all hours on the road, which can quickly push a driver past the legal limit of consecutive work hours.

There is a lot of uncertainty within the trucking world right now about what the effects of the [electronic logging devices] mandate's going to be in the long term.

Truck driver shortage projected to triple within a decade, if nothing changes

Shipping lines introduce widespread surcharges for new IMO regulations

Major shipping lines are rolling out an unprecedented cost recovery campaign to compensate for the International Maritime Organisation (IMO) commitment to reduce sulphur emissions from shipping lines by 85% by 1 January 2020.

This is a significant development. Maersk and MSC have each calculated the impact of the regulations to be $2BN USD each per year, an amount that they will be seeking to recover from the world's shippers and freight forwarders via a new surcharge.

The CMA CGM announcement suggested that the average cost based on current conditions will be $160 USD / TEU.

Despite the 2020 effective date of the regulation, Maersk, MSC and others, are introducing their new fuel surcharge mechanisms from 1 January 2019- a year before the regulation kicks in.

The main explanation for an early cost recovery is the transition to lower sulphur fuels, even though it would seem that:
they are not compelled to do so until 1 January 2020;
shipping lines have not provided a sufficient explanation of the capital investments that they will be undertaking from now until 1 January 2020 that justifies the early application of a surcharge; and
most of those cost recovery mechanisms have "averaged out" the costs per vessel and per trade lane, whereas in reality each vessel will vary in their sulphur emissions.

Our biggest concern is that this will be a "cost plus margin" scenario where the shipping lines use this new regulation as a revenue opportunity, not as a cost recovery exercise.

In addition to this, The container shipping sector has been faced with numerous challenges over the past couple of years, the most recent being hikes of oil prices. Market headwinds have seen numerous analysts question the ability of major carriers to deliver profit in the first half of 2018 and the full year despite buoyant demand.

"Higher oil prices are the principal reason why so few carriers have achieved profitability so far this year. However, since many also reported lower average freight rates than in 2017, which is doubly underwhelming given that there has been at least some success in passing on bunker costs, bunker prices are not the whole story; there is still overcapacity on major routes," Daniel Richards, container shipping analyst at Maritime Strategies International (MSI), told World Maritime News.

In order to cut costs and help relieve the overall tonnage overcapacity, liners have started to reshuffle services and withdraw sailings, in addition to introducing emergency bunker surcharges. However, it took them a while to get around the idea that the trade growth they were hoping for might not materialize.

The Key Market Disruptors are: Geopolitical Challenges, Digitalisation, Bigger Ships?

Donald Trump's trade war will cost Australia's economy at least $36 billion

Australia is bracing for a $36 billion economic hit as Donald Trump prepares to unleash his biggest strike yet in a trade war with China, with warnings a further escalation could cost thousands of local jobs.

Australia has been urging all parties to respect the long established rules of international trade and to avoid action that could ultimately damage their economies and those of other nations,.

Mr Trump could raise tariffs on $US200 billion worth of products ranging from selfie sticks to clothing, after the US President signalled he would act as soon as a consultation period closed on Friday afternoon Australian time.

“If the United States, regardless of opposition, adopts any new tariff measures, China will be forced to roll out necessary retaliatory measures," China's economic ministry spokesman Gao Feng said.

The tensions between the world's two largest economies will hit Australian exporters and consumers, with fears a trade-induced economic shock would crimp global demand, hitting farmers, miners and manufacturing suppliers.

Two of Australia's largest exports - the resources and education sectors - are particularly exposed, with a falling Chinese currency weakening its buying power, discouraging Chinese parents from sending their children to Australian universities, and a slowing economy reducing demand for iron ore and coal.

A best-case scenario modelled by KPMG, where tariffs would not escalate beyond the current threats from the White House, would see Australia’s GDP projected to be 0.3 per cent lower by 2022. This represents a $36 billion drop in economic growth over five years.

This modelling relies on a US-China trade war playing out in isolation with no further contagion. If other countries joined the fray, KPMG expects the results to be devastating.

"The temptation for any government will be to put up tariffs or to initiate anti-dumping procedures against a potential flood of cheap US and Chinese imports," he said. "That simply escalates the trade war with potential catastrophic consequences for the world economy."

Importing LNG into Australia—really?

AGL is planning a project that will source gas at competitive prices from Australian and international suppliers for our gas customers in south-eastern Australia. The gas would be transported on liquified natural gas (LNG) ships from interstate and overseas, transferred to another ship and converted from liquid form back into gas on that ship and then piped into the existing transportation network.

The ship, known as a floating storage and regassification unit (FSRU,) that stores the liquid gas would be moored at the existing jetty at Crib Point. Depending on demand, between 12 to 40 LNG ships per year would moor alongside the FSRU at Crib Point to resupply the FSRU with LNG.

The gas import jetty would be connected by pipeline to an existing gas pipeline in Pakenham – the exact length of this pipeline will depend on the route between the jetty and the transmission pipeline but we anticipate that the new pipeline will be approximately 55kms long. The pipeline will be bi-directional allowing gas flow from Pakenham and will be built with valves along the route to facilitate future gas supply to communities. We will also need some plant and equipment for processes such as metering and odorisation to be installed onshore at the jetty.

> THE CURRENT OUTLOOK SUGGESTS THAT SHIPPING LNG TO SOUTH-EASTERN AUSTRALIA WILL PROVIDE RELIABLE, LONG TERM CERTAINTY FOR OUR CUSTOMERS AND THE MARKET.

Why import LNG?

AGL does not produce gas for export overseas.

If AGL imports gas from interstate and overseas, it will help Australian gas customers by:

* making gas supply more certain
* introducing price competition and help put downward pressure on wholesale gas prices
* allowing gas from Western Australia and the Northern Territory to be imported to the east coast gas market, as these regions are not connected by pipelines
* reducing the urgency to open more gas fields in Australia.

.

CARGO NETWORK INTL.

Unit 4, 1368 Kingsford Smith Drive
Meeandah Qld 4008

Tel: +61 7 3260 1166
Fax: +61 7 3260 1200

WE'RE ON THE WEB

www.cargonetwork.com.au

AUSTRALIAN TRUSTED TRADER
INTERNATIONAL AEO AND TRADE FACILITATION

SPECIALISING IN:

Specialised Freight Movements
Customs and DAWR operations
Risk Managing out of gauge cargo
Customs Duty and Compliance Reviews
Customs consultancy both in Australia and abroad
Quarantine (DAWR) compliance
Creating logistics plans that are mapped into Safety Management Site Plans

Man arrested at Sydney Airport after attempting to import four kilograms of "ice"

A 47-year-old man from Cyprus has been arrested and charged at Sydney International Airport after authorities found methamphetamine concealed in the lining of his suitcase.

The man was selected for a baggage examination after arriving in Sydney off a flight from Doha, Qatar on 07 October 2018. Australian Border Force (ABF) officers X-rayed the man's bag and noted inconsistencies in the X-ray image.

After further inspection of the bag, ABF officers located a crystalline substance secreted in the lining of the suitcase. The substance was subsequently tested and gave positive indication for the drug methamphetamine, sometimes known as "ice".

The estimated total weight of the drug is approximately 4 kilograms, with an estimated street value of $3.5m.