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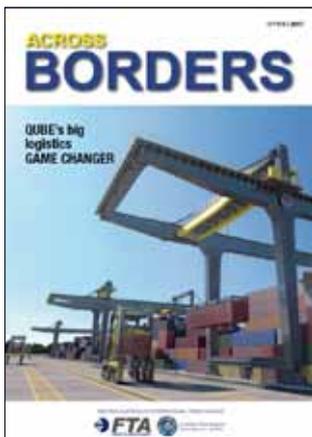
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68 Brooker Avenue  
Beacon Hill NSW 2100

T: 02 99751878  
E: [info@FTAlliance.com.au](mailto:info@FTAlliance.com.au)

[www.FTAlliance.com.au](http://www.FTAlliance.com.au)

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Steve Moxey on 0400 473 200

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# ACROSS BORDERS

SPRING 2017



## Welcome to “Across Borders”

We would like to express our sincere appreciation to the Assistant Minister for Immigration and Border Protection for his personal involvement in Freight & Trade Alliance (FTA) and Australian Peak Shippers Association (APSA) activities and his insightful forward to this edition of “Across Borders”.

The Hon. Alex Hawke MP met with a contingent of members during August 2017 and participated in a site visit of the automated Victoria International Container Terminal at Webb Dock, Melbourne. The extended discussions centred on the formation of the new Department of Homeland Affairs, utilisation of new technology for the screening of cargo, emerging border reforms and transport logistics matters.

In terms of logistics, we are clearly heading to a new era with existing and emerging intermodal facilities offering a range of services. As outlined in our feature articles, the Moorebank Intermodal Terminal showcases how the freight precinct will enable containers moving between Port Botany and south-west Sydney to undertake much of their journey by rail, enabling increased capacity and operational efficiencies.

We are again delighted to continue our member feature series showcasing Casella wines operations out of the Riverina and the Australian Cotton Shippers Association report on current issues effecting yields and international trade implications.

Thank you once again to all our writers from across commerce and government who have generously contributed to our Spring 2017 edition of Across Borders.

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





# Change before you have to

During August 2017, Freight & Trade Alliance (FTA) and Australian Peak Shippers Association (APSA) representatives had the privilege of meeting Alex Hawke (Assistant Minister for Immigration and Border Protection) and hosted a site visit of the automated Victoria International Container Terminal, Webb Dock, Melbourne.

The focus of discussions centred around utilisation of new technology for the physical examination / screening of cargo and emerging Australian Trusted Trader reforms and Mutual Recognition Agreements.

We also asked the Minister to share his views on the background for the new Department of Homeland Affairs (DHA) and in response received the following commentary.

By THE HON. ALEX HAWKE MP,  
Assistant Minister for Immigration and  
Border Protection

“ *We cannot wait for a tragedy or even a near miss to galvanise us to change* ”

Former General Electric CEO Jack Welch famously said: “Change before you have to.”

On 1 July 2015, the Government stood up the Australian Border Force (ABF) within the newly integrated Department of Immigration and Border Protection. Integration was a direct response to the challenging border environment of that time—one of unprecedented and escalating border flows, complex, volatile threats and a globalising world. This has become our ‘new normal’.

This necessitated a new approach to managing the border—from a static entity to a complex continuum. The traditional idea of the border as a physical barrier is outdated. Our operating environment has become more complex—we do not only address threats at our airports and seaports, but also before they arrive at our shores.

The Government’s actions two years ago meant that for the first time, our border functions—facilitating trade and travel, while safeguarding the integrity of our borders—were fully integrated under one coherent organisation.

Minister for Immigration and Border Protection, Peter Dutton’s, and my integrated portfolio has done some impressive work in just over two years

of operation, including processing more than 81 million air and sea travellers and crew, receiving and risk assessing more than 73 million air cargo consignments, six million sea cargo consignments, and inspecting more than 100 million international mail items. We have seized record amounts of illicit drugs, tackled the scourge of outlaw motorcycle gangs through the character provisions of section 501 of the Migration Act 1958 and pursued bilateral and multilateral agreements to further open up trade avenues.

However, we cannot grow complacent. Year on year, trade and travel volumes continue to increase. Concurrently, we are dealing with significant national security challenges such as terrorism, irregular mass migration, people smuggling, organised crime groups and attempts to exploit our visa programs. Threats to our security are constantly evolving. The world is not slowing down, and neither can we.

The initiatives announced by the Prime Minister on 18 July, including the creation of the Home Affairs portfolio, will be the most significant reform of Australia’s domestic security arrangements in decades.

The new portfolio will include a central department, the Department

of Home Affairs, which will provide strategic planning, coordination and administrative support to operational agencies. National security, immigration and trade and travel facilitation will form a key component of this new portfolio.

Operational agencies within the portfolio include the ABF, the Australian Federal Police, the Australian Security Intelligence Organisation, the Australian Criminal Intelligence Commission and the Australian Transaction Reports and Analysis Centre.

As Welch put so succinctly, we are changing before we have to. We cannot simply react to threats as they arise. We cannot wait for a tragedy or even a near miss to galvanise us to change. Instead, the Government is proactively working to ensure the security of our nation and the safety of the Australian people. The establishment of a Home Affairs portfolio reflects the increased complexity of today's security environment, and our commitment to keeping Australians safe.

There has been extensive media coverage in the wake of this announcement, including a great deal of speculation about how immigration and customs functions might be affected by the reforms. Much of this conjecture has suggested that these functions might be relegated to second place in the new Home Affairs portfolio.

I can say with absolute certainty that neither immigration nor customs will be 'downgraded' in any way—the ABF is, and will remain, Australia's customs service. In fact, the creation of this new department will only enhance the coordination of our traditional functions.

How?

For a start, more efficient trade and travel and a strong, secure border are not mutually exclusive, as some seem to believe.

On the contrary, they are mutually reinforcing. This is reflected in the ABF's dual, complementary imperatives: the facilitation of legitimate trade and travel across our borders, and the enforcement of a secure border to protect the Australian community and economy.

Rather than disadvantaging the ABF's role in trade, the creation of the Department of Home Affairs will enable it to more effectively engage with its law



*L to R - Tom Babic (ADM Global), Travis Brooks-Garrett (FTA/ APSA), Sam Curro (Visa Global Logistics), Alex Hawke (Assistant Minister Immigration and Border Protection), Paul Zalai (FTA / APSA), Chris Chalmers (Tomax Logistics)*

enforcement and intelligence partners.

With greater cooperation and coordination between agencies, we will be able to better detect those who wish to circumvent our border controls for self-serving or criminal ends while facilitating the smooth movement of the vast majority of legitimate trade and travel.

In turn, we will continue to advance our ambitious trade modernisation agenda, with the aim of:

- enhancing our intelligence capabilities to undertake more sophisticated risk assessments
- streamlining import/export processes to reduce time and costs for businesses
- reducing intervention and double handling from government.

Ultimately, we envisage a seamless border, in which compliant trade and travel can flow freely and without undue interference to the benefit of industry and government alike, while our advanced risk assessment processes use the latest intelligence and data to identify non-compliance, keeping our borders and our community safe.

The Government has already made significant progress against this agenda.

We launched the Australian Trusted Trader programme on 1 July 2016. There are more than 50 accredited businesses that benefit from streamlined trade and increased efficiency without compromising supply chain security. The associated Mutual Recognition Agreements, which will provide Trusted Traders with differentiated border treatment in signatory nations, are slated to create a direct benefit of \$2.4 billion for participants over 10 years.

We are also committed to the increased use of Free Trade Agreements, which enable importers and exporters to trade goods more efficiently at the border and receive preferential customs duty rates.

These trade initiatives will continue to be priorities for the Government.

The establishment of Home Affairs portfolio means a secure border. A secure border is the foundation of a secure trade program. By changing before we have to and creating the Department of Home Affairs, the Government is prioritising both Australia's security, and economy.





By PAUL BLAKE, Chairman,  
Australian Peak Shippers Association

## Welcome to the 2nd edition of Across Borders

It's been an action packed past few months since the first edition of Across Borders and the growth and recognition of APSA as a major player and influence in the Australian freight and logistics sector continues on the back of some great work by Paul Zalai, Travis Brooks-Garrett and the FTA secretariat team.

There is no doubt that shippers globally are facing a new and constantly changing freight marketplace driven by the accelerated consolidation of the ownership of the world's containerised liner shipping capacity and the resultant pressure on rates and services.

There is no doubt that exporters have enjoyed a relatively lengthy period of low freight pricing driven by global trading trends and oversupply of shipping capacity, however it would seem a natural progression of the shipping industry consolidation, that this scenario is changing rapidly based on first half results of the major shipping lines that have been released to the public.

Clearly in Australia, shippers are faced with some unique challenges as a consequence of the size of the container shipping market and the inverse nature of demand for shipping capacity driven by seasonal space and equipment capacity requirements.

Having recently seen the end of what has been classified as the largest grain harvest/season and the massive impacts the 2016/17 season has had on all sectors of the export chain the APSA

board is focussing on how the status quo can be changed so that spikes in demand are better forecast and by default managed by all players in the international chain.

To this end APSA is working with well qualified entities to build forecasting capability which can be shared with the shipping industry, government agencies, transport operators and infrastructure operators to create improved capacity planning to service export demand peaks and troughs.

APSA has prepared and lodged a detailed submission to the Federal Inquiry into Freight and Supply Chain Priorities and this document focuses very clearly on the terms of reference of the inquiry being:

"The Australian Government is seeking to improve freight and supply chain efficiency and capacity and to reduce the costs of transporting goods through our major national container ports, airports and intermodal terminals"

In an environment where Australian shippers have recently been impacted with port interface surcharges of a magnitude that are hard to comprehend and which they appear unable to negotiate or impact in any way, the APSA submission aims to draw Government's attention to many of the "soft" costs which have been added into the supply chain resulting from decisions made by State Governments when accessing large wins from the sale of

“ *the APSA board is focussing on how the status quo can be changed so that spikes in demand are better forecast and by default managed by all players in the international chain* ”

critical State owned assets.

Preliminary meetings with the Inquiry team as well as with Minister Chester have highlighted the need for:

- Improved oversight/management of port interface costs
- Improved oversight/management of the productivity of leased port container terminal assets
- Improved oversight/management of inefficiencies in the container logistics chain particularly relating the operations of container terminals
- Better understanding of the impacts of the dramatically changing landscape in the global container shipping market on Australian exporters
- Identification of opportunities to reduce supply chain costs faced by Australian exporters through technology

APSA eagerly awaits the next round of discussions with the Inquiry panel and a

positive outcome for shippers in the key areas identified.

Whilst the recent past has seen a large effort attached to the Inquiry submission we have also seen the introduction of the Weekly Shipping News to members edited by Dale Crisp who brings a wealth of experience to the FTA/APSA team.

The Weekly Shipping News adds a concise review of change and activity in the shipping sector and invaluable insights to current news about the Shipping and Logistics industry.

The drive for new members continues and APSA's aim to be able to reach out to all Australian shippers to create a truly representative and cohesive body to provide advocacy and support to all Australian shippers is at the core of this membership drive.

A good example of how the advocacy model can work for APSA members

has been the proactive approach by FTA/APSA towards working with the Department of Agriculture and Water Resources to meet its internal KPI's for its Assessment Service Group for air and sea freight shipments.

FTA/APSA acting on behalf of members has been working with the department over the past 6 months to bring to the department's attention the impacts on exporters of the assessment service group not meeting the KPI's and encouraging the introduction of additional capacity to meet the peak season demand.

Post FTA/APSA's intervention the KPI disparity has been eroded to now be within KPI targets for both air and sea shipments.

Paul Blake can be contacted via email on [chairman@auspsa.com](mailto:chairman@auspsa.com)



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## GLOBAL INDUSTRY LEADERS TO MEET IN MELBOURNE 8-11 MAY 2018

The Global Shippers Forum (GSF) represents shippers' interests and their respective organisations from Asia, Europe, North and South America and Africa.

The Australian Peak Shippers Association (APSA) and Freight & Trade Alliance (FTA) are Australia's representatives to GSF, together influencing commercial developments in the international freight transport industry and the policy decisions of governments and international organisations as they affect shippers and receivers of freight.

Based in London, GSF is the world's leading trade association for shippers engaged in international trade moving goods by all modes of transport. The GSF represents shippers' interests in the major UN agencies including the International Maritime Organisation (IMO), International Civil Aviation Organisation (ICAO), International Labour Organisation (ILO) and the World Customs Organisation (WCO).

The International Cargo Handling Coordination Association (ICHCA), founded in 1952, is an independent, not-for-profit organisation dedicated to improving the safety, security, sustainability, productivity and efficiency of cargo handling and goods movement by all modes and through all phases of national and international supply chains.

ICHCA International's privileged non-government organisation (NGO) status at IMO, ILO, ISO (International Standardisation Organisation) and other key UN agencies enables it to represent its members, and the cargo handling industry at large, in front of national and international agencies and regulatory bodies. Its Expert Panel provides technical advice and publications on a wide range of practical cargo handling issues.

ICHCA International operates through a series of autonomous national and regional chapters – including ICHCA Australia, ICHCA Japan and ICHCA Canarias/Africa (CARC) – plus Correspondence and Working Groups to provide a focal point for informing, educating, networking, shaping and sharing industry views to improve knowledge and best practice across the global cargo chain.

### GSF2018 & ICHCA Asia Pacific

The world's most senior gathering of shippers and logistics providers will join us in Melbourne from 8 to 11 May 2018 at the combined GSF annual general meeting and ICHCA Asia Pacific conference and exhibition to discuss trade facilitation, international logistics challenges and other macro trends affecting global trade.

Held for the first time in Australasia, this combined event will be held as part of MEGATRANS2018, Australia's leading logistics and supply chain event – refer [www.megatrans2018.com.au/](http://www.megatrans2018.com.au/)

Chris Welsh MBE, the GSF Secretary-General, noted Melbourne's credentials as a host city "we are excited about the prospect of holding the 2018 meeting in Melbourne. This will afford the opportunity of connecting with members in Australasia on issues of concern within the Asia Pacific region and internationally".

Melbourne secured the rights with the support of the Victorian Government's Melbourne Convention Bureau and private sector sponsor the Port of Melbourne. It will attract hundreds of local and international delegates, including representatives from inter-governmental organisations, once again demonstrating Melbourne's credentials as a destination of choice for global business events.

Paul Blake, the APSA Chairman

commented "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."

### PROGRAM

The APSA / FTA program committee will assist GSF in delivering a global governance agenda with a Pan Pacific/Asian regional focus.

Committee representatives are Chris Welsh MBE (GSF), Peter Van Duijn (ICHCA), Travis Brooks-Garrett & Caroline Zalai (APSA secretariat / administration), Paul Blake (APSA Chairman), Dominic Dillon (Cargill Australia), Michael Lamperd (Bega Cheese / Tatura Milk Industries), Eimear McDonough (Namoi Cotton / Australian Cotton Shippers Association) and Paul Zalai (FTA).

A special note of appreciation is extended to our initial event sponsors, WiseTech Global, Port of Melbourne and Insync Personnel – to find out more about promotional opportunities, please refer to [www.FTAlliance.com.au/upcomingevents](http://www.FTAlliance.com.au/upcomingevents)

- 8 May 2018 – GSF and VIP - Lord Mayor Welcome Function
- 9 May 2018 – Port Tour and GSF Annual General Meeting
- 10 May 2018 – DAY 1 GSF2018 – EARLY BIRD NOW AVAILABLE
- 11 May 2018 – DAY 2 GSF 2018 – EARLY BIRD NOW AVAILABLE
- 11 May 2018 – Trade Ball

\*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.



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# is better but only for some

By DALE CRISP\*

The last 18 months have seen unprecedented consolidation amongst international container lines, with global carrier alliances shrinking to just three and a myriad of takeovers taking place, including Maersk's purchase of Hamburg Süd, Cosco's takeover of OOCL, CMA CGM's acquisition of APL and Mercosul, and Hapag-Lloyd's merger with UASC.

And then there's the combination of the container businesses of K Line, MOL and NYK into the ONE network, the joint venture of all 14 South Korean carriers and China's earlier unification of Cosco and China Shipping. As well, the \$US10 billion collapse of Hanjin in August 2016 and the perceived ongoing financial fragility of certain other lines has added to instability, concentrating the industry as never before.

Leading carriers are not-so-subtly salivating over the anticipated return of marketplace strength the new alliances and merged entities will bring, shifting 'power' away from shippers.

The great irony, of course, is that their craving for the 'boot now being on the

other foot' would never have arisen if they hadn't shot themselves in that foot in the first place!

Container lines have revelled in over-ordering of ever larger vessels, justified by a frantic race to have lower slot costs than rivals and thus a perceived competitive advantage. This has been enabled by cheap and ready finance that always seems to have a new source, and shipbuilders engaged in their own, often geopolitical, fight for sustenance.

To a considerable extent shippers have been the beneficiaries, because the true costs of international sea transport have been obscured, if not ignored, by the practitioners of bare-knuckled competition.

But that is little more than self-indulgent battle between big egos and has very little to do with the wishes of customers, service providers and others.

Does anyone imagine shippers have been banging on carriers' doors, demanding they order dozens of 20,000+ TEU ships at US\$150 million each? Have ports and terminals been pleading with shipping lines for the opportunity to burden government and/or shareholders with multi-million dollar investments in new infrastructure? Are insurers happy with the prospect of a major casualty occurring to one of these valuable behemoths and their, quite possibly, billion dollar cargo?

Most of the analysis of the consequences of recent merger and takeover activity amongst global container lines has been on three things: reduced choice for shippers, the continued viability of second- and third-tier carriers, and the impact of consolidation on ports and terminals.

Industry analysts such as Drewry, Dynamar, Alphaliner and Sealintel have calculated that around 70% of world container trade will now be carried by just six lines (and their brands or subsidiaries). The members of Top 20 of just a few years ago have consolidated to a Top 11 and this will become a Top 8 as current moves play out. Many of those now comprising the bottom end of the Top 20 are localised and or regional carriers with limited services and reach.

Internationally, importers and exporters, led by the Global Shippers Forum, are voicing their growing concerns - echoed by APSA/FTA - over the evolving concentration of carrier power. "The soup is getting thinner," one Asia-Europe beneficial cargo owner (BCO) told IHS Media, "There are too few options now, and if the carriers in the alliances get their act together, the shippers are in for a tough ride for the next couple of years."

"There are already too few options left and it is certainly no longer a buyer's market. I know consolidation is a way for carriers to address profitability, but it does not do much for shippers," another said.

Drewry's Phillip Damas says the "super-cycle" of carrier consolidation had "changed the playing field" and left shippers with much less choice.

"This, we suggest, will have very deep repercussions on the entire industry; on shippers, suppliers and terminals. Also on the level of competition between the carriers, where an industry that is moving, quite frankly, towards an oligopoly, will give carriers much more control than in the past," he said.

Shippers needed to rethink their current strategy of long- or short-term contracts combined with use of the spot market, if they did not want to pay the price of significantly higher freight rates: "The old strategy will no longer work," Mr Damas said.

Martin Dixon, Drewry's director of research products, echoed that the restructure had created "a very different playing field" in terms of the number of lines shippers could now choose from. "And the risk really to shippers here is that the tide of low freight rates is clearly reversing," he said.

"We're forecasting that rates will rise on average by 16% this year — this is on average across all the different trade routes, head-haul and back-haul, east-west and north-south. On some routes the increase in rates will be significantly greater than that. And we expect next year that rates will continue to rise."

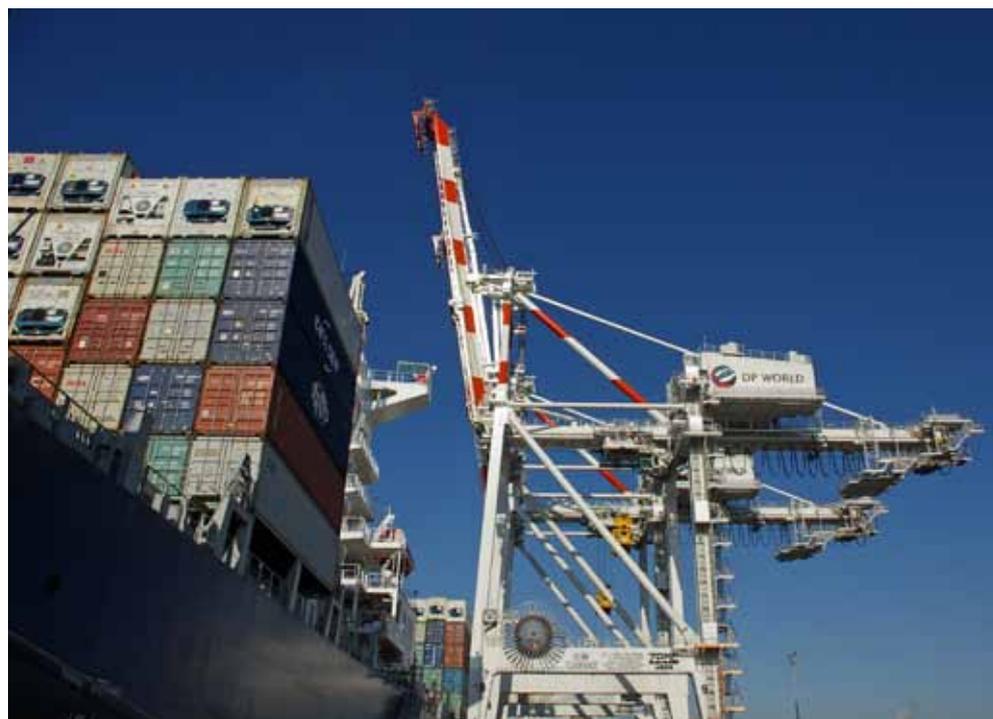
Such is the hyperactivity of consolidation that observers see question marks

over the long-term future of remaining Tier 2 and Tier 3 container lines, even those hitherto considered well-run and profitable. As Hong Kong's Tung family said, upon finally accepting COSCO's takeover offer for OOCL, it is "commercial reality".

Ports, terminal operators and other service providers are attempting to fight fire with fire. 2017 so far has been characterised by a trend towards alliances between neighbouring or common-interest ports and port owners and aggressive moves by the global terminal operators such as Hutchison, DP World, China Merchants, Cosco Shipping Ports and AP Møller Terminals to snap up strategically-positioned, smaller and/or weaker rivals.

Sealintel's Lars Jensen, speaking at the TOC Europe Container Supply Chain conference in Amsterdam, warned that major container ports could be facing an investment crisis. With the large number of 18,000-21,000 TEU ultra large container vessels (ULCVs) entering the global shipping fleet, operators at hub ports could only compete by embarking on major investment but with little guarantee of a return.

"I'm afraid that some of the terminals will suffer catastrophic economic failure over the next few years," he said. "In 2025, we are going to face a market where



there are only six to eight global carriers left, and at the same time there is likely to be a large reduction in the number of regional niche carriers.

“As a result of cascading all trades are seeing larger ships, which means if the volumes are not there to fill those vessels, there will be less and less services in terms of frequency. If you think the lines have had it bad over the last five years, watch what happens to the ports over the next ten,” he said.

Every region will likely see ports reduce to just a few larger transshipment hubs, Mr Jensen believes.

“This is where you are going to see fantastic competition between hub ports - the net result is that some ports will have the ability to handle large numbers of TEUs, but won't have a single customer.

“The lines have bought 100 ULCVs - that's a US\$15 billion investment and means the ports are going to find themselves locked into a game they really won't like, and it will be similar to the game the lines found themselves in: Once one or two lines ordered big ships, they all had to, and that meant they all lost because it created so much over capacity. The ports now face the same thing.”

There's similar activity in other service sectors such as towage where leading, mostly European-based operators, are increasingly positioning to compete for worldwide accounts.

There's a fourth sector where the impact is becoming more apparent and that is tonnage providers, ie the companies that supply shipping lines with a substantial percentage of their vessels. These companies are usually referred to as NOOs - non-operating owners.

According to Dutch consultancy Dynaliners in 2016 the top three operators, Maersk, MSC and CMA CGM, relied on chartered tonnage for 46%, 69% and 62% of their respective fleets.

As in any marketplace, when there is a surplus of capacity suppliers become price-takers and NOOs have endured tough times over the last few years as the top global carriers shed third-party tonnage in favour of owned vessels.

The collapse in charter rates and ship demand has brought about the failure of hundreds of European investor-owner companies and some high-profile owner-managers such as Bertram Rickmers and its Singapore-based offshoot Rickmers Maritime Trust. Many other NOOs are still reporting financial stress, exacerbated by the collapse of Hanjin.

NOOs enjoyed some respite earlier this year as carriers chartered in tonnage to cover shortfalls as the various new global alliances took operational effect, but that was only ever going to be short-term - and, arguably, once alliance services bed down thoroughly even less tonnage will be required, rather than more. At the same time most of the big carriers have substantial order books of ships still to be delivered.

Last month the number two and three NOOs, Germany's Peter Döhle and Greece's Costamare, announced and sought regulatory approval for a chartering brokerage joint venture, to be based in Hamburg. The combined entity would control capacity amounting to almost 940,000 TEU, surely strengthening their negotiating power when dealing with the mega-carriers and alliances.

Just a month earlier two other German NOOs, Atlantic/Asiatic Lloyd and Leonhardt & Blumberg, joined another NOO consortium, Hanseatic Unity Chartering, establish in October 2016 by Borealis Maritime, Reederei Nord and Bernhard Schulte. The five owners pool their 206 boxboats through HUC.

NOOs are sometimes regarded as the poor relations of liner shipping and in a sense they are the tramp owners of today. But not only do they play a crucial role in keeping container ship operators with the wherewithal to maintain their global networks but, crucially, they also provide a pool of opportunity for newcomers, upstarts and challengers to the status quo - something that will take on greater importance in the next few years of cyclic dominance by the mega players.

So in the container industry, the mantra seems to be that scale must be met with scale.

It should be no different for shippers, who must better inform themselves, organise and co-ordinate - not just to achieve market-influencing volume but to speak with a louder and stronger voice to governments, regulators and authorities.

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

*© Images provided by Dale Crisp*



# A national rail logistics solution

The Port of Newcastle is the largest port on the east coast and the third largest port in Australia. As the world's leading coal export port, rail is key to our core business.

We maintain and control the only berth-side rail line on Australia's east coast. This allows direct ship to rail connectivity on the two West Basin 3 and 4 rail sidings, which are connected to the national Australian Rail Track Corporation (ARTC) network. The port's unsurpassed connectivity enables rail assets imported via Newcastle to then be railed direct to project sites in New South Wales and interstate to Victoria and South Australia.

For the customer, this provides a flexible and cost effective solution for moving rail assets in varying frequencies, from major campaigns to one off shipments. Port of Newcastle also maintains the adjacent hardstand and nearby long term storage areas, which are available for consolidating and storing rail assets for both import and export.

The Port has handled thousands of passenger rail cars, locomotives, track machines and wagons, including coal, grain, intermodal, aggregate, locomotives, track machines and ballast.

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Port of Newcastle's expertise extends to the facilitation of shipping, stevedoring and transportation to deliver flexible and cost effective solutions for the cargo owner. We also have common user access and rail safety interface agreements in place with local and national rail and rolling stock commissioning providers.

Geographically, the Port of Newcastle provides a gateway to destinations along the Australian seaboard. The port is well positioned to support the delivery of light rail and other large-scale infrastructure

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# Qube's supply chain transformation

More than a decade since it was mooted and after years more of complex planning processes, the project which Qube Holdings describes as its logistics industry 'game changer' is rapidly taking shape.

Qube's Moorebank Logistics Park is Australia's largest freight infrastructure project and will link Port Botany direct to rail terminals and warehousing on a 243 hectare site nestled beside the M5 and M7 motorways in south-west Sydney.

It will signal the beginning of a major modal shift that will eventually see more than 1.5 million containers a year moved on rail rather than road, taking thousands of heavy truck trips off Sydney's roads every day.

But according to Qube, what makes this intermodal terminal different is a twist on that age-old real estate maxim. Moorebank Logistics Park, it says, has "location, location... and scale" unlike any other intermodal freight facility in the country.

"Opportunities like this only come along once in a lifetime," says Qube's Managing Director Maurice James.

"Securing a massive site sitting right on a dedicated freight line and adjacent to two major motorways in one of Australia's fastest growing regions is what makes the Moorebank project a genuine game changer.

"The benefits of railing containers direct from Port Botany to a terminal co-located with high specification warehousing across a site the size of Sydney's CBD will deliver time and cost efficiencies that are unique to the market," Mr James said.

As well as the IMEX shuttle terminal, Moorebank will also feature a large regional terminal to cater for the longer freight trains bringing grain, cotton and other export commodities from around the regions.

Full export containers arriving on regional trains at Moorebank will be transferred to port shuttle trains for delivery straight to the port. Empty containers already stored at the Moorebank site will be directly loaded

onto those same regional trains heading back out to collect more exports.

"Like the current import chain, export processes are similarly hampered by some pretty inefficient double and triple handling at the moment. The new efficiencies Moorebank will deliver for primary producers and rural export businesses will be significant in a highly cost competitive global market," Mr James said.

For more than a century the Moorebank site was used for military purposes and was until recently home to the Defence Department's School of Military Engineering and other Defence infrastructure.

Qube already had ownership of 83 hectares of the 243 hectare site and in a deal finalised with the Commonwealth early this year, the whole site was placed into a land trust giving Qube full development, management and operating rights over the open-access facility under a 99-year lease.

NSW and Federal planning approvals for the first stages are in place and construction is well underway.

The import/export (IMEX) rail terminal and the link to the Southern Sydney Freight Line are progressing with the first rail shuttle scheduled to leave Port Botany for Moorebank by the end of next year.

There have been sceptics and naysayers over the years but last month Qube made perhaps the biggest announcement since the project was commenced.

After months of negotiations, Qube announced that it had reached agreement with Target Australia on an initial 10-year lease deal to become the Moorebank Logistics Park's first major tenant. Other major retailers and importers are also in discussions.

“*The new efficiencies Moorebank will deliver for primary producers and rural export businesses will be significant in a highly cost competitive global market*”

Qube will develop 37,860sqm of warehouse and office facilities for Target Australia with construction due to commence next year for completion in early 2019.

Target has indicated it will be investing in the latest technology scanning and sortation systems at the facility and has also agreed a 5-year logistics services contract with Qube Logistics covering freight from Port Botany to Moorebank.

William Hara, Director of Qube's Strategic Assets Division, said the deal confirmed the clear commercial benefits Moorebank delivers in an increasingly competitive market.

"Securing Target Australia is testament to the quality product that is Moorebank Logistics Park," Mr Hara said.

"Combining this ideally located site with all of the time and cost efficiencies of railing containers direct to large scale warehousing facilities along with the other on site logistics services is a very attractive solution for major importers.

"We are looking forward to working with

the Target Australia team and delivering a logistics solution that sets a new benchmark for supply chain efficiencies," he said.

The Target deal comes on the back of another significant first for the Moorebank project.

In July the Commonwealth's Clean Energy Finance Corporation committed \$150 million to the Moorebank Logistics Park in the form of a seven-year bilateral term debt facility – the CEFC's first investment in clean energy transport infrastructure.

CEFC CEO Ian Learmonth described Qube's Moorebank terminal as a model for "...the next generation in low emissions transport and freight facilities."

"Emissions from road freight transport are a substantial part of our carbon emissions challenge. By switching from road to rail solutions, the Moorebank project will reduce emissions, reduce urban congestion and improve national freight connectivity for years to come," Mr Learmonth said.

"The project, and others like it, are essential for us to progress down a decarbonisation pathway to net zero emissions by the second half of the century while improving the sustainability of our cities," he said.

Qube says the current truck trips involved in moving full containers from Port Botany to Sydney's south-west and then recycling the empty containers can involve up to six or seven separate journeys. All include a time and financial cost which is passed through the supply chain.

Full containers leave the port for a carrier's transport yards, from there to the importer's warehouse, usually returning with an empty container back to the yards, later to an empty container park (ECP) for storage, and eventually either picked up to be filled with Australian exports or taken direct to the port to be exported empty.

Qube says its Moorebank facility transforms that highly inefficient process.

Importers with warehouses on the Moorebank site can receive their



container on the same day it comes off the ship at Port Botany. Latest technology automated gantries will unload the containers from the train and electric driverless straddle carriers which will deliver the container straight to the tenant's warehouse door.

The automated straddle will take the empty container straight to a storage area on site until it is required, at which point it will then be railed back to the port having never once travelled on a truck.

Add that modal shift to the project's inclusion of a massive embedded solar power network across the 850,000sqm of warehousing, and the Moorebank Logistics Park is expected to deliver the following:

- Reduce the distance travelled by container trucks on Sydney's road network by 150,000 kilometres every day (56 million kilometres per annum, saving 73,000 tCO<sub>2e</sub> of emissions)
- Reduce the distance travelled by

long distance interstate freight trucks by 93,000 kilometres every day (34 million kilometres per annum, saving 41,000 tCO<sub>2e</sub> emissions)

- Deliver net annual carbon emissions savings equivalent to removing 11,000 vehicles from the road for a full year or burning 25,000 tonnes of coal
- Generate 65,000 MWh/year from renewable energy sources installed on site, capable of powering over 10,000 homes

Qube says the full benefits delivered by Moorebank will become more obvious as the development reaches capacity.

"Clearly each importer and exporter using Moorebank benefits directly from the faster and more certain delivery of their goods but we are confident, as we fill leases, that some tenants will find suppliers they rely upon for goods may end up as neighbours on our site.

"Clearly transferring goods between warehouses on the same site will

provide enormous time and cost benefits compared to running trucks trips between various importer's warehouses across Sydney which may be anywhere up to 40 or 50 kilometres apart," Mr James said.

An economic benefits study estimates the project will generate around 6,800 jobs at full operations and provide \$11 billion in economic benefits over 30 years.

The Moorebank Logistics Park has been a labour of love for the Qube executive team, many of whom worked together at Patrick and have been on this journey since the concept was first discussed almost two decades ago.

"It has always been our goal to streamline the import and export supply chain and Moorebank is the piece in the puzzle we have been working towards for many many years," Maurice James said.

"It is certainly extremely satisfying to see it now becoming a reality."

## Representing the next generation of business leaders





# AUSTRALIA'S LARGEST INTERMODAL LOGISTICS PRECINCT



- ▶ Located at the junction of the M5 and M7 motorways and future rail access to the Southern Sydney Freight Line (SSFL)
- ▶ Import/Export (IMEX) and complementary warehousing now being constructed.
- ▶ Significant supply chain and logistics benefits through more efficient movement of freight on rail.



# Industrial & Logistics Developments Evolving with Market Conditions

By NELMA ARANCIBIA, Project Management, Industrial & Logistics, CBRE,

The continued evolution of the Pacific Industrial & Logistics market has pushed developers and landlords to ensure the facilities they are providing to occupiers suit both their current and future needs. They also must balance tenant needs with the long term value of their portfolio, as whilst tenants may have specific requirements, landlords and developers need to future proof their assets to ensure that a tenant vacancy does not render the building redundant to future occupiers.

The Pacific market is beginning to embrace automation, with groups such as Woolworths currently developing the first fully automated warehouse in Dandenong South. We expect to see automation continue to be rolled out across the Pacific market, driven by the cost savings that can be made over the long term despite the high level of initial expenditure. The success of automation is dependent on business type – it is far from a one size fits all model. The key is to fully understand the occupier's business – where products come from, where they unload, where they are distributed to and at what time deliveries are made. By understanding occupier needs, you are able to create a facility that will assist in ensuring longevity of occupation. Whilst you want to create a building to suit specific occupier needs, developers / landlords need to be conscious that in the event of a tenant departing, the building needs to be adaptable to suit other users. For example, if a new tenant wants to install high bay racking, their needs to be consideration of the impact this will have on the slab. In the event existing aisles are narrow, are they able to be moved to enable a forklift to be utilised? Considering these changes in the development phase ensures your building holds value

over the long term.

Land prices are also impacting developments, with developers trying to be as efficient as possible in the use of land to ensure the project's viability. High land prices in New South Wales has required groups look into compressing warehouse size to ensure optimum use of land parcels. The lower cost of land in Victoria means similar issues are not experienced, though developments in Victoria need to take into account higher penalty rates for workers as this may impact in terms of potential use of automation to cut down on labour costs. Whilst we have seen multi-storey warehouses in Asia, we are yet to see this style of development in the Pacific region. Furthermore, we are unlikely to do so given the current high cost of building this style of development.

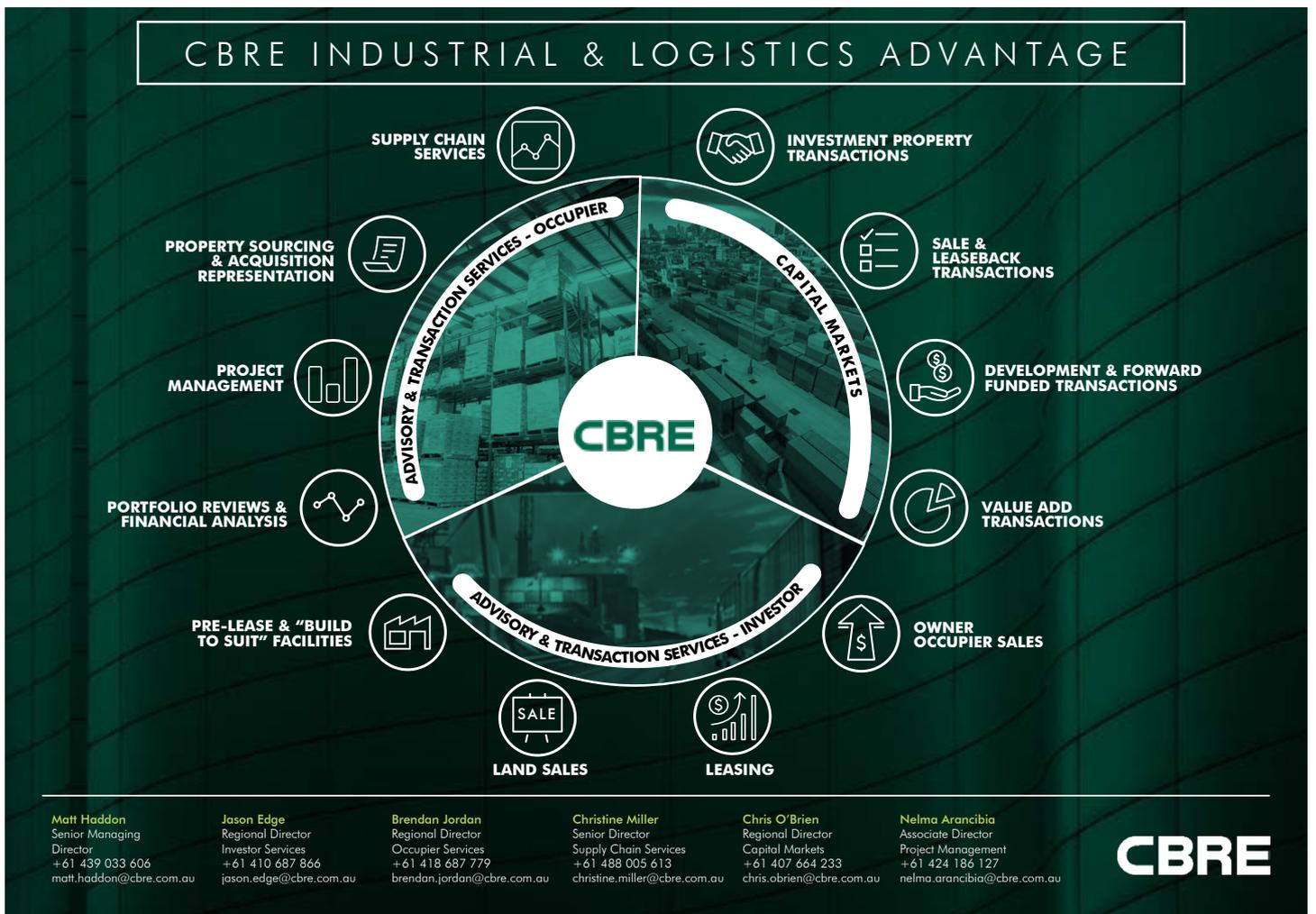
To ensure developers and landlords continue to be at the forefront of the Industrial & Logistics development market, they need to be conscious of the changing needs of occupiers, whilst also not forgetting the impact this will have on their portfolio. By developing a product that assists in streamlining the running of an occupier's day-to-day business, they will continue to drive tenant loyalty helping to ensure long term occupation of their asset.

# Executive forum

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) thank event sponsors CBRE, NSW Ports and the intermodal representatives for presenting at our Executive Forum in Sydney on Tuesday 15 August 2017.



L to R – Paul Zalai (FTA / APSA), Andrew Adam (Executive General Manager Intermodal, Pacific National), James Wright (Director, Commercial Development – Maritime Container Services), Mark Hulme (Chief Operating Officer Logistics, DP World Logistics Australia), Mike O’Neill (NSW Industrial Director, CBRE) and Maurice James (Managing Director, Qube)



**Matt Haddon**  
Senior Managing Director  
+61 439 033 606  
matt.haddon@cbre.com.au

**Jason Edge**  
Regional Director  
Investor Services  
+61 410 687 866  
jason.edge@cbre.com.au

**Brandon Jordan**  
Regional Director  
Occupier Services  
+61 418 687 779  
brandon.jordan@cbre.com.au

**Christine Miller**  
Senior Director  
Supply Chain Services  
+61 488 005 613  
christine.miller@cbre.com.au

**Chris O'Brien**  
Regional Director  
Capital Markets  
+61 407 664 233  
chris.obrien@cbre.com.au

**Nelma Arancibia**  
Associate Director  
Project Management  
+61 424 186 127  
nelma.arancibia@cbre.com.au





## Agribusiness in Motion

By PAUL PEARSALL, Managing Director, Western Riverina Intermodal Freight Terminal (WRIFT)

As the Western Riverina Intermodal Freight Terminal (WRIFT), the largest logistics hub for the Western Riverina region enters its fifth year of operation, there's little time for pause. Over 250,000 tonnes per annum has gone through WRIFT's Wumbulgal site, effectively doubling Grain Links business and setting goals for a near-future capacity of one million tonnes.

Located mid-way between Griffith and Leeton, WRIFT provides exporters and agricultural producers with the least cost pathway to domestic and export markets. Multiple industries combine their tonnages to create a least cost freight supply chain via a combination of road, rail container & bulk rail freight.

The transport efficient logistics hub with a rail centrepiece is surrounded by effective road networks and has quickly become a significant component in the long term prosperity of the region's agribusiness sector. The intermodal freight terminal provides world-competitive export logistics through the connectivity of road and rail and superior export market access, and arbitrage maximised with access to all four east coast capital cities.

Occupants of WRIFT include Australian Grain Link, Linx, United World Enterprises and Weilin Trade, who to

date have invested \$25 million dollars in development at the site, with this figure set to double over the coming years through existing and new shareholders. The close relationship with essential supply chain companies has led to an understanding of multiple industry logistical needs which allows for customised end-to-end supply chains, and hence a continual increase in investor and exporter interest.

The intermodal terminal stores and loads on rail a range of bulk and high-end semi-processed products such as cotton, wine, oaten hay and grain including soft wheat for Arnotts, noodle wheat for the discerning Japanese market and corn for gluten free products. With the enormous growth of cotton growing in the region, expansion plans include cotton lint storage and cotton seed packing into containers.

Originally using speciality grain



from their business to launch the Wumbulgal site, the privately owned agribusiness, Australian Grain Link has enjoyed the substantial expansion of rail freight. Driven by the demand for consumer goods and the need to find more sustainable, efficient and cost effective modes of transport, WRIFT has overseen a doubling of rail freight, investments and jobs into the community.

In 2013 a study on NSW freight and ports identified regional NSW as a 'natural' for freight rail utilisation, provided the network and logistic service providers performed efficiently, where cost effective, and kept pace with demand. Pinch points, congestion and usage limitations, had in the past reduced the ability of businesses to compete in a global market.

Managing Director of Western Riverina Intermodal Freight Terminal, Mr Paul Pearsall said the report outlined what was already a daily reality for regional exporters; that the ability of NSW producers to move agriculture products to domestic and export markets in a timely and efficient manner directly impacted on the productivity and competitiveness.

Paul, his team and the equally dedicated investors behind WRIFT determined that the result of developing an intermodal

freight terminal is to provide the Western Riverina with a 'once in 50 years' infrastructure opportunity, with optimal efficiency through the infrastructural synergies of the Wumbulgal hub.

It's a win-win for all involved, with WRIFT consolidating three stops into one location, providing access to five integrated storage facilities throughout the Western Riverina – the main site Wumbulgal Intermodal Grain Terminal- and equidistant access to both Melbourne and Sydney Ports, streamlining and optimising efficiency across the entire supply chain.

An early supporter of the freight terminal Member for Murray, Adrian Piccoli explained that the NSW Government continued to support the efforts of industry to improve supply chain performance and achieve accessibility to both domestic and export markets for the Western Riverina. He viewed WRIFT as a world-class facility with exciting expansion possibilities on the horizon.

The site is the only one in Australia that allows loading of both containers and bulk freight, resulting in increased flexibility, reliability and volume for producers/processors and end users. Other benefits for exporters and producers relocating to WRIFT include an experienced team of forty employees, with this number increasing

with expansion. Hardstand, container forks and an AB-Triple weighbridge are available for all shareholders.

The immediate future will see WRIFT's expansion plans centre on developing a cost-effective Sydney service to facilitate supply to the discerning metropolitan customer of WRIFT's many products.

Paul Pearsall, Managing Director, 02 6962 9500, 0427 011 104

“ *the ability of NSW producers to move agriculture products to domestic and export markets in a timely and efficient manner directly impacted on the productivity and competitiveness* ”



# Dandenong South Inland Port: The property and logistics solution for major importers and exporters.

By SALTA

Nexus Industrial, a large innovative freight hub in Melbourne's populous South East is quickly taking shape with the latest developments including the recent opening of a high productivity freight vehicle accessible internal road network and major new intersection offering direct access to the Western Port Highway.

It is a rare opportunity to be able to plan and develop such a large (180ha) greenfield industrial site from scratch but this is exactly the challenge that owners Salta Properties have gladly taken on. The sprawling precinct is already home to the Bunnings DC for Victoria, South Australia, and Tasmania and the final touches are being put on a massive new 'state of the art' DC for Woolworths, which features 40m high internal racking.

The key to the freight precincts point of difference is its direct connection to both the Western Port Highway, and its close proximity to Eastlink which gives this site unparalleled access to Victoria's High Productivity Freight Vehicle (HPFV) network for high mass and high volume trucks.

In addition to great road connections the Dandenong South Inland Port (DSIP) is planned to house an onsite rail terminal which will operate frequent rail services to and from the Port of Melbourne. All onsite tenants will be major benefactors of the frequent Port Rail Shuttle services which will see a much-needed step-change in the efficiency of port connectivity, which is under increasing threat from congestion, toll increases, and growing road curfews.

With large low cost container holding areas, tenants of the DSIP will be able

to access their containers when they want them without incurring costly port storage charges. For exporters this means containers can be sourced from the onsite empty container yard and packed when needed, Interport Services, the Inland Port operator will handle the rest.

The DSIP will be a true extension of the Port of Melbourne by offering the seamless movement of cargo to and from the Port via integrated container tracking systems, high level security, and continuous 'under-bond' movement of cargo. In addition, being part of this purpose built inland port precinct will assist in qualifying as an Australian Customs 'Trusted Trader' which further enhances the free flow of goods.

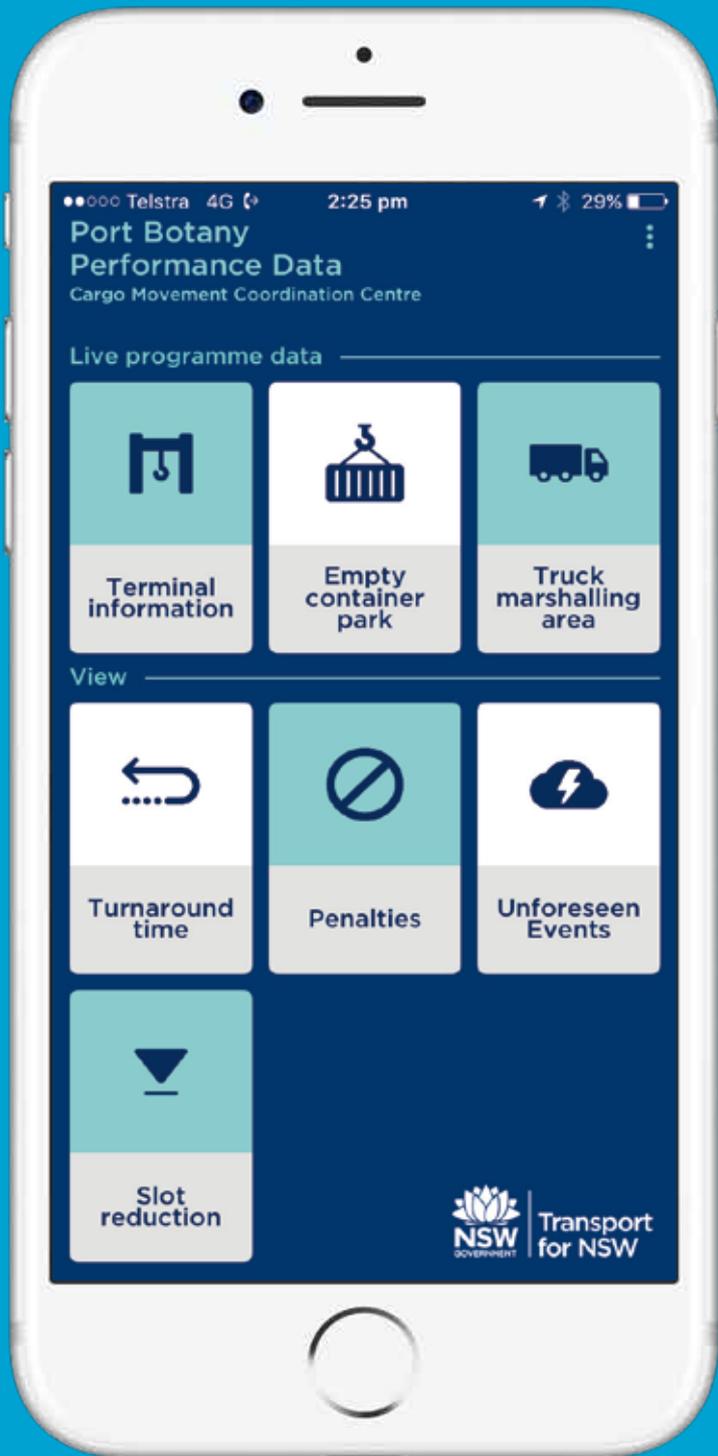
The inland port is most appealing to importers and exporters who value long term cost stability, low environmental impact, and high supply-chain resilience. Being able to draw on multiple transport modes and decrease exposure to escalating port storage costs and Customs delays, tenants and inland port users will be in an enviable long term cost position. Transport cost savings attributable to rail have been independently calculated in a recent Government report commissioned by Regional Development Australia that estimates port related transport savings attributable to the DSIP are between 16-37% depending on the type of container (20/40ft) and the empty de-hire location. Over the course of a typical lease these savings are very significant for most exporters and importers.

Large traders such as Woolworths, Bunnings, Aldi, and new market entrants such as Amazon are choosing to

establish their distribution centres in the Dandenong South area due to the proximity to Melbourne's population base. Dandenong South is 30 minutes' drive for the population epicentre of Melbourne, with Melbourne expected to overtake Sydney as the most populous city in Australia this is a major advantage.

With large development lots available, unparalleled multi-mode transport connectivity, onsite logistics services and employee amenities the Dandenong South Inland Port is a new benchmark for industrial development in Australia and the perfect alignment of property and logistics.

# See What's Happening in Port Botany in Real Time



Freight movements in and out of Port Botany are now easier to plan and more efficient, thanks to an innovative piece of mobile technology.

First of its kind in Australia, the Port Botany Performance App provides live cargo movement data for Port Botany to trucking companies, stevedores and other port users.

Through the new app live data will be freely available and will allow industry stakeholders to see what's happening in the port precinct in real time.

Download the App for Free on iOS and Android





# Port Of Melbourne's Rail Access Strategy reaches a significant stage

By MICHAEL TURNER, Project Manager, Rail Access, Infrastructure Planning, Port of Melbourne

Since the launch of the Port of Melbourne Rail Access Strategy (RAS) stakeholder consultation in early June 2017, over 25 “one on one” meetings have now been held together with attendance by Port of Melbourne executives at a number of industry conferences/ meetings, to ensure that PoM listens to and fully understands the needs of import/export customers and supply chain participants.

“ *it is clear that rail can play a key role in managing road congestion and road safety risks, whilst also promoting supply chain efficiencies and productivity improvements for the economy* ”

RAS Project Manager, Michael Turner, who chaired the opening Port of Melbourne RAS workshop and recently spoke at the Riverina International Trade Network meeting in Wagga Wagga, is delighted with the level of engagement and the industry passion and drive to enhance freight supply chain productivity.

“Not coming from this industry, I never cease to be amazed at the openness and willingness to collaborate and support Port of Melbourne's efforts to deliver opportunities for rail access at the port and enhance freight supply chain productivity across Victoria, Southern NSW and Eastern SA”.

“We have had many good and innovative approaches and ideas proposed through these discussions to make freight on rail a real short term growth opportunity for customers, supply chain stakeholders and the Port”.

“It's now time to consolidate the thinking and information received into our first and Preliminary Rail Access Strategy that we are targeting to complete by the end of this year”.

Government are obviously a key stakeholder in supporting a sustainable freight rail solution for Melbourne and Victoria, and the engagement in this phase has been extremely positive and encouraging. It is also great to see the Victorian State Government and Federal Government both having a keen focus on freight logistics through the Victorian Freight Strategy and National Freight and Supply Chain work currently under way. Port of Melbourne is an active participant in supporting this work and eager to contribute our collective knowledge and experience.

It is clear from the opening RAS workshop that there is a deep understanding across all stakeholders of the challenges rail is currently facing across the freight supply

chain. The key focus has to be on working collaboratively to establish efficient and reliable rail access through the port gate. Without this focus on the last mile solutions and actually getting on with it there is a real danger we will still be speaking about “possibilities” in another 5 year's time. That's not acceptable as customers who import and export goods through Melbourne, and the rail freight supply chain participants, have been promoting improved rail connections through the port for over 10 years. It's time to get on with it and make something happen sooner rather than later for the greater good of the Victorian and National economy.

With 87% of import containers delivered within the Melbourne metropolitan region all by truck, together with substantial empty container road movements near the port, it is clear that rail can play a key role in managing road congestion and road safety risks, whilst also promoting supply chain efficiencies and productivity improvements for the economy.

This, together with addressing the last mile, are key focus areas of the RAS, as is preparing for Inland Rail and ensuring that we continue to support and promote regional trade to run smoothly through the port and across the supply chain.

Achieving a sustainable “end to end” rail solution requires the collaboration and co-operation of supply chain stakeholders, and it will take time to build volumes from the levels we are seeing through the port today.

It is now really a question of how the rail freight supply chain opportunities can be harnessed by adopting a “supply chain efficiency and customer focus mentality”, whilst of course being respectful of each individual supply chain stakeholder's commercial interests.

That's the challenge and we're getting on with it Mr Turner said.

# Be aware of the risk of importing asbestos

The Australian Border Force (ABF) is urging people to be aware of the risk of asbestos in goods they may attempt to import into Australia. Since 31 December 2003, the Australian Government has prohibited the importation of goods that contain asbestos, and placed a complete ban on the domestic manufacture and use of all types of asbestos and products containing asbestos.

As part of the Government's asbestos prohibition, the ABF actively targets products suspected of containing asbestos. To date, asbestos has been detected in a wide range of items from numerous countries. Detections are being made most recently in motor vehicles and parts (such as clutch linings, brake pads and gaskets) and also in building products.

In a number of countries, there are few to no restrictions on the use and supply of asbestos. Local standards in some countries may even classify goods as 'asbestos-free' when low levels of asbestos are present. Many products containing asbestos can be ordered on the internet and will often claim to be 'asbestos-free' when they actually have some asbestos content. As a result, asbestos can be unintentionally and unknowingly imported into Australia, even in new products.

In Australia, a product with any level of asbestos, regardless of age, is prohibited for import or use.

When it comes to imported goods, licensed customs brokers and importers have an obligation to ensure declarations made to the ABF are accurate. Brokers should exercise due diligence in seeking information from importers to be assured that goods do not contain asbestos, prior to making an import declaration and answering the relevant Community Protection Questions.

Before making a declaration, brokers should check that their clients can demonstrate that the goods do not contain asbestos, ideally back to the point of manufacture or, if relevant, where any modification, service or maintenance has occurred that may have introduced asbestos into the goods. This could include, for example, mechanical works on machinery that may have introduced asbestos containing gaskets or brake pads. If in doubt, declare it by saying yes to the Community Protection Question.

The Department of Immigration and Border Protection Notice (DIBPN) 2017/21 Assurances that imported goods do not contain asbestos, has been published on our website to explain requirements to importers and brokers in relation to the asbestos prohibition and the available assurance options. Importers and brokers should read DIBPN 2017/21 before importing goods that may contain asbestos.

The preferred option for the ABF is for brokers and importers to ensure all necessary assurances are in place before the goods arrive in Australia. If an appropriate level of assurance cannot be provided, the ABF may require importers to arrange testing. There may be a small number of cases where further testing will be

requested by the ABF, even when assurances and tests have been conducted by the importer. The ABF has encountered several cases where goods certified as asbestos free actually contained asbestos.

Testing involves a 'competent person', such as an occupational hygienist, collecting samples of the goods for analysis by a laboratory accredited by the National Association of Testing Authorities (NATA). This can mean additional costs to importers and delays while testing is completed.

People can send a sample of their goods held overseas to an Australian lab to be tested before they import the rest. However, a permit from the Department of Employment is needed to do this. The samples must also be from the actual shipment that will be imported, with the testing conducted by a NATA accredited testing laboratory.

Testing can also be undertaken outside Australia by a laboratory that is accredited by international accreditation authorities that are NATA-recognised equivalents. The local testing authority must be a signatory to a Mutual Recognition Arrangement (MRA) with NATA and have a valid scope of accreditation for asbestos testing. Any international testing certificate must clearly show any level of asbestos detected in the report.

ABF activities are not designed to cause inconvenience to the trading community or importers, but are part of the Australian Government's arrangements to protect the public from the significant dangers of asbestos. If you are unsure of requirements, please contact the ABF for assistance or advice.

For more information visit [www.border.gov.au/asbestos](http://www.border.gov.au/asbestos).



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**[www.priceandspeed.com.au](http://www.priceandspeed.com.au)**



# New benefits for Australian Trusted Traders

By DEPARTMENT OF IMMIGRATION AND BORDER PROTECTION

Australian Trusted Traders will experience further trade facilitation benefits after the recent signings of several new Mutual Recognition Arrangements (MRAs), and the addition of two new benefits to the Australian Trusted Trader (ATT) programme.

### Reciprocal benefits through MRAs

In July 2017, the Department of Immigration and Border Protection (the Department) signed MRAs with Korea Customs Service, Canada Border Services Agency, and Hong Kong Customs and Excise Department at the World Customs Organization's council sessions in Brussels.

MRAs are a formal arrangement between customs agencies that recognise supply chain security programmes and provide reciprocal benefits to the other country's trusted partners. MRAs also provide border agencies with greater end-to-end assurance over imports and exports.

The arrangements will ensure that Trusted Traders and members of our partner countries' Trusted Trader equivalent programmes receive differentiated border treatment when conducting trade with these countries.

The Department also has an MRA with New Zealand Customs Service, which will allow up to 13 per cent of New Zealand import volume to Australia—totalling \$3 billion—to be facilitated, along with \$7.5 billion of Australian exports by 2020.

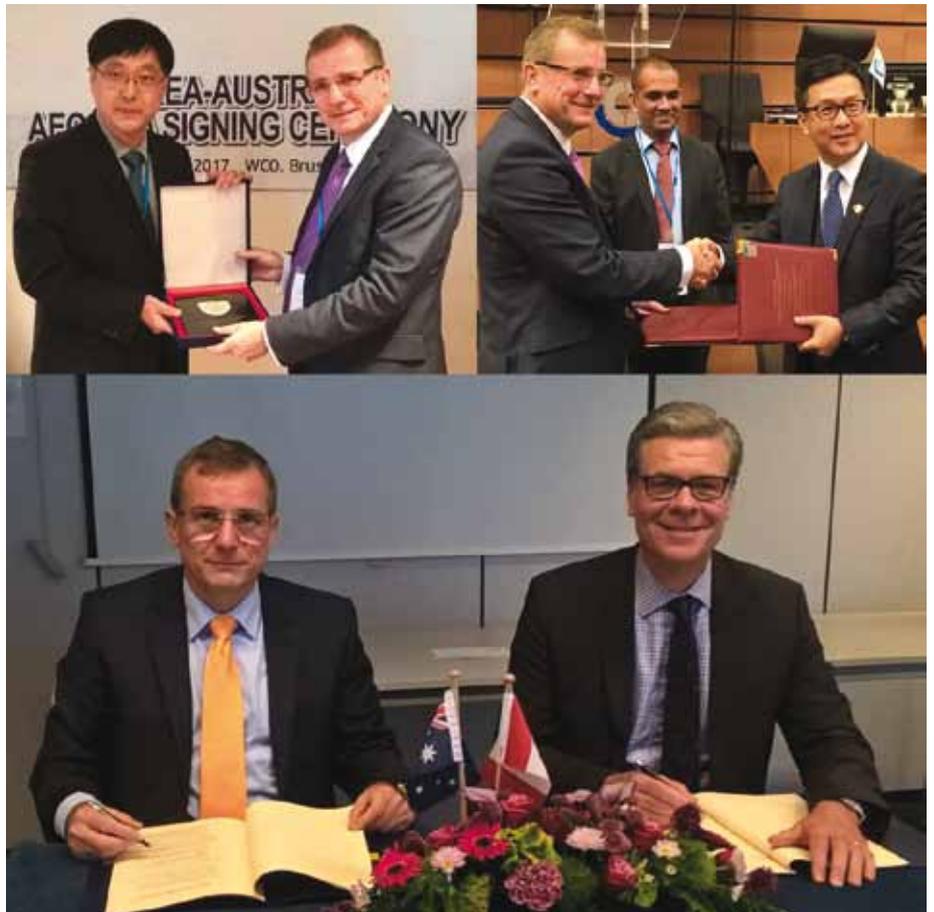
Further MRAs are currently being pursued with the People's Republic of China, Singapore and Thailand.

### Monthly reports benefit

All businesses can currently request import and export reports from the Department for a fee. After engagement with industry, it became clear that the provision of these reports automatically to our Trusted Traders at no cost, would be another welcomed benefit of the programme.

Now, accredited Trusted Traders will be sent these reports for free each month, with no need to contact the Department or go through a customs broker, reducing financial and administrative burden on Trusted Traders.

The monthly reports will help Trusted Traders manage their supply chain and improve the integrity of their transactions, by giving them an overview



*Australia signs Mutual Recognition Arrangements with Korea Customs Service, Hong Kong Customs and Excise Department, and Canada Border Services Agency.*

of all transactions made in the previous month.

### Temporary Work (Skilled) Visa benefit

As an agency responsible for both customs and immigration functions, the Department is in a unique position to expand ATT benefits to incorporate an immigration focus, such as streamlined application for the Temporary Work (Skilled) Visa (subclass 457) Accredited Sponsor.

Trusted Traders who are existing Standard Business Sponsors in the subclass 457 programme, or who apply to become Standard Business Sponsors, will now be assessed against streamlined accreditation criteria when applying to become an Accredited Sponsor.

The new benefit enables Trusted Traders to increase their international competitiveness by addressing labour shortages—bringing in genuinely skilled

workers where they cannot find an appropriately skilled Australian.

Accredited Sponsor benefits include sponsorship validity for six years, priority processing of all nomination and visa applications, and additional streamlined processing of certain low-risk nominations. These benefits will reduce the administrative burden on Trusted Traders when applying to become Accredited Sponsors.

### The Australian Trusted Trader programme

ATT is a voluntary trade facilitation initiative that has been co-designed with industry. It recognises businesses with a secure supply chain and compliant trade practices, rewarding accredited businesses with a range of trade facilitation benefits including:

- a dedicated Australian Border Force Account Manager
- a lighter touch on examinations at

the border

- prioritised service when requesting refunds, drawbacks and advice on tariff, origin and valuation
- differentiated examinations by overseas customs agencies where Australia has signed an MRA
- monthly import and export reports provided free of charge
- streamlined application for the Temporary Work (Skilled) Visa (subclass 457) Accredited Sponsor.

The programme is open to all Australian businesses active in the international supply chain and aims to enhance trade by improving the international competitiveness of Australian businesses.

To find out how Australian Trusted Trader can benefit your business, or to apply to become part of the programme, visit [www.border.gov.au/trustedtrader](http://www.border.gov.au/trustedtrader).



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## Industry Summit 2017- strengthening the conversation with industry

By DEPARTMENT OF IMMIGRATION AND BORDER PROTECTION

The Department of Immigration and Border Protection (the Department) hosted its annual Industry Summit in Melbourne on 31 July.

The Industry Summit is the Department's annual event for senior leaders of industry and Australian Government representatives to discuss strategic trade, travel and migration issues. The Industry Summit provides a forum for the Department to engage with delegates about the rapidly changing global landscape and display emerging trends likely to influence the border management environment.

This year's theme, 'Border innovation: strengthening our nation's economy, security and society', encouraged attendees to explore ways to create opportunities for collaboration, co-design and co-investment in technologies and business processes that will help us respond to the changing global trade, traveller and migration environment.

The Hon Peter Dutton MP, Minister for Immigration and Border Protection, delivered the keynote address, focusing



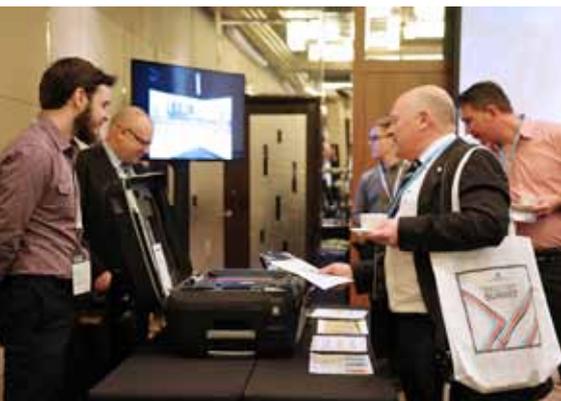
*Jim Williams (Assistant Commissioner Border Management Division). Stephen Skehill (Chairman NCBLAC), Stephen Hledik (Commander Customs Compliance), Paul Zalai (FTA / APSA) - "Safe and Secure Supply Chain"*

on the Government's desire to protect the Australian community and ensure our economic prosperity.

Michael Outram, Acting Australian Border Force Commissioner, spoke about the new Home Affairs portfolio, and innovations to modernise trade and travel, such as the abolition of the outgoing passenger card, the establishment of the Australian Trusted Trader programme and new facial recognition technology for airports. The Acting Commissioner also took the opportunity to reassure industry that the Australian Border Force will remain Australia's customs service now and in to the future.

Guest speaker and futurist, Chris Riddell, shared his insights on the faster paced world we are living in, and how we

“ *By working more closely with industry, we aim to support and further enhance Australia's security, economic prosperity and cohesiveness through streamlined trade, travel and migration.* ”





space, there was a focus on the need for Government and industry to collaborate to manage the growth in volumes in the movement of people, while addressing potential security risks.

The Department recognises that managing our border is a shared responsibility underpinned by valuable partnerships between Government and industry. By working more closely with industry, we aim to support and further enhance Australia's security, economic prosperity and cohesiveness through streamlined trade, travel and migration.

The Industry Summit attracted over 250 attendees, including presenters and panellists from industry and Government. We welcome further engagement with our industry stakeholders over the coming months.

The outcomes from the Industry Summit are available at [www.border.gov.au/industrysummit](http://www.border.gov.au/industrysummit).



*Hon Peter Dutton (Minister for Immigration and Border Protection)*

(including industry) must reinvent our thinking.

A series of workshops followed, covering three broad streams: trade, traveller and migration. These workshops focused on 'innovation at the border' and the need for Government and industry to work collaboratively to develop innovative technology and business processes.

During the migration workshops, Government and industry delegates considered how we can increase the responsiveness of Australia's Migration Programme to economic, social, environmental and security needs, and maintain our competitiveness as an attractive destination for migrants in today's rapidly changing world.

In considering trade modernisation, delegates explored Government and industry strategic planning for the future of international trade and how Government and industry can work together to address impending challenges.

Finally, in the traveller modernisation

## FTA CPD - BORDER AND BIOSECURITY COMPLIANCE PROGRAM

Please join us for our last two CPD sessions of the year addressing emerging reforms and best practice operations:

- Reforms under Australian Trusted Trader
- GST collection on low value goods
- Safeguard business risks - lessons learnt from Hanjin, GSS and the Maersk cyber-attack
- North Asian Free Trade Agreements (ChAFTA, JAEPA & KAFTA)
- Illegal Logging and implications for international trade
- Compliance update as we head to a new era under the Home Affairs port folio

*15 customs broker CPD points issued on an attendance basis (11am - 5pm)*

**11 October 2017** - Novotel, Brighton Le Sands, Sydney  
**25 October 2017** - Novotel, Brisbane Airport

**Register at [www.FTAlliance.com.au/upcoming-events](http://www.FTAlliance.com.au/upcoming-events)**





## Improving Australia's agricultural export legislation

By MALCOLM THOMPSON, Deputy Secretary, Department of Agriculture and Water Resources

Agriculture is a significant contributor to the Australian economy, bringing in around \$62 billion in 2016-17. More than two-thirds of production—worth around \$48 billion—is exported.

Success of the agricultural export sector is underpinned by Australia's unique strengths and robust regulatory arrangements in agricultural production. These factors have been pivotal in providing trading partners assurance of the integrity of our produce, making Australia a preferred global supplier of high quality, safe and reliable agricultural exports.

With increases in population, wealth, education and technology driving global demand for high quality agricultural produce, the potential to grow the sector and tap into new markets is enormous.

To realise the full potential of our agricultural exports, we're improving the regulatory arrangements. This is to ensure they keep pace with the changing global trade environment and continue to support strong agricultural trade into the future. Improvements to our export legislation are part of a broader suite of government initiatives aimed at strengthening agricultural exports.

What's driving the changes?

The existing regulatory framework has served Australia well, but has become complex and somewhat dated with much duplication and inconsistency. Developed over 30 years, Australian agricultural exports are regulated by 17 Acts and subject to more than 40 legislative instruments. Many of the legislative instruments in this existing framework will cease to be law in April 2020 and must be reviewed, before being either repealed or remade.

This provides the perfect opportunity to review the current legislative framework with the overarching principles that the legislation should be:

- clear, transparent and easy to understand
- responsive to changes in importing country requirements
- fit for purpose in meeting industry and government needs.

We've consulted extensively with farmers, governments and trading partners. This has been really important in helping us to improve the legislation, commencing with a review of the existing export legislation.

Most of those we have consulted have told us they were comfortable with the current overall level of regulation, noting:

"Regulation is necessary to protect market access and Australia's reputation.....and is part of doing business"

At the same time, they noted the need for the legislation to be more flexible to manage changes in technologies and future requirements; clearer, more streamlined, and user-friendly; and more consistent across different commodities with generic requirements.

Our trading partners are critical to the export equation. We've kept them informed and provided assurance that improvements will not impact on Australia's ability to meet importing country requirements. Consultations

to date have been effective and no major concerns have been raised regarding the proposed improvements. Engagement with all our stakeholders will continue until the new export legislation commences.

What are the improvements?

The most obvious and possibly most important improvement, is that the export-related provisions in the Australian Meat and Live-stock Industry Act 1997 and the Export Control Act 1982 will be replaced with a new Export Control Act. The Export Control Act will be underpinned by a single legislative instrument—the Export Control Rules—which will incorporate all agricultural export related matters, replacing the current Orders. This will make the requirements to export easier to understand and comply with, and will encourage growth in this sector.

The new export legislation will be more complete, consistent and coherent:

- enable swifter government responses to changes in market

conditions whilst maintaining overall level of oversight, through more efficient processes for making policy changes

- contain clearly articulated requirements for certification of goods to enhance efficiencies in getting goods to market whilst maintaining a high level of product integrity
- enable use of a broader range of modern enforcement and compliance tools so that they are more proportionate to the degree of any non-compliance
- increase ability of exporters to meet changes in importing country requirements, particularly around traceability, to ensure product integrity.

Next steps

We are continuing to invite feedback from anyone interested in the new regulatory arrangements and also welcome written submissions via the department's website [agriculture.gov.au/export-legislation](http://agriculture.gov.au/export-legislation).

Following the consultation and

parliamentary processes, and assuming passage of the proposed legislation, we anticipate the new Bill coming into effect around March 2020, prior to the current legislation ceasing in April 2020.

“ *Regulation is necessary to protect market access and Australia's reputation..... and is part of doing business* ”



Artists Impression



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# The increasing focus on export compliance

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



## Why does export compliance matter?

Australian exporters enjoy a relatively trade friendly environment. Compliance is assumed and few goods are inspected prior to export. This environment is based on the premise that the ABF can rely on the information included in export declarations. Poor export compliance erodes this trust and can lead to greater ABF intervention in the supply chain.

While higher export compliance can add to training and compliance costs, these can be planned and budgeted for. However, you cannot plan for enforcement action and the ABF holding your goods. An unexpected delay in your supply chain will undoubtedly be costly and frustrate your customers. With some customers, a customs compliance issue may be all it takes to put you on the list of banned or non-preferred suppliers.

Further, you should not expect the ABF to limit its inquiries to your exporting activities. We have seen clients' export issues quickly turn into import issues. It is not unreasonable for the ABF to think that poor export compliance goes hand in hand with poor import compliance.

The costs of non-compliance can also be direct. Any incorrect information on an export declaration can result in the issuing of an infringement notice. All the ABF needs to prove is that false information was provided. Based on the ABF's data, this occurs around 40% of the time. As of 1 July 2017, infringement notices for corporations making false statements on an export declaration are \$9,450 per offence.

Where goods are prohibited exports, the attempted export of the goods without permission can result in the seizure of the goods. Once seized, the goods may become the property of the Commonwealth and will generally remain so. This penalty can apply automatically and can be much

The days of focusing on import compliance to the exclusion of export compliance are disappearing. Previously the difference in revenue outcomes associated with imports compared to exports warranted a greater focus on import compliance. However, following the introduction of a number of free trade agreements, many imports, like most exports, are duty free. As duty is less of a driver in compliance actions, we are seeing a greater focus on export compliance. The problem is that few exporters are prepared for the Australian Border Force (ABF) to have a close look at their export compliance.

If the ABF cares about export compliance, so should you

It's understandable that compliance dollars should be allocated to the areas of most concern to the ABF. For a long time this was not exports, but imports. At least anecdotally, there has been a greater focus more recently by the ABF on export compliance and related issues such as duty drawback and temporary imports. Additionally, the Department of Immigration and Border Protection (Department) issued a notice in June 2017 entitled "Important reminder about export reporting obligations". The notice included reminders about:

- the need for accurate export data;

- when an export declaration is required;
- when an export permit is required; and
- when permission is required to move, alter or interfere with export goods.

The notice ended with the following warning:

*"Incorrect export reporting is of serious concern to the Department and the ABF. Offences related to export reporting may undermine the ability of the ABF to perform its designated role at the Australian border in preventing the exportation of illicit goods and the application of government policy."*

At the Department's 2017 Industry Summit one of the two trade focused workshops considered supply chain security. The focus was not on revenue or statistical measures, but on the movement of controlled goods. This is an issue that has an equal import and export focus.

The ABF has made it clear that it considers accurate export reporting to be a priority. The ABF must then be extremely concerned that its audits of export declarations in the 2016/17 year found an error rate per line of 40.2%. A rate this high suggests either a disregard of reporting requirements or a lack of knowledge regarding compliance.

more extreme than any penalty that would be handed out by a Court.

Another reason to be concerned about export compliance is that it can impact your eligibility to become an accredited Australian Trusted Trader. The Australian Trusted Trader Program promises trade facilitation benefits in exchange for trade compliance and supply chain security. Export non-compliance can diminish the Department's confidence that either the trade compliance or supply chain security criteria are satisfied. Again at the recent Industry Summit, the Department gave an example of a Trusted Trader applicant who had export compliance issues identified as part of the Trusted Trader accreditation process – this is an issue the Trusted Trader team will examine.

### What are the main export compliance issues?

There are a wide range of potential export compliance issues and it can be the case that an issue that was a low priority of the Department for a long time, can suddenly become a burning issue. It was recently reported that incorrect labelling of Australian beef was being used as a reason by the Chinese Government to ban certain Australian imports. An issue such as this can immediately thrust correct labelling of goods into the spot light.

When the export compliance priority can be driven by the trade agenda or protectionist attitude by Australia's trading partners, it makes it almost impossible to know what issues you should make a priority. Our view is that you need to strive for 100% compliance with exports, just as you would for imports.

### Incorrect information

The most common trade compliance mistake is including incorrect information on export declarations. The top 5 errors on export declarations are incorrect:

- FOB value
- gross weight
- net quantity
- classification
- origin

There is often little excuse for incorrectly stating the FOB value, gross weight or quantity. 100% accuracy could almost be assured by a basic quality assurance program, and some training on what is included in the FOB price.

Classification can be a difficult issue and advice from a trade professional should be sought. Many controlled goods are linked to a particular classification and

an incorrect classification can result in a potentially high risk export not being identified by the ABF. This can mean that the exporter does not even know that there may be a compliance issue.

Origin can be difficult, but is usually easier with exports. The first issue is to nominate whether the good is of Australian origin or was imported. We are seeing many exporters getting this relatively basic issue incorrect.

### Controlled exports

The export of controlled goods without a permit is a serious issue. It can result in seizure of the good and in the most serious cases, multi-million dollar fines or imprisonment. The list of controlled goods is long and exporters should review the list regularly. Exports may be controlled due to the nature of the good, the country of destination or the specific foreign customer. Further, controlled goods may be prohibited absolutely, restricted without permission or restricted only when exported to certain countries or individuals.

Some examples of controlled exports are goods containing asbestos, goods that could potentially be put to a military purpose, certain chemicals, certain cultural and heritage goods and goods being exported to countries the subject of UN sanctions. The list is far from exhaustive and every exporter should consult the Department of Defence, DFAT and border.gov.au websites to see a complete list of prohibited exports. Please be careful to review all Government websites as at the time of writing, even the border.gov.au website did not contain a complete list.

### Other issues

Some other issues exporters should keep in mind:

- never alter the description or value of the goods on a "shipping", "pro forma" or "customs" invoice for your customer. If an importer is requesting a lower value be displayed, it may be to evade customs duty. A request for a generic goods description may be because the good is a prohibited import;
- ensure claims of Australian origin can be proved. A certificate of origin does not mean that the origin rule is satisfied, just that an issuing body is prepared to give you a certificate;
- with related parties, ensure the pricing is arm's length. In this respect, remember that the tests around transfer pricing for customs purposes are likely to be different to the tests used for tax purposes;
- ensure commercial documentation relating to the export is retained for 5

“ *It is not unreasonable for the ABF to think that poor export compliance goes hand in hand with poor import compliance* ”

years;

- ensure trade descriptions on the goods are accurate – goods containing a false trade description are a prohibited export.

### What to do now

We recommend that exporter's develop and implement policies to identify risk and verify compliance on a continuing basis. We recommend at least the following steps:

1. Learn the rules – many export offences are strict liability offences and require no intention to breach the law
2. Identify risk factors such as exporting new products, exporting to new countries, acquiring a new exporting business, and a change in the law
3. Review – you need to have monitoring systems in place, if you use a customs broker ask what quality assurance systems they have in place
4. Disclose – If non-compliance is identified it can be most predictably managed by voluntary disclosure – this will be a complete defence for some offences and is likely to decrease penalties in most other cases.

Export trade compliance is not easy, but at the same time, it is not optional. Poor export compliance can end or significantly hinder your ability to trade. Given the current high levels of non-compliance across all exports, the ABF is likely to reward exporters who make genuine attempts to comply.

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.

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## MINISTER ANNOUNCES FREE EXPORT COMPLIANCE TRAINING FOR INTERNATIONAL TRADE PROFESSIONALS

On 12 April 2017, the Federal Minister for Trade, Tourism and Investment, the Hon. Steve Ciobo MP, announced the Australian Peak Shippers Association (APSA) as a recipient of the Austrade Free Trade Agreement Training Provider Grant.

The Coalition invested \$2.145 million over two years in the training provider grants program, which is part of the Government's strategy to help businesses adapt and diversify as the economy transitions from the mining investment boom.

The Coalition's ground-breaking free trade agreements with China, Japan and Korea, in particular, are delivering significant economic benefits.

Exports to these key markets have risen 140 per cent since 2014, a surge that is driving economic growth and creating jobs as Australian exporters take advantage of lower tariffs and expanded market access.

APSA will be delivering a series of training events to industry, including webinars, face-to-face sessions and an e-learning programme. This training is freely available to members and non-members of the Association and is suitable for export operators, freight forwarders and any employee involved in export supply chain operations. Some of the content may also attract CPD points for accredited Customs Brokers.

Learning areas include:

- Export Compliance;
- Declaration of Goods under ChAFTA;
- Identifying and addressing technical trade barriers;

- Introductions to the North Asian Free Trade Agreements- KAFTA, CHAFTA and JAEPA;
- Quarantine/Exporting food to China;
- FTAs for Agribusiness; and
- Bribery & Corruption- how to manage the risk.

Content is developed in partnership with Hunt & Hunt, Australia's leading international trade law specialist, and Crowe Horwath, a major global accounting firm with expertise in international tax.

Following our successful face-to-face session held in Melbourne on 6 September 2017 we look forward to delivering identical events in Sydney on 11 October 2017 and Brisbane on 25 October 2017.

The first webinar addressing Export Compliance was delivered on 14 August 2017 to over 160 industry participants.

To access the free North Asian Free Trade Agreement E-Learning Module please visit [www.compliancenetfta.com.au](http://www.compliancenetfta.com.au)

To access the recordings of webinars delivered under the series, please visit [www.compliancenetfta.com.au](http://www.compliancenetfta.com.au)

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*Federal Minister for Trade, Tourism and Investment, the Hon. Steven Ciobo MP*

training session, please visit [www.ftalliance.com.au/upcoming-events](http://www.ftalliance.com.au/upcoming-events) or email [admin@auspsa.com](mailto:admin@auspsa.com)

*The above activities have received funding from Austrade as 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.*

# Expanded Free Trade Agreement Portal helping Australian businesses

By STEVEN CIOBO MP, Minister for Trade, Tourism and Investment

The Turnbull Government has delivered on our election commitment to assist Australian businesses take advantage of the opportunities provided by our free trade agreements by expanding the Free Trade Agreement (FTA) Portal. The portal is a user-friendly website helping an increasing number of Australian businesses seize export opportunities associated with Australia's FTAs, including our agreements with China, Japan and South Korea.

The FTA Portal is a free-of-charge Coalition Government initiative that provides tariff and other goods trade information and was recently expanded to cover all ten of Australia's FTAs. In addition to China, Japan and Korea, it now includes FTA information for trade in goods with the United States, New Zealand, Chile and the ten ASEAN members (Malaysia, Singapore, Thailand, Indonesia, Vietnam, Philippines, Brunei, Cambodia, Myanmar and Laos). Importantly, the Portal also helps identify whether a bilateral or regional free trade agreement will offer traders better access when there is more than one FTA available.

The FTA Portal is enabling customs brokers, freight forwarders, goods exporters and importers, especially time-poor small and medium enterprises, to explore the benefits of Australia's free trade agreements in a quick and user-friendly way.

Feedback on the FTA Portal from the



## Snapshot: What the FTA Portal does

The FTA Portal will allow the user to:

- Search for product code information (ie the HS Code) relating to a specific agreement or market (using everyday language to search for products)
- Obtain accurate and clear information about the tariff under a free trade agreement for a product
- Be guided on the eligibility requirements for a product and specific free trade agreement tariff (ie rules of origin)
- Find out how to obtain certification through an authorised certifying body or how to self-certify.

The FTA Portal also incorporates:

- Australian and international trade data aligned to product searches, to help gauge competition in the target import market
- First time exporter/importer information to get started
- General information relating to each of the free trade agreements
- Contact information
- Video case studies
- Developer Application Programming Interface features, which gives software developers the opportunity to draw on the tariff finder and rules of origin data to create their own applications.

business community has been very positive. Heath Baker, Head of Trade Policy with the Export Council of Australia, said the FTA portal made it far easier for businesses to use Australia's FTAs. "I always encourage exporters to make sure they check the portal. It's extremely easy to use—you just put in your product description and the market you're exporting to, and it tells you everything you need to know."

Since the Portal's initial launch in March 2016 it has attracted close to 80,000 unique users and is currently being accessed around 2000 times per week. The number of unique users has grown by 186 per cent since this time last year, and a third of users of the website are return visitors.

Business feedback has also informed our decision to expand the FTA Portal to

cover services sectors in the near future.

The FTA Portal is part of the Turnbull Governments ongoing support to help Australian businesses – from primary producers through to advanced manufacturers – make the most of our FTAs and thereby boost economic growth and create new Australian jobs.

The FTA Portal is available at <https://ftaportal.dfat.gov.au/>.

## North Asia FTA Portal. [ftaportal.dfat.gov.au](https://ftaportal.dfat.gov.au)

- > search for tariffs
- > understand your target import market
- > check if your product may qualify
- > find out how to certify





# Paradigm Shifts in Global Trade

## How Trump protectionism and Brexit will impact Australian businesses.

By RICHARD NUTT, Associate Partner, Customs and International Trade Advisory, Crowe Horwath

The accumulative events of Brexit, President Trump’s “America first” policies, and the emphasis on trade liberalisation and globalisation in Asia, will have a significant long-term impact on global trade and Australia’s place within it.

“ *Australian supply chain networks must be streamlined to run as efficiently and cost-effectively as possible* ”

Political choices shaping world trade policies within the recent year have been increasingly stricken by economic nationalism, clearly reflected in Brexit and the results of the 2016 US Presidential election.

Although it is unfair as well as difficult to interpret the motives behind the vote for Brexit, the fact cannot be ignored that support for Brexit symbolizes a rising disillusionment felt across many developed countries towards the benefits of open borders. For outside observers, the Brexit vote can be viewed as a collective backlash against international economic integration, manifested across different geographies – particularly within the United States, with the decision to withdraw from the Trans-Pacific Partnership (TPP) Agreement, and recent proposals to change the existing terms of the North American Free Trade Agreement (NAFTA).

The costs and benefits of trade are, more than ever, being interrogated—questions regarding the fairness, equality, and impacts of trade distribution are being raised, influencing political choices and giving rise to global trade uncertainty. If any inferences are to be drawn from these events, it is that future endeavours to create momentum for world trade growth through liberal trade policies will be more and more likely to be met with resistance, and may signify an increase in trade protectionism and economic nationalism within nations with sentiments mirroring those felt

within the UK and US.

Despite these events, the possibility of prosperity remains open to Australian businesses, provided that they remain vigilant and act flexibly in the face of the changing nature of trade. The rapid growth of industrialisation within Asian economies has enabled the emergence of new business models and shifted global supply chains, with support for trade liberalisation offsetting the protectionist sentiments in the UK and US.

### **Branching in the landscape of possibilities – prospective outcomes of Brexit and impact upon supply chains**

With the phrase “no deal is better than a bad deal” making its way into this year’s Conservative manifesto, a relatively hard Brexit is the anticipated result; with the UK Prime Minister, Theresa May, asserting that the UK will not be a member of the single market or part of the EU Customs Union. Given the current state of negotiations, the following three outcomes may arise:

- 1) Simultaneous agreements reached between the UK and the EU regarding withdrawal and their future relationship;
- 2) Transitional arrangement with a permanent agreement continuing to be negotiated and coming into force after withdrawal from the EU; or
- 3) No agreement made, resulting in a very hard Brexit and, by 2019, the UK

reverting to WTO rules for any trade with the EU.

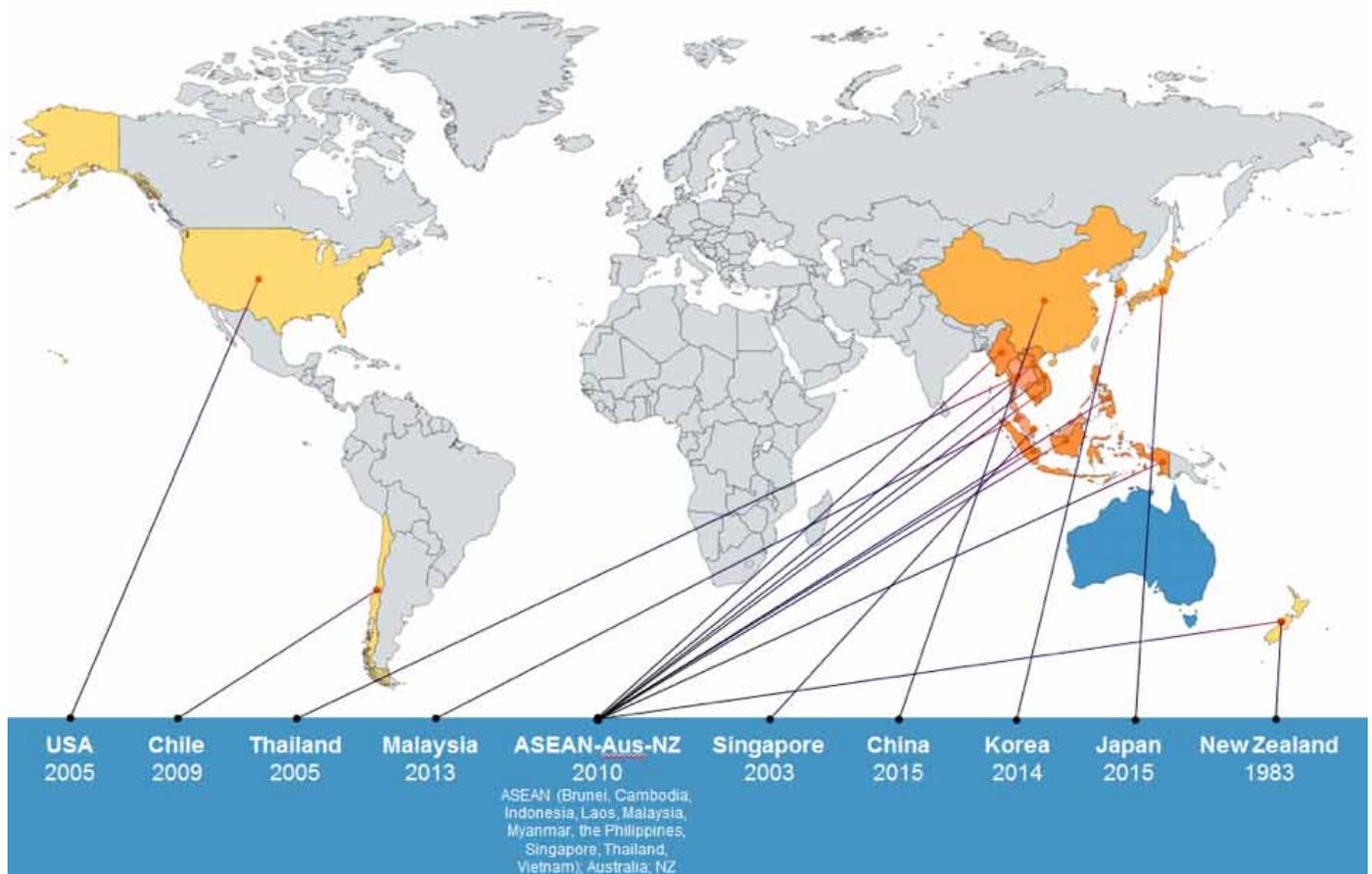
Regardless of context, it is often expected for multinational businesses to be aware of the need to understand and analyse the state of their supply chains – this is especially a priority when considering entry into new markets or implementing strategies to deal with change. However, the unprecedented nature of Brexit means that this will not be business as usual – businesses will be faced with the challenge of having to unravel and reset their existing supply chain arrangements which, until now, will most likely have enjoyed inhabiting a single European market where goods enter and leave the UK at various stages in their manufacturing process, with components being sourced from the EU and beyond. When the structure of this environment changes, the most noticeable effects will be an increase in tariffs and non-tariff barriers, including border checks, paperwork, and changes to the operation of Rules of Origin.

Currently, the terms “UK goods” and “EU goods” can be considered interchangeable; the freedom of movement (i.e. without the restrictions of customs requirements and tariffs) for goods across EU countries equates to ease of participation for UK manufacturers and suppliers in cross-EU supply chains. Under the existing FTAs made between the EU and third-party countries, these goods would also be privy to the additional benefit of preferential rates. However, the prospect of Brexit throws a wrench into this systematic arrangement – without a policy solution, access to these aforementioned benefits may disappear even if the UK were to form FTAs with similar terms with those third-party countries, as the products assembled or manufactured within the UK may no longer satisfy the relevant rules of origin.

For example, in a pre-Brexit scenario, businesses may source EU-origin components for a product, assemble them in the UK for manufacture, and

then export to a third-party country, taking advantage of the reduced tariffs specific to “EU goods” within an FTA between the EU and the third-party. Post-Brexit will mean that these businesses can no longer rely upon this FTA – although their products comprise of EU-origin components, they are exported from the UK and hence not the EU. Even given the possibility of writing up and implementing an FTA specifically between the UK and the third-party country, if the products are predominantly made from EU components, then the UK contribution will most likely be too small to take advantage of any preferential tariffs available and, therefore, such an FTA would not offer much of a resolution. Hence, without a policy solution, the potential effects of such a scenario may mean that businesses will require a reassessment of the use of their UK suppliers and suppliers located in other countries. They may find viable alternatives in other locations, and thus

### Commencement dates of Free Trade Agreements (FTAs) in force with Australia



their supply chain networks will also evolve to accommodate and reflect these changes in preference.

The value chains of many global businesses over the past two decades, have been increasingly reliant upon the trade of both goods and services in relation to the financing and marketing of a produce. Businesses that export services to the EU and vice versa will need to assess the risks to their current operations and mitigating factors. Ensuring the effectiveness of existing operations is a business's foremost priority. However, in the event that post-Brexit policies do not allow for the sufficient preservation of such operations, the costs of addressing non-tariff barriers will be weighed against relocating service provision elsewhere. With that being said, however, for many supply chains, changes will be minimal. Existing supply and demand of certain niche or lifestyle goods – for example, delicatessens importing French-origin cheese – are predicted to be mostly unaffected. There will always be goods that are needed to be sourced from specific geographical regions; the fact that businesses will need to be pragmatic in consideration of consumer needs will serve as a countermeasure towards any drastic changes to supply chain networks.

## **The future of trade policy under Trump**

In spite of the intensity of the “America First” campaign promised by President Donald Trump, the exact lines of demarcation regarding what exactly will be covered by the US future trade policies are, as of now, still relatively blurred, with more conjecture than there have been legitimized actions. The slew of social media announcements made by Trump since his inauguration, however, demonstrate an obvious intention to shift the US away from multilateral trade deals and towards bilateral free trade agreements, on the basis that a bilateral setting will create a better negotiating leverage for the US.

Statistics from the Department of Foreign Affairs and Trade (DFAT) last year showed that, in 2015, the US was Australia's third largest export market. Despite the US's withdrawal from the TPP, direct links between Australia and the US are unlikely to be affected by these intentions, especially in regards to

the Australia-US FTA. As the overall aim of the Trump administration is to reduce the encumbering effects of the trade deficit within the US economy, it would thus hope to balance its trade with countries which it runs bilateral deficit with. Given that, over the past several decades, the US has run a continuous trade surplus with Australia, the conditions of the direct trade relationship between Australia and the US will most likely remain more or less the same.

Nevertheless, there are still certain impacts on Australian exporters – although direct market access is not what is at stake, Australian businesses will certainly be at risk of losing sales in areas relating to supply materials and inputs to other trading partners that have their access to the US market restricted. For example, although Trump's protectionist agendas have not fully actualized into reality, at the centre of his proposed policies are a momentous increase in cross-border tariffs on China and Mexico-origin. International businesses with operations of a cross-border nature will face the most impact from proposed and implied changes to US participation in various existing trade agreements. As there is such uncertainty concerning the specifics of when and how Trump's policies will be realized, Australian supply chain networks must be streamlined to run as efficiently and cost-effectively as possible. A key consideration for businesses operating in, or trading with, the US is to minimise any surprises arising from the new administration's development of its trade policies, and be vigilant in keeping aware of any proposed updates, in preparation of any changes to the global trade environment.

The US withdrawal from the TPP presents a turning point in international trade for East and South-East Asian countries, particularly China, which has been intensifying its global presence through its advocacy of free trade. The strategic advantages to be gained by China through the US withdrawal are embodied by two initiatives: the One Belt One Road Initiative, and a multilateral trade pact called the Regional Comprehensive Economic Partnership (RCEP). The One Belt One Road Initiative incorporates large-scale investment in the development of infrastructure within the Central and South-East Asian regions, the Middle East, and

Africa, to promote trade into and out of China. A successful completion of this initiative will precipitate immense economic and political gains for China and, by extension, businesses with supply chain networks entrenched in China. The RCEP comprises a trade deal between 16 countries, including some of Australia's biggest import and export markets – that is, China, India, Japan, and South Korea – and is reported to account for almost half the world's population, almost 40 percent of global GDP, and over a quarter of world exports. The pact is still under negotiation, with no finalized agreements expected to be made for the next two years.

## **Conclusion**

Despite the current malaise of uncertainty generated by the changing nature of global trade policies as shaped by Brexit and developments within the US, there are practical steps that can be undertaken by businesses to ensure the steady continuation of their operations. Notwithstanding the circumstances from which support for economic nationalism and protectionism have emerged in certain parts of the world, support for trade liberalisation remains steady in other regions, and Asia is progressing steadily in its negotiation of trade and investment treaties in spite of US withdrawals. To take advantage of these situations, businesses must seek the right investment structures in each region of their supply chain networks, and remain aware of any changes that impact existing operations, as well as opportunities to evolve.



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# Casella Family Brands leading the way for Australian Wine Exports

Casella Family Brands is Australia's largest family owned wine company, famous for bringing great quality Australian wine to the world.

The company has come a long way since John Casella's parents, Filippo and Maria Casella, began growing grapes at Yenda in the Riverina region in 1969. Today Yellow Tail wine is shipped to over 50 countries all over the world and the recent introduction of three premium brands to the CFB portfolio presents exciting new growth opportunities in key export markets.

“*ports are competing for the business of exporters in contestable trade regions*”

Casella Family Brands currently exports almost 12 million cases of wine each year. Volumes of this magnitude relies on a highly efficient supply chain. The Casella Family Brands Distribution team works closely with its logistics service providers and importers to ensure containers are dispatched and received at various ports bound for export markets on time and with efficiency.

The importance of Australian wine exports to the economy is clear, with the Wine Australia export report identifying export value for our wine industry growing by 11% from June 2015 to June 2016. This growth is underpinned by Free Trade Agreements with key destination markets including the United States and China. Exports to mainland China in that period increased by 50% to \$419 million. The United States remains Australia's number 1 destination for wine by value and exports grew by 8% in 2015/2016 to \$449 million.

Casella Family Brands Managing Director, John Casella, said, 'It's exciting to see reinvigorated interest in Australian wine in the US market, with consumers now considering Australian wine amongst some of the world's best when choosing a premium wine. The growing preference amongst consumers and influencers is a testament to the hard work that Wine Australia has been doing in the US to promote the quality and diversity of Australian wine.

'With the recent re-launch of Peter Lehmann Wines in the US market, we have seen renewed interest in the category, in particular at the higher price point of between US\$10 - \$20 RRP. We're passionate about doing our part

to tell the Australian fine wine story of provenance, quality, diversity and our winemaking craft, in order to continue the momentum.'

While the UK remains a strong destination for Australia's wine in volume terms, much of that is shipped in bulk, with the value of that trade sitting steady at around \$369 million. Some trade experts have predicted that the de-coupling of the UK and the EU may have a positive impact on Australian wine exporters.

With the significant and continuing growth of Casella Family Brands as a major Australian producer and exporter, an efficient domestic and international supply chain is critical to their ongoing success. This includes working with their logistics suppliers, including freight forwarders, transport operators, rail operators and shipping lines. Domestic supply chain costs have a direct relationship with the international competitiveness of our exported goods.

While Casella Family Brands is located in the agri-business hub of Griffith, NSW, favourable infrastructure and logistics costs have led Casella Family Brands to ship through the Port of Melbourne, in Victoria, currently Australia's largest container port by volume. This is another example of interstate competition between private port operators delivering benefits to Australian exporters, where ports are competing for the business of exporters in contestable trade regions, particularly in the Riverina and in North Coast NSW.

The Australian Peak Shippers Association (APSA) secretariat



Sam McLeod, Head of Distribution, Casella Family Brands;  
Travis Brooks-Garrett, APSA / FTA

Travis Brooks-Garrett notes that “the growth of Casella Family Brands is a testament to the family, the strength of their operations and the strength of their product. With containerised exports in excess of 7,000 standard containers per annum it has become one of the region’s largest shippers.”

Not only has Casella Family Brands become one of the region’s largest shippers but they have also become one of the region’s largest rail users, helping to keep trucks off the road.

The market conditions for Australian exporters is changing, with the consolidation of foreign-owned shipping lines, increases in shipping line surcharges and issues faced by Australia’s exporters in the accessing empty containers for export.

The Australian Peak Shippers Association (APSA) is proud to be working with Casella Family Brands and their Head of Distribution, Sam McLeod, who brings considerable experience and expertise to the Association, to help address some of the challenges.

“Casella Family Brands is delighted to become a member of The Australian Peak Shippers’ Association (APSA)” says Sam McLeod, “We believe it will further strengthen our route to market and provide support in addressing fee based issues, container and vessel availability. We look forward to working the other members to ensure Australia’s export supply chain potential is maximised and delivers best in class performance.”

For more information about Casella Family Brands please visit [www.casellafamilybrands.com](http://www.casellafamilybrands.com)

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



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# Strong demand for our cotton

By MATTHEW BRADD, Chairman – Australian Cotton Shippers Association

The Australian Cotton Shippers Association is an association of cotton merchants. Those cotton merchants are independent, commercial entities involved in the purchase of cotton from growers and the sale of cotton to spinning mills and the textile supply chain. ACSA members are engaged in the entire cotton supply chain from field to processing at the gin, to cotton classing, warehousing, shipping and delivery to the final consumer. ACSA represents the interests of the cotton industry specifically in relation to the procurement and marketing of the Australian cotton crop.

ACSA's members are Auscott Limited, Cargill Cotton, CNCGC Australian, Cofco Agri, Cubbie Cotton Marketing, Ecom Cotton, Glencore Agriculture, Louis Dreyfus Company, Namoi Cotton, OmniCotton Australia, Queensland Cotton Olam, RCMA Group, Reinhart Australia and S&G Cotton.

ACSA has been a long-time member of the Australian Peak Shippers Association (APSA) and we are delighted that ACSA Director Ms Eimear McDonagh has taken a position on APSA Board. Ms McDonagh comes with a wealth of cotton supply chain experience and will be a significant contributor to the APSA Board.

The saying goes that there are never two years the same in the cotton industry and the 2017 crop has certainly provided the Australian cotton industry with many challenges.

Outside of the export sector, the first of those challenges is forecasting the crop size. Industry had very optimistically estimated a 5 million bale crop earlier this year but a scorching hot and extended summer had a significant

impact on yields and current estimates are that the crop will now come in at 3.8 million bales.

Added to this crop reduction, Mother Nature then added a few other elements that resulted in a late harvest. The slow start and variable quality of cotton harvested early in the season resulted in a very tight quality position, leaving merchants struggling to source their requirements. Added to this, with dynamics in the Australian shipping sector shifting this year and capacity on vessels booked up to six weeks in advance due to the overhang of the large grain season; reduced shipping capacity out of Australia and recent mergers of shipping lines - getting cotton onto vessels has certainly been a challenge.

On a positive note, the basis competitiveness of Australian cotton this year versus our competitors has seen strong demand for our cotton. Our usual markets were very active with India becoming a very regular customer for Australian cotton. Some of this buying was booked back in as far as late 2015, with buyers taking advantage of cheaper basis and a volatile New York Futures market. For the most part, it is expected that the Australian crop is fully committed.

With ABARE export data only available to end-June, and representing just over one-quarter of estimated seasonal exports, China remains the biggest market for Australian cotton followed by Bangladesh, India, Vietnam, Indonesia and Thailand.

Bangladesh is emerging as a consistent importer of Australian raw cotton. In the 2015-16 fiscal year Bangladesh was the largest importer of cotton with 18% of global market share. It was also the second largest exporter of ready-made garments after China with the



Matthew Bradd



textile sector accounting for 80% of Bangladesh's total exports, surpassing \$28 billion in 2016.

Australian exports to Bangladesh have increased from less than 1% in 2008 to 12% in 2016. We consider that Bangladesh will be an important market for Australian cotton going forward, however, they have serious issues to overcome as their growth is outpacing their infrastructure capacity. The Bangladeshi Government has set an ambitious export target of US\$50 billion worth of textile products by 2021. They are investing in infrastructure projects such as deep-sea ports, road networks and power plants to facilitate this growth. To materialise the export target, Bangladesh must double cotton consumption to more than 2 million MT by 2021.

Bangladesh is potentially a huge market for Australian cotton but congestion at the Port of Chittagong is causing problems for shippers. In fact for shipments ex Brisbane this

year, shipping lines stopped accepting bookings because of the shortage of feeder services for transshipment to Chittagong. Added to this, there is a congestion surcharge per \$300-\$500 box which is a weighty addition to the cost of doing business with Bangladesh.

As our harvest winds down and we move into peak shipping months, Australian merchants will start to see some light at the end of the tunnel. Looking forward, the first of the 2017/18 crop has been planted in Central Queensland and industry is buoyed by the prospects for the coming season, especially out of the Riverina where we have witnessed first-hand all the new cotton country development and new acreage being considered. Still early days, but long-range forecasting suggests a 2018 crop of between 4.0 and 4.2 million bales.

Let's hope we get good rain in the coming months and can grow a sizable crop to keep our customers happy.

“ *To materialise the export target, Bangladesh must double cotton consumption to more than 2 million MT by 2021* ”



# Promotion of workplace diversity makes good business sense

By CAROLINE ZALAI – FTA / APSA

*As first published by Lloyds List Australia 7 August 2018*

Our sector of commerce is facing increased automation, regulation, operational reforms and a highly competitive environment. Business must adopt change management strategies to implement process improvements and more importantly, encourage individual staff development to build team excellence.

Supporting these outcomes, the Women in Logistics (WIL) forum has two primary aims; to provide a network for women to assist in their professional development and to support businesses in better managing staffing resources to achieve operational efficiencies.

Freight & Trade Alliance (FTA) and the Women's International Shipping & Trade Association (WISTA) had the pleasure in hosting the annual Women In Logistics forum in Sydney on 26 July 2017 where we were privileged to hear from Libby Lyons, Director of the Workplace Gender & Equality Agency (WGEA).

Libby presented a scorecard on the gender gap within the logistics sector (including customs brokerages, freight



*Libby Lyons (Director Workplace Gender & Equality Agency)*

forwarding businesses and transport operations) which highlighted:

- 26% of full-time staff are female with a 20.7% pay gap translating to a difference of \$19,053 every year (when you include other forms of remuneration (like superannuation) the full-time total pay gap is 23.8% every year – or a difference of \$26,835).
- Few women make it to managerial level with 20.6% of key managers being women, and 4.5% of CEOs are women.
- Women are concentrated in clerical roles – 60.6% of administrative staff are women.

The forum also included presentations from government and stevedore executives.

Sneha Chatterjee, Chief Superintendent, Australian Border Force (ABF) gave a presentation focused on the Australian Trusted Trader Program and provided personal insights on opportunities and challenges faced by women in management positions.

It is all about changing culture. In what was a traditional male dominated workforce, the ABF has evolved with a focus on utilising women in key management roles. The ABF has demonstrated an ability to adapt in more ways than one, moving away from a “controlling” to a “trusted” environment whereby business entities that can demonstrate a secure supply chain will receive operational benefits.

Interestingly, Sneha highlighted that the ATT account management team has a large contingent of women leading this important reform. These ladies bring to their roles effective communication, lateral thinking, high organisation and excellent listening skills to ascertain their



*Major event sponsor – Insync Personnel*

“ **62.5% of employers within our sector have an overall gender equality policy and 22.9% have completed a pay gap analysis in the last twelve months** ”

clients' needs.

While we thought that the ABF had a traditionally male dominated workforce, what about our waterside worker environment?

Paul Scurrah CEO, DP World Australia discussed the "Our Compass" program implemented to improve respect within the workplace based on the four pillars of Respect, Pride, Courage and Gratitude. A "no swearing" policy was a starting point in creating a workplace of mutual respect. Another frontier is that



*Sneha Chaterjee (Chief Superintendent, Australian Border Force)*

women are now "wharfies". Paul proudly showcased an example of a father and daughter working alongside each other at Port Botany. Extending this change in culture, DP World staff also support White Ribbon Australia in the prevention of violence against women. This workplace culture not only benefits staff but carries through to their families and the community in general.

Changing culture in the workplace are often difficult conversations to start,

however many companies are beginning to undertake change management strategies to achieve diversity within their businesses. WGEA statistics reveal that 62.5% of employers within our sector have an overall gender equality policy and 22.9% have completed a pay gap analysis in the last twelve months.

As a society and in business we must embrace religious, cultural, ethnic and gender diversity. FTA & WISTA would like to thank our major sponsor Insync Personnel and the men and women that attended the forum. We encourage more managers to attend next year's forum and begin this important conversation with your female staff... change cannot happen unless we all work together.



*Paul Scurrah (CEO, DP World)*



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# Minding your Own Business

By ALEXIS CAHALAN, Principal Lawyer, Thomas Miller Law Pty Ltd

## The Case for Cyber Risk Management

Businesses will be used to ensuring workplace, health and safety and regulatory compliance and safeguarding against physical threats such as theft. Processes to guard against such events are somewhat more identifiable where the risks are tangible and visible. However, one of the biggest issues now facing business is how to deal with the almost unseen risks which arise when data breaches occur but which have quite tangible consequences. Proper cyber security risk analysis and developing a cyber risk management process should now be considered a key feature of good business management.

## The reality of cyber risks

A number of high profile companies have already fallen prey to cyber attacks. In August 2016, the Australia Bureau of Statistics Census Program was hacked and the extent of the data compromised

largely unknown. In October 2016, the Red Cross Blood Bank's donor records were infiltrated and donors' sensitive personal information was leaked. Closer to the logistics sector, in June 2017, AP Moller –Maersk, the world's biggest carrier of seaborne freight carrying about 15% of all global trade by containers, fell victim to a massive cyber attack known as Petya. It was believed to have been a ransomware attack where payments are extorted to restore data. It is estimated that the financial losses incurred by Maersk as a result of the incident could be in the region of US\$300 million.

The Maersk situation was the result of an untargeted attack and other companies and government institutions were similarly affected. The threat of targeted attacks is also very real. In the recent decision in the English Court of Appeal, *MSC Mediterranean Shipping Co SA v Glencore International AG* [2017 EWCA Civ 365] the susceptibility of targeted cyber attack in cargo handling procedures was highlighted. In that case three containers of cobalt briquettes were shipped from Fremantle to Antwerp where they were discharged according to an electronic release system (ERS) which had developed over some years. Rather than paper delivery orders being presented against bills of lading, the ERS enabled consignees or their agents to present electronic pin codes to obtain the release of the containers.

When the legitimate recipients of the pin code arrived to collect the containers,

only one remained. It is not entirely clear how the remaining two containers were misappropriated, however, it was "tolerably clear" to the Court of Appeal that the pin codes had been accessed due to cybercrime. One of the defences the carrier sought to rely upon was that the chain of causation had been broken due to the shipping agent's email accounts being hacked. However, there was insufficient evidence to show how the thieves had accessed the pin codes either of the shipper or their agents or MSC's operating systems. The *Glencore* case serves as a reminder that where electronic releases can influence the delivery of cargo, access to the system must be monitored as well as the conduct of the persons who have access to those systems.

## Cyber risk business check list

It is becoming increasingly important for businesses to create a culture of cyber responsibility and to develop processes to detect and respond to cyber breaches. Some aspects which your business can consider when reviewing its cyber risk profile are:

- Not unlike the emergency response procedure which will apply when the physical environment of a business is out of action, develop of data risk response plan and nominate the person or group who can make immediate decisions when communication systems may be down. Take heed of the advice from the CEO of AP Moller-Maersk, Soren Skou whose reflection on lessons learned in the aftermath of the attack was " isolate

“ *It is becoming increasingly important for businesses to create a culture of cyber responsibility* ”

an attack quicker and restore systems quicker “;

- The effect of a fast response may disrupt operations and obligations to customers. Consider whether cyber insurance will provide some financial support to limit financial losses to the business caused by the disruption and the inevitable rescheduling of services. Insurance may also assist with engaging public relations consultants to curtail potential reputational fallout;

- Where you are providing a service, is this subject to your terms and conditions and do the terms and conditions limit liability for incidents caused beyond your control and limit liability to your customers for consequential losses arising from cyber incidents? Do they at least endeavour to allocate the risk appropriately between your business and your customer or other service providers? For example, incorporate indemnities where your own suppliers or customers may be responsible for or fail to mitigate a cyber incident;

- Require and monitor your sub-contractors' compliance with data protection storage, backup and recovery requirements and where applicable privacy and data protection laws. As a result of the new legislated mandatory data notification requirements which will come into effect on 23 February 2018, require your suppliers to notify your business in the event of a safety breach on their part;

- Consider if you have sufficient internal resources to deal with a significant cyber incident and if not identify external service providers you may be able to rely upon;

- Review third parties who may have access to your businesses systems and customers and the vulnerability to the release of data such as occurred in the Glencore case;

- Encourage a culture of cyber risk awareness and integrate general risk management procedures , reviews and risk assessments into the planning of the business;

- Cyber risk is no longer something which will require a response just from the “IT group”. It is a responsibility across the whole organisation and can be made so by driving the cyber psyche from management down to all levels of the business. This means that consideration of and responses to cyber risk should be considered at board level and security related policies and procedures implemented throughout the business. This will also be important should it be necessary to prove that all has been done within a business to ensure the integrity of customer information. In the event of a claim, well thought out procedures could be a significant defence;

By being mindful of cyber risk, identifying vulnerabilities, considering effective responses and implementing procedures this will be positive steps towards positioning your business to be ready to respond to the increasing reality of cyber risks.

[alexis.cahalan@tmlawltd.com](mailto:alexis.cahalan@tmlawltd.com)

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# DRIVING DOWN THE COST OF CONTAINER MOVEMENT



On their cargo-carrying journeys around the world, containers change hands dozens of times. Loaded on and off ships, trucks, and trains, and in and out of warehouses and container depots - keeping track of where a container is at any given moment is busy work. For the container facilities, freight forwarders, cargo owners and trucking companies that make up the landside logistics supply chain, the effort required to coordinate the movement of a container from one point to the next is currently heavily dependent on manual processes and systems that don't connect seamlessly

across the supply chain. The cost of this information fragmentation and operational inefficiency is stalled containers, frustrated customers, and depressed profitability for all operators.

But there are signs that things are slowly starting to change as forward-thinking operators embrace digital solutions designed to provide increased point-to-point visibility of container movement and more streamlined and profitable operations overall.

One such technology provider is Containerchain, whose deep insight into the landside logistics industry drove them to build an integrated software platform connecting all stakeholders across the supply chain. Recognising that inefficiencies that start at the port gate have a knock-on effect right across the supply chain. Containerchain has designed a technology solution that provides real-time paperless tracking and total container movement visibility. Drivers, transport operators, terminals and depots are connected using mobile and desktop applications that automate communication, manage container depot operations, track containers, assign jobs for drivers, produce digital documentation and receipts, even

monitor traffic conditions in the nearby area.

Containerchain's founder and CEO, Tony Paldano points to the rapid take-up of his company's platform as a sign that the industry has never been more ready to address traditional problems with new tools: "We designed the Containerchain platform to address the problems for our local customers in Australia, but within three years we've expanded to service the needs of nine port communities across three continents, providing visibility into over 20,000 import and export container movements daily. We've seen depot queue turnaround times reduce by up to 75% and up to 25% daily delivery improvement for drivers. Those kinds of efficiencies are desperately needed by the industry."

Recently released in Australia is Containerchain's Trip-TMS product, specifically designed for transport operators to lower costs, raise productivity, and improve customer service levels.

The company is headquartered in Australia, with international operations in Malaysia, Singapore, Thailand, New Zealand, Hong Kong, Germany and the Netherlands. Learn more at [containerchain.com.au](http://containerchain.com.au).



# UNLOCKING VALUE ACROSS THE CONTAINER LOGISTICS SUPPLY CHAIN



Transport inefficiencies that start at the terminal gate have a flow-on effect right across the container logistics supply chain, trapping value and depressing profitability for all involved.

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# Global logistics software group, WiseTech Global, acquires Australasian specialist tariff compliance software provider, Digerati

WiseTech Global announced the acquisition of the Digerati business (Digerati), a leading provider of tariff research and compliance tools utilised by the Australasian customs broking community.



*Richard White, CEO,  
WiseTech Global*

Digerati provides its Inbound, Outbound, TradeWiseNZ and iClear Online compliance solutions to over 140 corporations including DHL, Expeditors, FedEx, Panalpina, UPS, Yusen and many of the largest brokerage and logistics houses in Australia and New Zealand.

WiseTech Global CEO, Richard White, said “Border compliance is a complex, high-risk process with growing transaction volumes, speed and complexity exponentially increasing risk and potential penalties. We envision a future of deeply capable, integrated and guided transaction processing that will reduce risks for customs brokers, importers and exporters by significantly reducing compliance breaches, fines and penalties and create a safer global trade environment. WiseTech Global has been investing research and development resources into machine learning, natural language processing, robotic process automation and decision support, all of which must be driven by large volume transaction data and deep learning around vast border agency data sets, compliance, due diligence and risk assessment and mitigation.”

“We will be utilising the Digerati data set and customer experiences in our development pipeline for the next generation of border compliance,

aimed at substantially increasing timely, accurate and complete customs entries for our customers, to better manage the exponential increase in transactions at the border. With the advent of global border initiatives such as Trade Single Window, Trusted Trader, Known Shipper, C-TPAT, AEO and Supply Chain Security and an ever-increasing critical need to secure borders and ensure that international trade is both safe and efficient, the work we are doing is vital to the next generation of cross-border compliance.”

OzDocs Managing Director, Dr Pandey, said “With the Digerati data set as part of WiseTech’s deep development capability, the compliance tools available to customers to reduce errors, improve compliance and better address risk at the border will clearly expand over time.”

Across 125 countries, CargoWise One enables logistics service providers to execute highly complex transactions in areas such as freight forwarding, customs clearance, warehousing, shipping, land transport and cross-border compliance and to manage their operations on one database across multiple users, functions, countries, languages and currencies.



“ *WiseTech Global has been investing research and development resources into machine learning, natural language processing, robotic process automation and decision support* ”

# Automation and Offshoring – delivering cost savings but where does it leave succession planning?

Freight Forwarding and customs brokerage businesses face an increasingly challenging operating environment. Traditional “loyalty” relationships with importers and exporters are diminishing and are being replaced by competitive tender processes with professional services commonly being treated as a commodity.

“ *In a highly regulated environment, how does this sector remain compliant and profitable?* ”

In a highly regulated environment, how does this sector remain compliant and profitable?

Many have diversified into domestic supply chain solutions such as transport and warehousing. Some have focussed on niche markets, trade lanes or commodities. What is common to all is, especially since the GFC nearly a decade ago, is that they have looked to reduce overheads.

In many cases, the most expensive operating costs are human resources.

An absolute blessing for the industry has been the evolution of world leading freight forwarding software over the last 20+ years utilising sophisticated tariff list files, data transfers and integrated financial systems. This has allowed businesses to remain cost efficient by managing increased volume throughput without a commensurate increase in staffing resources.

Add to the mix improved vehicle booking systems, electronic Import Delivery Orders, export Pre-Receipt Advices and online banking and we have significantly reduced the demand for clerical operators, documentation “runners” and contracted courier services.

In circumstances where processes cannot be automated, many businesses are using less expensive overseas human resources on a contracted basis through structured offshoring service providers. While multi-nationals have been off-shoring for many years, bureau services have more recently been established to support SMEs. The success has centred on trained resources

understanding their client’s processes and freight forwarding software applications.

While utilisation of offshoring services is increasing, this solution does not sit easy with many business owners preferring to maintain any residual manual tasks onshore through Australian employees.

These same business owners may not have the same morale dilemma in years to come as their reliance on manual processing, whether it be onshore or offshore, is likely to only further diminish through further efficiencies in regulatory processes and electronic interfaces between supply chain partners.

In facing this commercial reality, we have a new challenge on how we bring young people into our industry with many traditional entry level jobs fading away. Freight & Trade Alliance (FTA) asked our training and recruitment



Tim Tickner – Director, Future Force



partners, Future Force and Insync Personnel to share their observations.

One of the key strategies of Future Force in attracting the best quality young talent to our industry is our work with public and private high schools. The Nationally-recognised course 'International Freight Forwarding' is delivered in 2 main ways. Firstly, Future Force is delivering the program in Victorian schools through its School Based Traineeship program, where it forms an official part of Year 12 studies with roll out to other states is being considered. Students are required to work one day per week with a host freight company. It's inexpensive and actually a fantastic community service. In addition, around 70% of the Year 12 program graduates are ultimately employed full time by their host company.

The second method is to attract Year 12 graduates to our industry with assistance from school career advisors. These young women and men are employed by Future Force as trainees and allocated to host companies as full-time employees. The transition of these youths from trainee to company employee takes 2 years of intensive learning and mentoring delivered by the Future Force team and well over 90% of graduates remain with the host company after graduation. Bringing trainees into the industry in this way helps eliminate the experience gaps that are being created as a result of diminishing junior positions.

The big change is that there are now many Year 12 students and graduates looking at International Freight and Logistics as a viable career choice, itching for an opportunity to get into a full-time traineeship and commit long-term. These kids are the future of our industry and it's up to industry leaders to give them a go and in doing so, reap the longer term organisational benefits.



*Matthew Brown – Director, Insync Personnel*

The introduction of dedicated offshoring services and the automation of some tasks have led to significant changes in the most important component of the companies that make up the industry – and that is the people.

The people employed by business are the differentiator, one of the main reasons you retain the clients you have, win new business and get the opportunity to even attempt to win new business.

Whilst cheap labour marketed in offshore processing facilities has been embraced by sections of the international freight forwarding and customs industry and new system upgrades are seemingly endlessly implemented to 'streamline performance' and 'maximize efficiencies & minimise operational costs', they have also had an adverse (and predicted) effect on the local labour market.

From our perspective, some significant negative outcomes have resulted from the offshoring experiment and system automation. These include substantially increased salaries for positions in nearly all departments,

with emphasis on Customs Clearance and Customer facing roles (Customer Service and Key Accounts), and reduced supply of experienced 'white collar' local labour available in the market. This has been a result of reduced entry level and junior positions being made available in the industry which has traditionally been in place to offset industry exits of senior staff. If this continues the local labour market will only tighten further, which will negatively affect all.

A solution to this is to look at utilising offshore processing and automation opportunities in conjunction with continued and ongoing local employment. This approach ensures the continuation of a specialised, knowledgeable and credibly experienced labour market into the future of Australian Logistics, which enables you to sell your service as the differentiator. Without the staff you employ, the 'service' you offer is based on numbers, reports and printouts. Freight forwarding and customs clearance is a service based industry, built out of a need of importers and exporters to have someone who 'knows' logistics to ensure their products get to market in a smooth and timely manner. Without your staff, what value adds are you going to be able to offer to your clients and enable them to choose you and your business? Without the people you employ, you risk becoming a 2 dimensional supplier – a postal service if you wish.

Last time I checked, your clients view your company as so much more than that.

Don't forget what helped get you where your company is today – and it wasn't system automation or offshore processing.



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# Make Better Decisions with Commercial Mathematics

By JOHN PAYNE, Leader Biarri Supply Chain

Asahi Beverages approached Biarri with a question: was it possible to reduce their transport costs and the time spent scheduling their transport routes? The solution needed to be effective for more than 100 truckloads of beverage products delivered by Asahi per day across over 1000 deliveries. Subsequently, we went on to save Asahi 10% of its transport costs. Not only that, but by adopting Biarri's vehicle routing tool, Asahi was also able to provide better customer service through improved adherence to agreed delivery time windows. Last year, Asahi achieved a 6% reduction in kilometres travelled and a 14% reduction in truck trips, despite an increase in unit sales, with less human planning effort.

The solution was delivered in weeks and continues to be expanded with the Asahi business.

We deliver these significant benefits with our clients by making the most of a resource they already have in large amounts – data.

**Making Your Data Work For You**

I have worked in supply chain for over two decades. I've seen the masses of data created using high tech (and high-cost) transactional ERP solutions, data warehouse, and KPI systems. The opportunity to extract real value from that data is typically lost by using it simply as a diagnostic tool to illustrate our past transactions and lagging KPIs, i.e. our forensic history.

In our supply chains, we need to demand more from our technology investments and extract more value from our data. But how do we move from merely understanding what happened and why, historically, to taking control and informing our future?

**Ground-breaking Mathematics**

One of my favourite quotes is, "The best way to predict the future is to create it",

“ *Technology investments such as ERP systems provide valuable and expansive databases that can be used to unlock the intellectual property in organisations* ”

a quote commonly credited to Abraham Lincoln. This idea is at the centre of what we do at Biarri, as it resonates with our mission to revolutionise decision-making.

By harnessing the power of Commercial Mathematics, we can deliver predictive analytics informing what is going to happen and prescriptive analytics so we know what we should do to achieve desired outcomes.

**Ground-breaking Mathematics**

Through our experiences applying Commercial Mathematics, Biarri has developed the Data Value Maturity Curve (Figure 1). This maturity model highlights the opportunities for organisations and guides them to determine how to think about accelerating the value derived from previous technology investments. The lower end of the curve does little to guide what to do next. The further up the curve, the closer we get to making decisions to take affirmative action.

*See figure on the next page*

Commercial Mathematics can cope with multiple constraints, conflicts, and scenarios much better than most of us. The more familiar we become at using mathematically powered data, the more agile we can become and the more informed our decisions will be.

Technology investments such as ERP systems provide valuable and expansive databases that can be used to unlock the intellectual property in organisations. This data explosion will accelerate as we control and capture data from all manner of devices (often referred to as the Internet of Things). We have the capacity

## THE DATA MATURITY VALUE CURVE

The best value is extracted from data when we are informed about what we should do to create our desired future. Subsequently, human effort can focus on decisions and execution.



Data can be used to inform multiple levels through The Data Value Maturity (DVM) Curve. The level of required human intervention and effort decreases as organisations move up the DVM Curve.

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to use this data to create fast and robust decisions, but only if it is used effectively with the right tools.

### The Impact of Commercial Mathematics on Supply Chain

I have had the benefit of working in significant supply chains for a number of years as a Supply Chain and IT executive. Today, I have the good fortune to work with some of the brightest mathematicians Australia produces, and every day I see brilliant outcomes delivered in a short space of time. Throughout my career, I have worked on solving many problems without the power of Commercial Mathematics and delivered what I thought were great outcomes. Unfortunately, I had no idea what great looked like.

One of Biarri's first engagements, around 10 years ago, was to design the layout plan for the National Broadband Network (NBN). When NBNCo considered Biarri versus traditional engineering firms, our cost to solve varied from 30% less than the nearest option and the civil works solution itself was several hundred million dollars better cost-wise than the alternatives. The contract was won and a new global standard was set for excellence in fibre optic network design.

This excellence in mathematics has continued to grow and now manages route planning, rostering and crewing, solving to service levels, costs, fatigue, and multiple other constraints for myriad of Australia and North American businesses including airports, railways, and shipping.

### World-Leading Australian Technology

The technology for applying Commercial Mathematics is being developed right here in Australia. International clients are applying it to solve their problems, including two of North America's largest fibre optic network companies and the world's two largest freight forwarders. Likewise, our rostering and rolling stock optimisations are not only saving millions for local Australian-based rail businesses, but we now have Class 1 railways in the US also benefitting.

We are immensely proud of gains such as these we're consistently delivering to our clients.

The flexibility and capacity of Commercial Mathematics is astounding. Whether it's problems relating to routing scheduling, complex resource, or conflicts and constraints, Commercial Mathematics can solve them. This process is fast and

accessible, and is often quicker than targeting an 80% fit with off-the-shelf "optimisation software". In comparison, our Mathematics solutions target a unique fit with a strong ROI, at times, measured within days or weeks.

Australia produces great mathematical minds that are focused on delivering real, tangible benefits for diverse businesses. We believe that everyone should have access to this powerful, world-class technology; not only universities and science and tech companies, but also exporters and importers, distributors, and logisticians.

We need to grasp the opportunities presented to us by Commercial Mathematics with both hands, not just because we can, but because if we don't we will be left behind as businesses and as an efficient global trading nation. Let's determine our own future by making better decisions.

*John Payne (CMILT) leads Biarri's Supply Chain business. John has been working in and on supply chains for over 20 years and is also an Industry Fellow at Griffith University in Queensland and can be contacted on [john.payne@biarri.com](mailto:john.payne@biarri.com).*



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