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The spotlight is on Victorian regulators to wind back spiralling costs

Freight & Trade Alliance (FTA), the Australian Peak Shippers Association (APSA) and the Tasmanian Logistics Committee (TLC) were privileged to host the Hon. Will Hodgman MP Premier of Tasmania at our annual *Tasmanian Freight & Logistics Forum* on 26 June 2019 at the Australian Maritime College, Launceston.

As highlighted during his keynote presentation and in the foreword to this Spring edition of *Across Borders*, the Premier outlines an ambitious target to raise the state's trade value to $15 billion by the year 2050. This outcome will be largely dependent on cost effective sea cargo supply with an obvious reliance on the Port of Melbourne as a transhipment port and gateway to the world for Tasmanian trade.

In response to FTA, APSA, TLC and wider industry concerns regarding increasing infrastructure surcharges administered by stevedores at the Port of Melbourne (and across all Australian containerised ports), the Victorian government has commenced a formal review to '*investigate options for the future role of Government in regulating pricing/charges, and access to and from the port*'.

Stevedores have conveniently identified infrastructure surcharges as a simple way to remain profitable. While there is no suggestion of collusion between the parties, it appears to be a case of '*follow the leader*' with each stevedore taking it in turn to ratchet up the pricing administered on transport operators.

Regulation is essential to wind back these spiralling costs on trade and we will continue to support the Victorian government to champion this cause.

Aside from pricing and competition activities, we are delighted to provide a diverse range of expert commentaries examining customs, biosecurity, technology and logistics reforms in this our Spring 2019 edition of *Across Borders*.

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

Trade Strategy to Drive Tasmania's Economy

By the Hon. WILL HODGMAN MP, Premier of Tasmania

Growing trade is a fundamental driver for long-term growth in all parts of Tasmania.

In February, I launched Tasmania's first ever trade strategy, the Tasmanian Trade Strategy 2019-2025, that sets out an ambitious target to raise Tasmania's trade value to $15 billion by the year 2050.

This target sends a strong signal to Tasmanian exporters, supply chain participants, those who might be thinking about exporting, and our international partners, that we are serious about growing our export sector.

Tasmania must be targeted about its export priorities, focus its efforts on those markets and activities that offer the greatest potential returns, and recognise the appropriate roles for business and the government.

The Tasmanian Trade Strategy is an overarching framework document, developed in partnership with Tasmania's exporters and producers. Input from key industry sectors has ensured that the document is relevant to their needs and ensure initiatives align with their growth objectives.

In the face of global uncertainty, we must have a clear long-term strategy that also enables us to respond to industry intelligence and changing market conditions each year.

The Strategy sets out initiatives across four priority areas to; build trade in key sectors; showcase Tasmania's premium product and services in priority markets; support and enhance trade logistics and market access; and build export capabilities of Tasmanian businesses.

Since the release of the Strategy the Tasmanian Government has once again been working with business and industry to develop Annual Action Plans that detail a full calendar of coordinated trade and sector specific activities for the year ahead.

Annual Action Plans will be responsive to the changing dynamics of international markets and will empower industry to be flexible, agile and proactive.

These actions plans will ensure that they capture targeted needs right across Tasmania's economy.

By releasing these plans annually, it will allow us to tailor our approach to international engagement based on changing market conditions and to capture opportunities as they arise.

The Annual Action Plans will also integrate strategies to diversify markets and encourage risk mitigation strategies.

Importantly the Trade Strategy is also supported through other key government initiatives including the Tasmanian Defence Industry Strategy 2023, and Agri-Food Growth Plan 2018-2023.

Obviously, as an island state, an integral component of a successful trade strategy is ensuring that our products are able to access markets. Our new Logistics Advisory Service, Supply Chain Program and the appointment of a market access coordinator will provide practical support to Tasmanian businesses wanting to maximise their export opportunities.

Importantly, Tasmania relies almost entirely on shipping services to move the export freight task load. All the major Bass Strait shippers in Toll, SeaRoad and TT-Line either have, or are planning, multi-million dollar investments in expanded capacity for Bass Strait, reflecting their confidence in the Tasmanian economy.

TT Line have also ordered two replacement RoPax ferries for delivery in 2021 which are 30% larger than the current ferries operating across Bass Strait.

This follows on from SeaRoad investing $110 million on the SeaRoad Mersey II which commenced the Bass Strait run in late 2016 and SeaRoad have further plans for an additional new vessel to increase their freight capacity.

Toll has also invested over $311 million to introduce two new ships, Tasmanian Achiever II and Victorian Reliance II, providing a 40% increase in capacity over the vessels they replaced.

Whilst sea freight is likely to remain the major option for Tasmanian products the Tasmanian

"In the face of global uncertainty, we must have a clear long-term strategy that also enables us to respond to industry intelligence and changing market conditions each year"

Government is also working to attract a regular international freight service for high value perishables such as seafood, dairy and fresh produce.

Recent upgrades to Hobart International Airport runway and the addition of a freight logistics business in the airport precinct has now provided the required infrastructure to support commercial freight flights into Asia.

Discussions remain ongoing with potential service providers but exporters are excited about the opportunities to get product to market, potentially up to 24 hours sooner than the current connections via Tullamarine Airport.

And the recent State Budget invests an unprecedented $1.6 billion to build the transport infrastructure our growing state needs which further helps our producers get their exports to market.

In 2018-19, Tasmania's goods exports hit a new high of $3.8 billion, an increase of 10.8 per cent on the previous financial year. Tasmania's export markets are predominantly focussed in Asia with China, Japan, Malaysia, Taiwan, Indonesia and Thailand making up the top six export markets.

Developing trade in international markets can be highly competitive and we need to ensure that we are not lost in the crowd. We need to maintain our market presence to ensure we keep front of mind with our international trading partners.

As a premium marketed-focused state, we can always be seeking new higher value markets for existing exporters, as well as businesses new to export.

This is why in late 2018 we established Brand Tasmania as a statutory authority, the first statutory authority for brand in Australia and one of very few internationally.

Brand Tasmania commenced operation in March 2019 and is headed up by one of the leading global place branding experts which further demonstrates that we understand how important a strong identity is when we rely so critically on penetration into global markets to drive exports.

Brand Tasmania's job is to ensure we can continue to enhance and promote Tasmania's reputation, appeal and competitiveness on a national and global stage.

Importantly we need to develop a unique Tasmanian brand that is nurtured as a key asset of the Tasmanian community and is collectively owned and promoted by government, business and the community.

Tasmania's renaissance over the last decade has seen us turn our isolation and uniqueness into our strength and we now need to ensure that we maximise the potential for our world class goods and services.

Tasmania has what the world wants, and my government understands that growing trade brings more jobs and more economic wealth for all Tasmanians.

It's an exciting time to be a Tasmanian exporter and Australia's freight and logistics sector are key partners in our continued export growth.

> *"Developing trade in international markets can be highly competitive and we need to ensure that we are not lost in the crowd"*

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Australian Peak Shippers Association – Report from the Chairman

By SEAN RICHARDS, APSA Chair

Welcome to the latest edition of Across Borders. The last three months have remained challenging for our members. Whilst the Australian economy remains relatively resilient, the reality is that economic growth is slow. Add to this, the negative global market impact of technology and trade tensions; the lagging impact of a consolidating shipping market; volatile fuel prices and the looming financial impost of low sulphur fuel, the current and near future outlook for our members is and will remain challenging.

All the more reason, therefore, for Australian importers and exporters to collectively orchestrate activities and to proactively contribute to the agenda, output and results of APSA. I cannot make the point strongly enough that APSA can and will only be effective if the Board are focussed and active, and the members proactively exercise their collective rights. To this end, in part, I mentioned in the last edition of Across Borders that the APSA Board is currently looking to extend the Secretariat appointment of FTA and is working with the latter on the development of a 5 year plan, with the key focus being continuity, the articulation of carefully considered key deliverables and how best to organise and focus APSA to the best benefit of its members. We are scheduled to review the Strategy framework during our upcoming Board meeting.

Moving to the issues of today:

1. Infrastructure charges. The Victorian Government has now officially commenced the review into Pricing and Access at the Port of Melbourne. APSA will be providing evidence to the review and will continue to work with Freight Victoria in protecting the interests of Victoria's importers, exporters and port users. In addition, a contingent of APSA and FTA members met with the Hon. Andrew Constance (NSW Minister for Transport, Roads and Ports) to call for a similar enquiry in NSW. APSA asked the Minister to consider intervention in container terminal landside pricing, as well as raising several other transport and freight policy opportunities;

2. PRSN / Port of Melbourne Rail Solution / MSIS. APSA continues to work with the Port of Melbourne and the Victorian Government in order to ensure that shippers interests are being considered in the development of rail solutions. There have been some really positive developments which APSA will communicate in due course;

12 August 2019 – Sydney – Meeting the Minister

A contingent of FTA / APSA members met with the New South Wales Minister for Transport and Roads and accepted the invitation to work collaboratively and directly with senior government representatives on identified key advocacy issues affecting exporters and the wider international trade sector. Further member updates to be provided.

Ryan Smith (Amazon), Eimear McDonough (Namoi Cotton / Australian Cotton Shippers Association), Stuart Wallace (Ministerial Advisor), Olga Harriton (Manildra Group), Paul Zalai (FTA/APSA), Flaminio Dondina (Casella Family Brands), Kurt Wilkinson (Fletcher International Exports), Travis Brooks-Garrett (FTA/APSA), Daniel Casella (Casella Family Brands), Roger Fletcher (Fletcher International Exports), The Hon. Andrew Constance, MP (NSW Transport and Roads), Patrick Hutchinson (Australian Meat Industry Council), Peter Simpson (Manildra Group), Andrew Crawford (FTA/APSA)

3. BMSB. FTA / APSA have lodged a submission to the Inspector General of Biosecurity, representing the interests of cargo owners and logistics service providers. As a result of this submission, the Department of Agriculture have adopted many of our recommendations and, most importantly, have significantly improved their industry consultation in the lead up to this current season;

4. Shipping Inquiry. After APSA presented evidence to the Senate Committee inquiry into Australian shipping earlier in the year, we now await the latter's recommendations. More recently, APSA has been asked to contribute to a review into Part X of the Competition and Consumer Act by the Australian Competition and Consumer Commission (ACCC). Part X is the legislation that seeks to protect Australian importers and exporters in accessing frequent, reliable and affordable shipping line services.

5. Australian Trusted Trader. FTA / APSA is working with the Department of Home Affairs and our members to ensure that ATT benefits are meaningful and that new benefits are forthcoming. FTA and APSA are currently preparing a submission for consideration by border and biosecurity agencies;

6. Part X negotiations. APSA has been involved in several new registrations and variations to shipping line services, including the Panama Direct Service and the Joint Service Agreement for Southeast Asia to Australia. In these negotiations, APSA seeks to secure minimum levels of service for Australian shippers, including the frequency of rotations, minimum capacities, and minimum notification periods for new charges and changes to services;

7. Industrial Relations. Over the past three months, APSA has been a leading voice through the DP World Australia industrial relations crisis and the ongoing dispute at Hutchison Ports Australia. This includes our advocacy with shipping lines as well as highlighting the cost impacts to industry. APSA has sought to help minimise the impact on shippers by working with the affected terminals on their communications and engaging with mainstream media to highlight the impact of the dispute on shippers and the wider economy;

8. Tasmanian Freight & Logistics Forum. In June, APSA co-hosted the successful Tasmanian Freight & Logistics Forum, attracting a record crowd including a keynote presentation from the Tasmanian Premier, the Hon Will Hodgman MP. This conference provided an opportunity to update members on the latest industry developments, including low sulphur fuel surcharges, port developments and updates from State and Federal biosecurity agencies;

9. In exciting news, FTA/APSA/CTAA have won a grant from the National Heavy Vehicle Regulator (NHVR) to deliver a Heavy Vehicle Safety Initiative (HVSI) project. This will allow APSA to deliver face-to-face and online training to promote best practices in safe container loading. APSA would like to sincerely thank the Hon. Michael McCormack MP and the staff at the National Heavy Vehicle Regulator (NHVR).

These are, indeed, challenging but exciting times ahead of us and we look forward to your active and ongoing support

Australian Peak Shippers Association Inc. (APSA)

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Tasmanian Freight and Logistics Forum – another success!

By BRETT CHARLTON, Chairman of the Tasmanian Logistics Committee

On a cold and foggy morning in June at the Australian Maritime College (AMC) in Launceston, Tasmania, 165 industry professionals gathered to attend the 2019 Tasmanian Freight and Logistics Forum.

In its third year, the forum has grown from strength to strength with year on year growth in attendance from a broad range of those with interests in the challenges and opportunities of freight and logistics and how it relates to Tasmania.

CEO's of ports, MD's and GM's of shipping lines, Government directors, consultants, shippers, academics and students all gathered to consider topics such as infrastructure and growth, infrastructure surcharges, congestion issues, larger vessels, biosecurity reforms and challenges around the BMSB and fruit fly, low Sulphur, slow sailing, closed loop and open loop scrubbers, coastal shipping, education and AMC developments, Bass Strait trade along with a key note from the Premier on the importance of freight and logistics to the newly released Tasmanian trade strategy – the full room at the closing remarks was proof evident that all information was relevant and important to all.

The Freight & Trade Alliance (FTA), Australian Peak Shippers Association (APSA) and the Tasmanian Logistics Committee (TLC) would like to thank all the guest presenters as well as the sponsors and attendees of the forum for their collective contribution and commitment to Tasmania and the support of trade through logistics and freight – an essential part of the future success of Tasmania in the trading community.

See you all again in 2020.

Paul & Caroline Zalai (FTA / APSA), Brett Charlton (TLC), The Hon Will Hodgman (Tasmanian Premier), Brendan Bourke (CEO – Port of Melbourne), Travis Brooks-Garrett (FTA / APSA) and Mike Brindley (TLC)

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A tale of the waterfront

By TRAVIS BROOKS-GARRET, Director - FTA

Labour disputes at the waterfront are nothing new

At the beginning of the industrial revolution, in France, less wealthy but skilled workers used sabotage as a means of negotiation in labour disputes. One method was to use their heavy wooden shoes known as 'sabots' to damage machinery and disrupt production. There are some suggestions that this is where the English word 'sabotage' derives. Obviously, their methods did not impact the march of progress. The Industrial Revolution arrived as an unstoppable force, transforming industry and forever changing the global economy. In the 21st century, with the advent of roboticization and digitisation, we face a similar shift.

Labour disputes relating to the automation of the waterfront aren't new and aren't endemic to Australia. This year thousands of angry dock workers marched at the Port of Los Angeles

in response to a plan by Maersk to introduce driverless cargo carriers. In Australia, we have seen the Construction Forestry Maritime Mining and Energy Union (CFMMEU) ramp up industrial action, including last year's unprotected two-week picket of the world's most automated terminal, the Victoria International Container Terminal (VICT) in Melbourne, and most recently protected industrial action at DP World Australia and Hutchison Ports Australia.

The effects of the recent industrial action on industry

While the CFMMEU has been vocal in the mainstream media downplaying the recent stoppages at DP World Australia (DPWA), describing them as "small delays", the reality is that these events have significant direct and indirect impacts on Australia's shippers.

The 96-hour stoppage at DPWA Swanson Dock in July was particularly severe, with six vessels affected by the strike on import, as well as holding back export receivals for six others. Some containers from previous vessels were also inside the affected terminal at the time of the strike and were stranded there for the duration of the ninety-six-hour stoppage. We understand that some of these containers included high-value and time-sensitive cargoes.

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) received correspondence from several members detailing the impacts of those events. These included:

- Extra staging costs, where export containers were held back from delivery to the terminal;
- Reefer containers being held on power awaiting export;
- Higher costs for transport, where transport operators had to work Sunday afternoon and Sunday night to clear backlogs, incurring penalty rates which were passed onto customers;
- Truck delays and truck waiting times in returning empty containers, when containers couldn't be de-hired at the affected terminal; and
- Inevitably, the disruption led to some importers and exporters being hit with shipping line detention charges for not returning containers.

In addition to logistics costs, these types of delays present a real and serious risk of loss of contracts or contract penalties arising from delayed sailings, the potential for exporters to miss transhipments due to delays and importers not having stock on time.

Previous stoppages have also forced shipping lines to omit ports to maintain schedules.

Is there more to come?

Thankfully, at the time of writing, the CFMMEU has decided to withdraw industrial action at all four national DPWA container terminals, with commitments to re-engage in constructive negotiations with the terminal operator.

In addition to DPWA's challenges, the Hutchison Ports Enterprise Agreement has also expired, and they have experienced their own industrial action ("go slow", stoppages, etc.) This means that in Sydney two out of the three container terminals have been affected by industrial action.

Industry also fears what to expect in 2020. As many readers know, the Patrick Stevedores Enterprise Agreement expires next year (June 30, 2020) with industry hoping that similar industrial relations escalations can be avoided.

Mitigating Factors

While shippers are counting the costs of the recent disputes, I'm reminded by the Class of 1998, where stoppages at Patrick lasted a whole month, that industry has seen a lot worse.

Thankfully, this time around, there were mitigating factors. DPWA did a good job in minimising the impacts on industry, with Patrick stevedores and VICT assisting DPWA in working many of the impacted vessels for import discharge and export.

The situation may have also been helped by the fact that industry has seen weaker than expected import and export volumes (particularly grain and cotton), putting less pressure on the container logistics chain.

Shipping lines must come to the party

While the terminals have previously made efforts to reduce the impact of industrial action on Australian shippers, by extending import availability times, waiving storage and sub-contracting vessels, shipping lines also need to be sympathetic in considering financial relief when these events occur.

The 2018 VICT-CFMMEU dispute saw many Australian shippers being penalised with unfair detention and demurrage charges, even though the events were beyond their control.

In an industry notice in early July, FTA, APSA and the Container Transport Alliance of Australia (CTAA) jointly called on the shipping lines to extend free time on container detention for all containers affected by the dispute and to waive associated charges.

Industry must move forward

As we all know, Australia's container terminals are the gateways of our economy. More than ninety percent of our international trade by volume is carried via seafreight. So, when Melbourne, our largest port, is hit with a four-day stoppage, and when two of the three container terminals in Sydney are affected by industrial action, both sides of politics must acknowledge the seriousness of the situation we find ourselves in.

Ultimately, FTA and APSA acknowledge the union's right to protected industrial action. The Australian waterfront is facing a period of unprecedented change. But when the winds of change are upon us, hitting machinery with a wooden shoe may not be the answer.

Operational updates will be made available at www.ftalliance.com.au

> *"shipping lines also need to be sympathetic in considering financial relief when these events occur"*

EXPORTING AUSTRALIA'S WOOL

By PETER MORGAN, Executive Director - Australian Council of Wool Exporters and Processors / Private Treaty Wool Merchants of Australia

Australia no longer "*Rides on the Sheep's Back*" as it was once described. Nevertheless, wool remains one of Australia's most important agricultural exports, with a likely value of around $3.6 billion in 2018/19. This will put it in third place after beef and dairy among rurally based exports.

Wool's history in Australia goes back to the first fleet. Its growth as a major export industry to the United Kingdom and Europe; and later to Japan and countries from Asia, goes back to the early parts of the 19th Century.

Today, 78% of Australia's wool exports go to China, 5.8 % to India, 4.8% to Italy, 3.6% to the Czech Republic and 2.5% to Korea, with the remaining 5.3% spread across another 24 countries.

While the wool industry's development was largely influenced by visionary men and women of the land, it could not have achieved its ultimate success without developments and determination in the logistics side of the industry. As a former international wool industry leader once said "*Wool is not sold until it walks out the shop door.*"

Most of us have seen old photos of camels with a bale of wool strapped to either side; or of a horse, bullock or camel-drawn dray loaded with wool bales at some stage in our lives. It has been suggested that the first wool bales were specifically designed to sit either side of a camel. The wool was often delivered to an inland river port before finishing up on land transport. There are also photos of the inland river boats sitting on the river bottom when there was insufficient flow.

Over the years, the transport of wool evolved to local carriers in country towns carting wool bales from farms to the local railhead or coastal port, from where they were transferred by rail or ship to the nearest wool selling and storage centre. These were invariably associated with a major export port such as Darling Harbour in Sydney, Melbourne; or a major regional port such as Newcastle. This progressively included regional inland centres such as Goulburn and Albury as the wool industry expanded after the Second World War.

Most major wool stores were fed by rail spur lines within the port areas to avoid double handling.

Growth in the use of increasingly large road transport vehicles since the 1960's led to the replacement of rail and sea transport by road transport that could deliver the wool directly and more economically to the wool stores. Wool growers were able to obtain cheap back-loading rates in areas where road transport was used to deliver supplies, particularly to the developing and expanding mining industries.

The replacement of rail and sea transport coincided with the introduction of:

- Hydraulically powered wool presses in shearing sheds. These could press an average of around 180 kg of wool into a bale, compared with the average of around 100 to 110 kg possible with the previously used mechanical presses.

This was a major saving for the wool industry, as wool is a low density product for which freight rates were charged on a per bale basis, whether by road, rail or sea.

Exporters were able to defray some of this disadvantage by "*dumping*" (compressing) bales prior to shipment to overseas wool processors. This continued with the development of more powerful

"*Wool Dumps*." But, the introduction of hydraulically powered wool presses in the shearing shed spread this saving further along the wool industry pipeline.

- Containerisation. Wool was ideally suited for containerisation. It has become a relatively straight forward process for the Wool Dumps to "*dump*" bales into units of three (known as Tri Packs) and to pack 100 to 120 bales into a 20 foot container to create a payload of around 20,000 kg (or more) of wool plus 2,300 kg for the container, without exceeding the maximum allowable shipping weight of 25,000 kg.

Containerisation and changing shipping patterns also changed the way wool exporters assembled consignments for export. Previously, they could buy wool in a number of wool selling centres/ ports for inclusion in individual consignments. Ships would progressively pick up bales as they moved from port to port around Australia.

Following the introduction of containers and the larger container ships, it has become a more normal wool buying practice for consignments to become the number of bales that will fit in a container (or multiple containers). The introduction of containerisation also coincided with a progressive reduction in the number of wool selling centres from 14 to 3. Together, these changes have led to a greater tendency (but not entirely) to purchase all the wool for a consignment in a single wool selling centre. If not purchased in a single wool selling centre, the bales are amalgamated in the port where they will be dumped, containerised and shipped.

Two more recent changes with containerisation have resulted from the rapid growth of trade with China and particularly from the greater flow of goods from China to Australia, namely:

- There are many containers that would go back to China empty, creating access for Australian wool exporters to very competitive charges for shipping wool to China.
- Many of these containers are 40 foot which can be packed with the same number of bales that go in a 20 foot container, except that they can be packed in an un-dumped form, thus saving the cost of dumping. They are also easier to handle on arrival in China.

Further changes are on the way, including those arising from the use of electronic bale identification.

The Australian Council of Wool Exporters & Processors

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Interconnectivity of the Port is key

By ANDERS DOMMESTRUP, Chief Executive Officer – Victoria International Container Terminal

In 2012, the Victorian State Government established a $2 billion Port Capacity Project to redevelop Webb Dock to introduce much needed capacity into the market as Swanson Dock was then reaching its full capacity and could not take larger vessels that are being introduced into Australian routes.

Victoria International Container Terminal (VICT) – Australia's first fully automated container terminal at Webb Dock East, Port Melbourne.

A key part of this project was the construction of a third container terminal. Victoria International Container Terminal (VICT) was built to support continued trade growth for the Victorian economy. VICT has invested in new technologies to be the most advanced container terminal in Australia. VICT is the future of the port by being at the forefront of stevedoring, equipped to deal with the next generation vessels.

Redeveloping Webb Dock breathed new life into the port by adding extra capacity that was clearly needed. Port of Melbourne reportedly handled 3 million TEUs in 2018 and has a growth rate of 2.3%, the fastest of all Australian ports. By 2031, the port is predicted to reach 4.3 million TEU for total containerised demand[1].

The future of the Port therefore lies unequivocally with the tenants of Webb Dock. However, as we are currently seeing, all future development plans have been focused on the wrong side of the bridge. The Port of Melbourne have presented a Port Rail Shuttle plan to the Victorian Government, which only links up Swanston Dock terminals to rail options. The only way all Australians will benefit is if the whole port is connected, enabling better utilisation of all the assets.

As the rail plan stands, it excludes Webb Dock which holds 25% of the Victorian market. The port needs to maximise the assets it already has and invest in the future and invest in a holistic plan that incorporates and connects the entire port. Interconnectivity of the biggest containerised port in Australia is a must. Webb Dock needs to be fully utilised and be well connected with the rest of the port. Webb Dock is adding crucial capacity in Melbourne for Victorian importers and exporters.

Interconnectivity of the port is imperative in order to be more efficient and to see the benefits across the entire supply chain. The whole of the port must be included in the rail solution, not just settle on the easy option. The Port of Melbourne is currently focusing, as a priority, on rail solutions for the Port's size-constrained terminals at Swanson Dock. Theses terminals are already at capacity and have difficulty servicing the bigger ships, making the huge investment into the rail infrastructure redundant.

There should be an integrated port strategy, with a rational plan that incorporates all aspects of the port, not one that is focused on the wrong side of the bridge. In addition, the rail solutions should link up with Melbourne metropolitan rail system in order to reduce trucks on the inner-city roads. Otherwise, a rail solution that doesn't incorporate this will have limited impact on road congestion and port efficiency.

A comprehensive rail solution for the Port of Melbourne is important and necessary for the growth of Victoria. However, it needs to be well thought out, well executed and well connected by incorporating all components of the port; the three stevedores and metropolitan rail. VICT is keen to work together with the Victorian Government and the Port of Melbourne on developing a complete rail strategy for the entire port.

[1]Deloitte, Infrastructure Victoria Second Container Port Advice container trade forecasts for Victoria, 2017

VICT. The future of the port.

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Big Data or Big Disaster?

Organisations waste scarce resources constructing an ocean of data, then fail on finding actions that deliver value; there is another way.

By RAVIND RANIGA, (European Delivery Lead) and JOHN PAYNE, (CEO) - Biarri Supply Chain

US$189.1 billion will be spent this year on big data and business analytics solutions according to analytics company IDC. In a study PWC found that 66% of all companies receive little to no benefit whatsoever from their information assets. The upshot is organisations are investing in the data-driven approach, but struggle to realise the benefits.

Organisations must apply a different perspective, or they risk turning their big data projects into a big disaster.

According to Everett Rogers' *Diffusion of Innovation* theory, every time a new technology enters the marketplace, the *innovators* and *early adopters* riding the edge of the wave realise the value and bring thought leadership to the table. These innovators thought for themselves and owned the risk.

Rogers' theory goes on to suggest innovators are followed by the *early* and *late majority*, who tend to emerge once the standard has been set. These organisations are reluctantly dragged into the brave new world. Their directives for business transformation are often imposed from the top down and are driven to mimic the success of the innovators rather than proactively working to be the innovator or the company to mimic.

In today's wave of digital transformation, this change is the heralded data-driven approach: big data, analytics, and artificial intelligence. Late adopters see innovative organisations focusing on these technologies, hoping to realise the same benefits, they concentrate their efforts on these areas.

Here is where things go wrong. The late majority are focusing on the technologies and not the journey that brought the innovators to actionable benefit. The journey involves asking critical business questions and building an approach to answer these questions.

There is a common theme, regardless of being asset-light and outsource focussed or asset-heavy and outsource averse. Striving to innovate, supply chain organisations apply a bottom-up approach to digital transformation and invest in collecting data.

But data on its own is not adding value, data is still just that, data.

Value is only realised when we do something (or actively choose not to do something).

Data is often siloed and disparate. To liberate the so-called power from this data, organisations invest cash and time building data lakes - setting up platforms for extracting, ingesting, contextualising, cleansing and refining the data. Sitting on the surface of these platforms are often descriptive (what happened?) and diagnostic (why did it happen?) analytics capabilities. Predictive (what will happen?) or prescriptive (what should we do?) analytics is often not being contemplated.

Things might appear to be heading in the right direction. But look carefully. There is still no benefit realised and often, any commercial purpose has been lost along the way. After spending large amounts of money to get to this stage, all they have to show is a vast collection of data.

Organisations following the bottom-up approach then look to the technologists who have driven this change to help them generate value. They ask the database developers, data scientists, machine learning engineers, and software engineers for savings and to find inefficiencies in performance.

This is not the technologists' focus. They cannot answer 'Why?'.

Instead, it is on how to apply the technology. Without an intimate knowledge of the organisation, they don't understand the where and the why on how to apply this technology. And when the value is not immediately identified and actionable, big data fatigue sets in. The organisation has put in scarce resources in time and cost, and still, no game-changing value is apparent.

The lack of perceived value will inevitably lead to project failure. Typical outcomes include:

- The data is insufficient to derive value. More data is needed
- The data is lacking in quality. Better data is needed
- The largest gains come from a smaller profile of data. Data collection was wasteful.

Waste in these projects comes from this bottom-up approach to digitisation. There is a common fallacy that once these models are in place, the value will naturally follow.

For the most part, these projects give the illusion of value, when no benefit has been realised. Certainly, there is some hidden value, but organisations are left without clear direction on how to tap into this and question the data-driven approach.

A proactive strategy is driven from the top down. True benefits are driven by the decisions made, actions are taken and the critical business questions that help shape the decisions.

Analytics, artificial intelligence (AI), and big data are the methodologies - they help with how to answer these questions. Focusing only on the collection and enhancement of data can lead to needless business activities. Typically, it can result in big data

projects which are not connected to value-generating questions and decisions.

How do we avoid this?

The top-down approach is lean and precise. Combining a clear understanding of the business and the power of the technologies can:

- Enable completely new business models
- Access entirely new revenue streams
- Find inefficiencies for cost reduction.

Critical business questions should focus on these areas. They ask whether the new business models are sustainable, whether revenue streams are viable and whether the pain points can be resolved.

Only now do AI, machine learning and analytics, the algorithmic approaches, come into play.

These technologies, while powerful, are still misunderstood.

- Many are 'greedy' - machine learning requires significant volumes of data
- Some only provide marginal benefits – for example, certain applications of econometric modelling
- Others are very data light and can give immediate actionable benefit - mathematical optimisation approaches to prescriptive analytics being a fitting example.

Once the questions have been asked and the technical approach determined, it then becomes necessary to ask questions about data, as we now know what is required to solve the problem, such as:

- How much data will provide value?
- Where should this data be sourced?
- Which sources will provide the best benefit?

Only then does it become commercially pertinent to focus on data collection.

This approach enables organisations to take a surgical approach to their digitisation journey, encouraging lean behaviour and focus on asking the right questions and applying smart thinking before proceeding. This is the lean approach that avoids big data disasters - it begins by asking the critical questions.

This article is extracted from Biarri Supply Chain's presentation at Nor-shipping 2019.

Headquartered in Australia, Biarri Supply Chain is a global specialist in the application of optimisation initiatives, focused on answering questions and delivering value quickly. Local clients include Linfox, Asahi, Super Retail Group and Coles. Find out more by contacting Biarri Supply Chain at info@biarrisupplychain.com.

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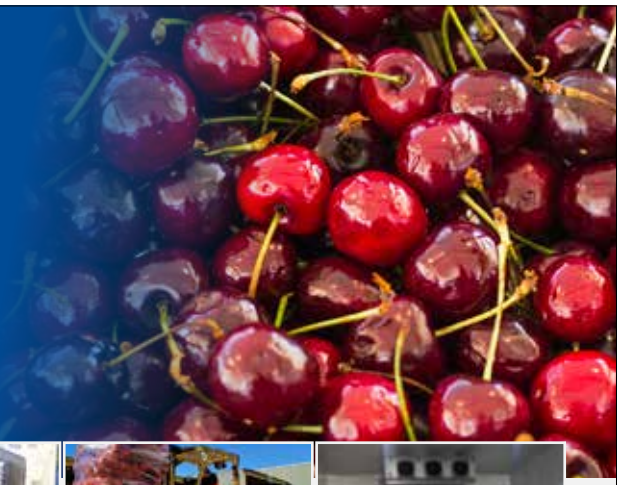

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Digital Supply Chains – as many questions as answers

By PETER KOSMINA, MisterMina Group

The container supply chain is a vital element of the Australian economy and it is reliant on an efficient interface between all stakeholders in the supply chain. The escalating demand from customers for fast and accurate deliveries is placing an ever-increasing pressure on suppliers to meet their customers' requirements.

To achieve this in the container transport task, cooperation between Supply Chain Participants (SCP's) is crucial and therefore the lines of communication and the availability of critical and timely data are paramount.

The key to any enterprise maximising the value of their operation is consistency and reliability and the timely and accurate exchange of data allows SCP's to efficiently allocate resources to tasks and manage their requirements. Unless it is effectively managed, cargo is delayed which has ramifications for all parts of the supply chain.

There has been a consistent (albeit slow) drive toward solutions to these increasing data demands and companies have been adopting new business-to-business (B2B) strategies involving integration and knowledge sharing with other parties in the supply chain. Many companies are moving away from the "paper-trail" and

are digitising all of their documentation and they have also already established electronic message protocols for knowledge sharing. However, these are normally only with their major customers or service providers and are therefore "one-to-one" relationships meaning that data is siloed from the other parts of the chain that could benefit from that information.

As the founding CEO of 1-Stop way back in 2001, we built a platform capable of connecting all SCP's through a central data base for the safe and secure transfer of data; and it worked.

Now 18 years later, whilst we've seen the technology evolve the goal hasn't changed and we are seeing the emergence of many initiatives aimed at accelerating the digital transformation of the world-wide shipping industry by developing IT platforms that allow the fair and open exchange of supply chain data between SCP's.

1-Stop have improved their tech and are extending their product range and their geographical reach in order to touch a broader range of SCP's and secure, aggregate and add value to information for their users. However, they do not have the complete picture and have information gaps in their offering.

In the last edition of ACROSS BORDERS, Richard White from WiseTech Global talked about straight through digital processing that allows SCP's to connect with each other. His technology, stable of companies and products offerings like CargoWise One are perfectly set up to make the digital world much easier for his users, whether within the WiseTech ecosystem or outside of it. However, whilst WiseTech has a lot of users world-wide and are better placed than most to connect everyone, it also doesn't have all the data, so they too have information gaps that need to be filled.

More recently, two shipping line-led initiates in this information gathering space have announced their intentions to build IT platforms for the collection and dissemination of data. The first is the Maersk led TradeLens project, which consists of Maersk, MSC, CMA-CGM, Hapag Lloyd, and ONE. The second is the Global Shipping Business Network (GSBN) being led by CargoSmart with cooperation from CMA-CGM, COSCO (Shipping & Ports), Hapag Lloyd, Hutchison Ports, OOCL, Port of Qingdao, PSA Int'l and Shanghai Int'l Port Group. Both will be using BLOCKHAIN technology.

Whilst TradeLens & the GSBN will have support from the world's biggest shipping lines, who between them control close to 80% of international container volumes, even they will have information gaps, especially on the land side of the container chain.

Everything that is happening in the digital supply chain space is wonderful and will only make our daily lives better but as all of these initiatives evolve, two big questions come to mind:

1. how can a SCP digitally receive all the information they require to efficiently run their enterprise when there are so many sources of information with a stack load of different messaging standards and "flavours" even within the same standards, and

2. data/information is (still) king and comes at a cost, so how much?

Even if all the players I have previously mentioned set up inter-operability agreements for the transfer or data between their platforms, there still exist a host of questions surrounding privacy, data security, data ownership, visibility permissions and protocols. And, the big question around commercials; how much will it cost me and what benefit do I get?

I fully support any move toward a digital supply chain and believe that, even at a cost, will deliver SCP's huge efficiency gains. However, given the conservative and suspicious nature of businesses operating in the supply chain, I will closely be watching how all of this evolves and how industry deals with all the issues.

MisterMina Group

ABOUT MisterMina

MisterMina specialises in helping firms with their B2B technologies and building supply chain communities that streamline the real-time flow of information between industry participants, removing cost and providing real value.

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1-Stop joins Mizzen's container visibility project in conjunction with University of Technology Sydney

By JON CHARLES, Managing Director – Mizzen Group

Highlights

- New partnership to deliver enhanced container supply chain insights and add improved granular forecasting capability
- Allows Mizzen and 1-Stop to explore developing commercial applications

Sydney, Australia, 26 July 2019 – Mizzen Group, a provider of dynamic pricing and rates information software to the shipping industry, is pleased to announce that 1-Stop Connections Pty Ltd, a global leader in port logistics solutions, has joined the Container Visibility Project.

Improved visibility into the operations of the container shipping supply chain has been a long-held objective for industry stakeholders.

Mizzen's ground-breaking project has put the goal within reach by giving the container shipping industry participants real-time trade lane level visibility of short run cargo demand and the supply of shipping capacity and empty equipment availability to service that demand.

Jon Charles, Managing Director - Mizzen Group, said, "1-Stop is a supply chain innovator. Their applications have for many years been optimising operations within the Port Community. With them joining our project, we are able to add new capabilities and turn data into useful insights for the industry as a whole. Our objective is to bring better market transparency."

This has been made possible by utilising the expertise and experiences of academic partners. Mizzen partnered with the University of Technology Sydney's Department of Computer Science and Centre for Artificial Intelligence under the Federal Government APRIntern grant scheme. The work is led by Associate Professor Farookh Khadeer Hussain and PhD candidate Ayesha Ubaid.

Associate Professor, Farookh Khadeer Hussain said "The first part of the project is modelling the relationship between historic weekly container volume, shipping capacity and price in the Asia-Australia trade lane. From this, we have used machine learning to build a price prediction model.

"This allows us to calculate the opportunity cost to the industry of current pricing decisions and practices from determining the optimal freight rate price given actual supply and demand for a given week.

"The first stage of the research has quantified statistically what we understand to be known anecdotally – that under the current pricing approach with a freight rate set with a date validity, there is a material disconnect to price, supply and demand."

Jon Charles added, "It's a natural consequence of an uninformed market – with material opportunity cost to shipping lines and their customers – and that's what Mizzen has set out to address.

The platform will allow shipping lines and their customers to make better informed

Graph of the AU ASIA trade lanes, weekly Cargo Demand, Shipping Capacity Supply and Freight Rate

pricing and procurement decisions, and by working with 1-Stop and the rich, real-time data they generate, unlocks the full potential of the UTS modelling capability."

Jeremy Chee, GM of Strategy & Business Development at 1-Stop, said "Joining innovative projects such as this one with Mizzen and UTS, helps us discover what can be achieved with the data we hold. Ever since our inception, 1-Stop has helped streamline and enhance productivity in the Port Community with real-time data, and now we have an opportunity to take this to the next level through differing applications and newer technology, such as Machine Learning".

By showing the actual shipping capacity in the trade for the preceding six weeks and a forecast of the cargo demand for it, the container visibility project can provide a composite picture that makes for better freight decisions.

- As a carrier you can make better-informed pricing decisions
- As a freight-forwarder or a Beneficial Cargo Owner (BCO) customer, you will see well in advance the periods where the greater risk lies. Not getting space or being rolled. You can, therefore, choose to take a 'guaranteed product' to bring certainty and to manage supply chain risk.

Aside from allowing the industry players – shipping lines and their customers – to make better economic decisions, crucially it will also support the uptake of new digital vessel voyage specific rate products, such as the recently launched Maersk Spot and NYSHEX.

It's an exciting new breakthrough for Mizzen and a logical adjunct to our core business, digital rate management and dynamic pricing software.

Supporting the notion of the right cargo to the right vessel at the right price.

About Mizzen Group

Mizzen Group (www.mizzengroup.com) is a digital pricing and rate management solution. The Mizzen team combines cutting edge digital capability married with shipping industry understanding. The Company delivers software for freight sellers, shipping lines and freight forwarders to set and distribute prices dynamically and in new ways to their customers in the digital channel. This enables them to deliver new products with a range of value attributes to better serve their customers' needs and their own guided by data. The company also mizzenit.com, a business-to-business digital rate platform for the container shipping industry.

About 1-Stop Connections

Established in Sydney in 2002, 1-Stop is a world leader in developing innovative solutions for the global port community. The company works closely with industry operators to understand both shared and specific challenges. 1-Stop's suite of tailored and integrated products has been developed to help streamline operations, enhance efficiency and optimise productivity throughout the supply chain.

1-Stop's customers include shipping lines, port and terminal operators, freight forwarders, customs brokers, 3PLs, trucking companies, rail operators, importers and exporters.

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Mizzen Group

What Future for Vehicle Booking Systems (VBS)?

By NEIL CHAMBERS, Director – Container Transport Alliance Australia

Vehicle Booking Systems (VBS) were first introduced in the Port of Melbourne in the early 1990s to regulate the interface between trucks and container terminals. This followed an extensive inquiry by the then State-owned port authority, with the stevedores and the container transport operators (CTOs), into the palpable inefficiencies caused by poor information visibility, random truck arrivals, and lengthy truck queuing delays.

Over 25 years' later, VBS is prevalent in all of the container terminals across Australia. It's a constant in our lives and has certainly delivered massive efficiencies. It is unimaginable how the increases in container import/export volumes would have been handled without such interface technology.

The downside however is that the fundamental structure of VBS hasn't really changed in the last 25 years. And, it is less likely to facilitate better landside productivity and efficiency without a re-think.

1-Stop Connections is the VBS provider for Patrick Terminals, DP World and Victoria International Container Terminal (VICT), while Hutchison Ports Australia built its own Truck Appointment System (TAS) for access to its Sydney and Brisbane terminals.

One aspect that has been perpetuated in our VBS is the "mad rush" for booking slots.

No current VBS is a "demand / supply" system. Instead, the systems require container transport operators (CTOs) to compete for container slots once they are "dropped" (allocated by the stevedore at set times).

CTOs grab whatever they can, and invariably are frustrated when they aren't able to obtain sufficient slots for their forecast workload.

Once the slots have been grabbed, any slots that will not be used can be "listed" (returned to the system) and made available for other CTOs to book. Additional slots per zone can be allocated by the stevedore depending on their revised terminal forecasts.

Due to the "mad rush" slot drop system, hours are taken up in transport fleet offices looking for listed slots or additional slot drops, along with many phone calls to terminals seeking a one-off allocation of slots to try to make operational ends meet.

It is estimated that up to 10% of VBS slot capacity is lost each day due to the current allocation and listing rules.

There is no question that the number of container slots per zone should be allocated by the stevedores to match terminal resources against forecast landside demand. Yet, the systems don't fully benefit the terminals either.

The terminals really don't know which CTO is coming to pick up which import container, or to drop off which export container, until the truck is "manifested" before arrival. This doesn't allow the stevedore to optimise container stacking, potentially leading to more lifts, and slower truck servicing times.

Some stevedores have adopted practices like "stack runs" (or "tagged runs") as a hybrid functionality inside the VBS. This does give greater visibility to the stevedore as the container numbers are nominated ahead of the ship's arrival, allowing them to be block-stacked in readiness for the stack run.

> *"No current VBS is a "demand / supply" system. Instead, the systems require container transport operators (CTOs) to compete for container slots once they are "dropped" (allocated by the stevedore at set times)"*

Typically though, the stack run rules support the stevedore more so than the CTO.

There must be a minimum number of containers involved; the carrier must complete the stack run in the zones / times allocated; in some terminals a stack run out (of import containers) cannot be combined with a stack run in of exports or terminal empty de-hires; the containers are "picked off the face" of the stack, so they must be staged through the CTO's yard; and the stack run can be cancelled at the terminal's discretion.

This leads to empty truck running one-way into or out of terminals … sub-optimal truck utilisation, and more trucks required for the given task … not what governments want to hear when other policies seek to remove trucks from our roads!

So, what can be done?

Ironically, the smart techos at 1-Stop have already developed an **Advanced Bookings VBS Module** which would eliminate the "mad rush". This is based on CTOs uploading their lists of container numbers ahead of slot allocation, rather than grabbing slots and allocating container numbers later.

When the containers have met pre-defined business rules, CTOs can have the VBS find slots automatically, or can seek slots manually based on time zone parameters set by the CTO. There is also a matching drop-off and pick-up functionality to select slots in a corresponding time zone to facilitate dual manifesting (two-way loaded truck running).

An impact of Advanced Bookings on the supply chain would be that importers would need to clear containers from Hold in advance of the time slot being able to be allocated. Many hold the view that this would be a good discipline on importers who hold back on payments and clearances to the last minute, yet want the container picked up from the terminal within storage free time.

The DP World Automated Terminal in Brisbane trialled Advanced Bookings from January 2014, but is the only terminal to do so to date.

The Victorian Government is embarking on an inquiry into Port of Melbourne access and pricing arrangements, while the NSW Cargo Movement Coordination Centre (Transport for NSW) has close dialogue with industry about future productivity initiatives at Port Botany.

In Fremantle, the WA Port Operations Taskforce and WA Freight & Logistics Council look carefully at port efficiencies, while the Port of Brisbane Landside Logistics Forum (LLF) helps to facilitate landside interface improvements.

With the support of State governments we need to harness the power of these industry/government groupings to facilitate positive collective change. Looking closely at the future of Vehicle Booking Systems (VBS) in Australia across all of these Ports would be a great initiative.

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Optimising landside efficiency through collaboration and digital innovation

By CARL MARCHESE, Managing Director - MATCHBOX Exchange

In this article I'd like to focus on one innovation that improves landside efficiency of empty container movements. It's a new and innovative digital model that maximises triangulation of containers.

As the CEO of a leading wharf logistics business for 13 years, I became frustrated by how much money the company spent moving shipping containers in and out of empty container parks (ECP). I saw an opportunity to innovate and in 2016 founded MATCHBOX Exchange Pty Ltd (MB), which allows truckers, freight forwarders and beneficial cargo owners (BCO's) to exchange empty containers.

Through an open-market cloud-based platform, a company that needs an empty container is matched with a company that has one, and they can collaborate to arrange an exchange. It's world-first technology, and it's helping customers cut costs and reduce transport needs. So far, MB has eliminated more than 75,000 truck trips in and around Australia's major ports/cities and saved 150,000 tons of carbon emissions. Over 300 companies now use MB throughout Australia and New Zealand, with 11 global shipping lines partnering with MB.

Although there have been some positive initiatives to improve the performance of ECP's, many still remain a major bottleneck in the international supply chain. Some of the challenges currently faced by container transport operators include limited availability of suitable appointment times at ECP's, lengthy queues, limited operating hours, last minute redirections and more recently cancellation and rebooking fees if appointment times are missed. This all translates to added costs for the trucker and ultimately the BCO's and consumers.

A practice adopted by industry for some time now is 'triangulation'. This involves re-using an import empty container for an export booking. This eliminates the need for the return of the empty container to the ECP as well as the collection of an empty container for the shipper to pack.

Although MB allows its users to re-use containers, the problem it set out to solve was how do we maximise landside efficiency through triangulation. The re-use of containers is limited to the import empty containers in possession of one party who also happens to receive a booking for the same type of container from the same shipping line at the right time. Those parties already focused on triangulation will tell you that more often than not, things don't always line up and for the majority of the time they must collect/return containers to/from ECP's.

I saw an opportunity to solve this 'matching problem' and to create a much more efficient delivery model by creating an industry wide 'open market' exchange platform that empowers collaboration between all the key stakeholders (shipping lines, freight forwarders, truckers and BCO). This new model enables parties to share information about the containers they have and the containers they need and through our software we bring them together in a way that enables the **exchange** of an empty container between **two separate parties**.

Put simply we match the supply and demand for empty containers on the landside removing the need to transit through an ECP.

Over the last two and half years we have learnt a lot from our customers and how they have used MB to reduce their trucking costs. As expected, we saw a number of early adopters embrace MB, change their operational model and mindset, and have reaped the benefits. Others have taken some time to adjust their processes and workflow to position themselves best to take advantage of exchange opportunities. We continue to work with these parties to assist them transition to what we like to call the 'MB Mindset'.

The commercial model we have adopted is a simple one. Its free to register and join the MB Network. A small fee is charged for each re-use or exchange booking placed and facilitated via the platform.

Thanks to our integration with our partners, users of the platform benefit from instant approval 24/7, the ability to book with 11 shipping lines in the one place, the ability to maximise their savings via re-use **and exchange**, reduced admin, more visibility and control.

> *"Put simply we match the supply and demand for empty containers on the landside removing the need to transit through an ECP"*

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Relationships: still the heart of logistics

Freight & Trade Alliance (FTA) spoke to Australian logistics technologists Expedient Software about the trends they're seeing and the leading concerns their customers are voicing.

Managing Director Scott Craven highlights four key areas to watch: service, training, mobility and strategic automation.

Service quality front of mind

Craven says customer-centricity and reliable expertise is a core concern for the Australian market, who are weary of providers over-promising and under-delivering.

"Some solution providers have lost touch with their customer needs," he explains.

"In an effort to dominate at scale they are sacrificing context, relationships and the personal touch those things afford. We hear it from customers all the time – they want real people who understand their business, available when they need them most. It's why they love Expedient."

Consolidation of players in the market has compounded this problem for customers, who struggle to be heard when reaching out to ever-larger, often global vendors. As companies take on this kind of scale, quality service becomes challenging. Businesses must respond quickly to new information and unplanned issues. They can't afford to wait around in a queue for help – they need an active and accessible partner.

"Solutions providers have to make the unpredictable comprehensible, and more importantly, manageable," insists Implementation Manager Shaun Perkins.

"This is a fast-moving industry and access to people on your side that know your business is fundamental. The bigger multinationals are getting bigger and bigger; smaller customers need peers they can collaborate with.

"Logistics has always been the ultimate in collaborative industries. Technology is opening up those opportunities even further, providing they're applied wisely and equitably."

Optimisation demands mobility

The company's latest product enhancement delivers web browser interfacing for their software solutions. Currently in beta, the intuitive interface connects logistics professionals up and down the supply chain with critical data on-the-go and in-situ, rather than having to track down a grounded PC terminal. It also grants easy access to stakeholders overseas or in remote locations.

"Mobility and reflexivity are essential for 21st century logistics", says Perkins.

"Businesses and operators need to be able to log on anywhere, anytime, with the device of their choice. It's a competitive advantage particular meaningful for small and medium businesses."

Expedient believe flexibility is the DNA needed to facilitate the era of 'elastic' logistics; tools and systems that offer malleable capabilities based on need in the moment.

"Digital data and analytics that drive optimisation and real-time decision-making only work if they're portable across the chain," Perkins underscores.

Vendors have a role to play as trainer

Expedient is also working to empower the digital literacies of its customer network, to help them build internal capacity and stay on top of the market. PwC research shows that lack of digital culture and training is a leading challenge facing transportation and logistics companies (2016).

"There is still a spectrum of digital literacies amongst operators, and it's the role of solution providers to offer education and guidance in this area," says Scott Craven.

"Investing in a tool is one thing – unless everyone understands how to utilise it, the business won't be getting value for money, nor seeing the gains we know are possible. Smaller outfits will rarely have an IT department, let along training budgets to onboard them to transformative technology. It's unreasonable to expect them to outlay additional investment once they've taken the leap with a new system."

Automation should help humans – not replace them

Automation is already reshaping the logistics industry and its workforce, with many grappling to achieve the appropriate balance between human and machine. Scott Craven argues that too many players take a 'lazy' approach to this important challenge.

"In this business margins are slim, and efficiencies are everything. But swapping people for machines without consideration or context is a lazy way to do things.

Reducing costs without comprising quality is the key, and Craven believes haphazard automation risks safety and integrity for products, process and the people involved.

"We need to examine where people bring real and crucial value in the chain (such as support and oversight), and equip them to do even more, while automating aspects of the industry that need the speed and analysis at scale that machines can support. This approach will lead to regulatory and user acceptance, and better outcomes for all."

Relationships rule

The common thread is relationships – understanding the people you're working for and with, and being responsive to their needs in a timely, relevant and respectful way. The efficiencies born of a strong relationship won't be automated any time soon.

IT'S ALL ABOUT THE PEOPLE, PEOPLE

How Key Person Life Insurance Can Protect Your Capital and Revenue

By JAMES COTIS, Principal – Logical Insurance Brokers

In the 2019 Winter edition of Across Borders Magazine we discussed the oftentimes overlooked concept of Business Succession Planning.

We highlighted the need for SMEs to make sure they have the right structures in place (that is life insurance and Buy/Sell agreements) to protect both themselves as shareholders and the business itself in the event of a shareholder involuntarily needing to exit the business due to their death or severe illness/disablement.

In this edition, we'll discuss the concepts surrounding business continuity and stabilisation using **Key Person Life Insurance** (also known as *Key Man* insurance).

The Human Asset is Your Greatest Asset

Most SMEs take out insurance cover to protect *tangible* assets such as plant, equipment, vehicles and buildings. However, it is an undeniable fact that the greatest asset to a business is the intellectual capital and personal effort by people, and in particular, *key personnel*. It is this *human* asset that - through initiative, drive, skill, specialist knowledge and ingenuity - can actively generate profits for the business.

Whilst it isn't the most pleasant aspect of business planning to think about, it is important to consider how your business would cope if one (or more) of your key people were to suddenly pass away, be diagnosed with a terminal illness or become unable to fulfil their role in the business due to suffering a severe disability.

Could you easily find replacement team members with equal knowledge, experience and aptitude who could pick up right where your key employees left off?

Therefore, we suggest SMEs carefully consider crucial questions like:

- Would your business' financiers become anxious and decide to call in loans?
- Would your business cope in the short term where internal reorganisation can cause remaining staff to take on extra duties? The extra pressure put on those people may prevent them from performing to their usual standard.
- Would the remaining staff feel insecure about their future and the future of the business?
- Would your customers and suppliers have the same misgivings?
- Would the business be able to keep operating?
- Would the surviving business owners or partners be able to cope financially?

This type of destabilisation can have a profoundly negative effect on business revenues, which may threaten the continuity of the business and have a financially damaging knock on effect for the surviving business owners/partners.

For this reason, it is vital that SME's have both short-term and long-term stabilisation plans in place.

Who is a Key Person?

Before we begin talking about insurances to help with this stabilisation, let us first try to define the term **key person.**

A **key person** is someone whose knowledge, skills and experience are crucial to the success of your business. For example, in relation to SMEs this may be the founders/directors of the business. These could also be people who have personally guaranteed loans for the business.

For a larger business, a **key person** may be someone whose absence would reduce the profitability of the business, such as a sales manager or a highly skilled employee.

Think of a person whose continued association with an SME provides it with a significant and direct economic gain. Economic gain can, among other things, include cost savings, capital injections, goodwill, access to credit and access to customers. For example, an employee who is directly responsible for bringing in sales or who holds key technical expertise on which your business relies.

As much as an SME tries to share skills, knowledge and information within their business, there will probably be some people who are key to the SME's success. It might be a Director or the CEO, whose vision made it a success in the first place. It might be a star salesperson, or someone within the IT area who knows the system backwards. It could even be someone who doesn't create any revenue but does a fantastic job of boosting the SME's reputation or

perhaps running the administration and back office systems.

How does Key Person Life Insurance work?

From a big picture perspective, **Key Person Life Insurance** is designed to help recover from the loss of a key member of the SME.

The insurance mechanism is fairly simple and straightforward:

1. The SME purchases a life insurance policy on the life of the director/employee (or several key individuals within the organisation, if needed), with the company being named as the beneficiary and owner of the policy.

2. If something tragic were to happen to the director/employee (or employees) which is covered by the policy, a lump sum benefit would be paid to the SME to help with hiring and training of new employee(s) or retiring debt so the business can get back on stable ground.

Typically, **Key Person Life Insurance** policies cover death, total and permanent disability (TPD), and trauma/critical illness.

What cover does Key Person Life Insurance provide?

Key Person Life Insurance can compensate the SME for loss in two different categories:

1. Business profitability (Revenue Purpose)

For many SMEs, medium term income loss can have long term financial consequences for both the business and its shareholders.

The majority of income can usually be attributed to the skills, actions or relationships of a few key persons within the business. The loss of one of these key persons would cause a reduction in revenue.

It is therefore important to consider insuring these key persons against the business losses.

Key Person Life Insurance proceeds can be used to:

- Replace the revenue the key person would have generated;
- Pay for the costs of temporary replacements until a full-time replacement can be recruited, including temporary overtime costs;
- Pay the extra costs incurred in locating and attracting suitable replacement(s);
- Pay incentive bonuses (to entice the right person into the role);
- Compensate for falls in revenue/sales/profit.

2. The capital value of the business (Capital Purpose)

Losing a **key person** can also adversely affect the *capital value* of the business. These effects can be far reaching and can impact:

- Goodwill: A **key person** may have specialised knowledge, unique skills, high quality business contacts or even a

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reputation for excellence;

- Credit Standing: For example, credit lines can be secured more easily because one director has sufficient personal assets to secure the debt. Should that director die, access or maintenance of lines of credit and overdraft facilities may prove difficult;
- Loan accounts: The loss of a **key person** who has loaned money to the business may mean that the loan must be repaid to the key person or their estate immediately;
- Other debts: If the business is destabilised and defaults on a loan, the financier could call in one or more loans made to the business.

Capital Purpose **Key Person Life Insurance** aims to ensure that the business can repay debts on the loss of a **key person**, thereby easing the financial burden of the SME at a crucial point in time. This will give the SME some breathing space to stabilise and maintain the capital value of the business.

Taxation Implications

It is important to consider both the Income Tax and Capital Gains Tax treatment of **Key Person Life Insurance**. Where term life insurance is utilised, then the tax treatment depends on whether the purpose of the insurance is for *revenue* or *capital.*

Revenue Purpose insurance premiums are generally tax deductible to the SME, however, the claim proceeds are tax assessable.

Capital Purpose insurance premiums are generally not tax deductible to the SME, however, the claim proceeds are not assessable if the benefit is a death benefit and the recipient was the original owner of the policy or did not pay consideration to acquire it.

It is important to note that if there was a change of purpose or the insurance proceeds were used for a different purpose at the time of the claim, it may affect the deductibility of past premiums and the accessibility of the insurance proceeds.

Therefore, we recommend that specialist taxation & legal advice is sought prior to embarking upon a course of action.

Live Case Study

Note: All names of persons and businesses have been changed for this case study.

Readers of the Winter 2019 edition Across Borders Magazine will recall that Fred, George and Peter were all directors and equal shareholders of Fabulous Freight Forwarders Pty Ltd, valued at $6 million.

During Logical's meeting with Fred, George and Peter, we learned that the business had a $2,000,000 loan facility which was used to fund the acquisition of other aligned businesses and provide operating capital as required. The facility was secured through each director's family home, plus director's guarantees. Although the facility was not fully utilised at the time, it frequently reached its limit.

Logical also learned that the directors had complementary skill sets. George was the managing director who has the expertise, ingenuity and ability to allow the business to run smoothly, operate within budget and establish a strong market presence. Fred was responsible for the sales efforts, having unique contacts and methods which provided the business with a competitive edge. Steve had specialist knowledge which enabled the business to win contracts. This effectively meant that all three directors were key people.

Fred, George and Peter decided that their immediate need was to provide maximum protection in relation to the loan facility, so Logical recommended the need for Key Person Life Insurance (Capital Purpose) for $2,000,000 each to extinguish the debt.

Logical gathered relevant information required to provide a detailed report to each of them. Logical then assisted them apply and successfully complete their insurance arrangements.

In addition, Fred, George and Peter realised they had several other key people within their business, and they agreed to review that situation over the ensuing six months. However, they quickly recognised and identified one other **key person** within the business, the National Information Technology manager who built and maintained their unique cargo/freight and warehouse management software systems.

They understood that they didn't have the IT expertise to maintain and enhance these systems, which could lead to a loss of competitive advantage should their IT manager die or suffer a severe illness/disability.

Following careful consideration, it was agreed that there was a need for **Key Person Life Insurance** in relation to the IT manager. In consultation with Logical it was decided that a Revenue Purpose amount of $1,000,000 would be required.

Fred, George and Peter were relieved that they had removed another key risk from their business.

Who we are

James and the team at Logical Financial Management Australia Pty Ltd (ABN: 23 103 138 305) provide specialist risk management, insurance and financial planning solutions to the logistics industry. Logical is delighted to be associated with the Freight and Trade Alliance (FTA) and is proud to be their appointed insurance adviser since its inception in 2012. James is also a regular presenter at FTA professional development events.

If you would like more information about how careful business succession planning can help protect the value of your business, please feel free to contact James on 02 9328-3322, email jamesc@FTAlliance.com.au or visit the Logical Financial Management website at www.logicalfinancial.com.au.

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Offsetting the cost of rising wages

By MICHAEL WILKINSON, Senior Employment Relations Adviser - Employsure

The new minimum wage is now in effect, along with a 3% increase to Modern Awards.

With these changes, many businesses may find themselves considering the bottom line. The direct impact of needing to increase rates for employees who receive base minimum wage payments is no doubt likely to cause a nationwide affect as it forces businesses to be compliant with a new set of pay rates.

While mandated wage increases are a challenge for any business to implement – within every challenge there's an opportunity to improve financial health. Being creative with cost savings and identifying new efficiencies can help your business manage the annual minimum wage increases.

Let's look at some simple strategies to help reduce costs in the face of growing wages.

Comply

By law, businesses must comply with the new national minimum wage and modern award rates. The cost of non-compliance can be more severe than the cost of implementing applicable wage increases. The potential for underpayment claims, penalties for non-compliance and reputational threat arising from breaches can be far more costly than an initial wage increase.

Recently there have been high profile cases of companies who have faced a massive cost as a result of underpayments. As they say, prevention is the best cure. Making sure you're compliant from the outset could save you a hefty bill later on.

Time Is Money

To help to ease the financial burden that a minimum wage increase can bring, consider the other obligations related to workplace entitlements.

For instance, you may reduce overtime rates payable by ensuring your employee's ordinary hours are within the ordinary span of hours or rostering provisions outlined in the relevant modern award. Also, by ensuring employees receive their meal breaks or required breaks between shifts, as outlined in a relevant modern award, the potential costs of additional loadings being payable to staff will be reduced.

Upskill and Train Staff

Money isn't the only means of compensating, recognising and rewarding staff. Employers can incentivise and demonstrate the value in their employees through further training, career development opportunities or even flexible work arrangements.

The development of an employee's skills and knowledge, through improved training and attention to career development will not only enhance their own future career growth but it will also contribute to the growth of the business.

Enabling an employee to further explore an aspect of their employment that they are passionate about enhances productivity and motivation to learn and develop useful skills. The skills an individual develops at any given position of employment are invaluable. Giving staff opportunities to develop their abilities can be an investment in your workforce and your business, without necessarily having to spend more money.

Energy Saving

Energy and electricity costs are probably one of the fastest growing costs for businesses. 68% of CEOs surveyed by the Australian Industry Group expect energy input costs to continue rising in 2019, with 63% of respondents also saying they paid more for energy in 2018 than they did in 2017.

With regards to heating and cooling of a workplace, corners are easy to cut. There are obvious tricks, like increasing airflow into your office or place of work instead of turning on a fan or the air-conditioning.

Installing double-pane windows or ensuring resealing around doors, windows and air vents may be costly, however if you do choose to install these, the energy efficiency brought to your workplace will save you in the long-run.

Turning off machinery and equipment when not in use and ensuring light switches are turned off when exiting an unoccupied room, are further cost saving measures.

High energy prices have been on the national agenda for some time and the burden they present to small business owners is very real. It is also worth keeping an eye out for new programs and initiatives that will help you ease the pressure of energy prices.

Free Software & Digitisation of Work

There's a lot of free software and apps that businesses can use to improve their efficiency. Google Docs is a popular example of free office software.

Free software has a clear benefit but introducing software as a tool for all staff to use can also vastly increase collaboration, automisation of work and streamline communication channels.

Strategising and organising software can further help increase productivity. If a small business takes time to train staff on how to use relevant software programs in line with company policy, this can create buy-in and confidence in the utilisation of such technology.

About Employsure

Employsure is the largest provider of employment relations and workplace health and safety services in Australia, servicing more than 25,000 clients nationally. As a part of a partnership arrangement, Employsure provide support to all Freight & Trade Alliance (FTA) and Australian Peak Shipper Association (APSA) members with complimentary access to workplace relations expertise via their dedicated Employer Advice line - phone 1300 651 415 (quote ERA0017).

Employsure currently also support many FTA members with tailored solutions for Fair Work compliance including unique workplace documents, a proactive approach to workplace disputes and insurance services.

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Top tips on how to conduct the perfect interview?

By LEANNE LEWIS, Managing Director - Insync Personnel

With over 15 years' experience working within the recruitment industry I have certainly conducted my fair share of interviews. So, if your goal is to hire the best people you possibly can I hope that the below tips may help you hire the best of the bunch – especially when we as an industry are in a candidate short market.

1. Truly understand what role you are recruiting for.

Experience, qualifications, and credentials are all important. But great employees don't just perform a job, they solve at least one critical business need.

Identify that critical need, determine how you measure success in the position, assess the common attributes of your top performers, determine what qualities mesh with your culture... and tailor everything in your selection process finding the perfect person to solve that critical business need.

Otherwise you're just going through the motions.

2. How you will find the perfect person to fill that need.

If you need an outstanding Customer Service operator determine how you will identify "outstanding." That may include certifications, specific accomplishments, the right references, or even an on-the-spot test.

Then consider your culture. Skills are important, but attitude is often more important. Determine how you will identify the person with the right personality, interpersonal skills, and interests.

Remember, you aren't looking for the best candidate from a specific pool. You're looking for the perfect candidate for the job.

3. Thoroughly explain the process to every interviewee.

Candidates selected for interviews should know exactly what to expect prior – when they will interview, where they will be interviewed and whom they will be meeting with. Ensure there are no surprises, tricks, uncertainties and no 'loose ends.'

First impressions are important, and not just your own. The moment a candidate steps foot into your office, their perception of your business is already being built. The best candidate may decide that your company is not the right fit for him / her based on the small things that you should have attended to prior – and it could be as simple as general housekeeping!

4. Spend time reviewing the CV.

Lots of people glance at a resume a couple minutes before the interview.

How will you ask intelligent questions and create compelling conversations when you don't know a lot about each person ahead of time?

Pretend you are the candidate and look beyond facts and figures; read between the lines to get a sense of that individual's interests, goals, successes, failures, etc.

Then do a quick survey of social media. (Don't feel bad; I guarantee the candidate is checking you and your company out the same way.) What are the candidate's interests? What does he/she like to do in her spare time?

If you find someone in the candidate's network that you also know well, make a note. They could be a great reference either before or after the interview.

Your goal is to know as much about the candidate as you can, not in some creepy stalker way but so you will be able to...

5. Make the interview a conversation, not an interrogation.

The best interviews are actually conversations... but you can't have a conversation with someone you hardly know. Again, the more you know about the candidate ahead of time the more you can ask questions that give the candidate room for self-analysis.

And once you ask a question, the key is to listen slowly. Give the conversation room to breathe. Often candidates will fill a silent hole with additional examples, more detail, or a completely different perspective on the question you asked.

That will allow you to ask thoughtful questions too, and when you do, candidates will open up and speak more freely because they realize you're not just asking a list of questions.

6. Spend as much time answering questions as you do asking.

Great candidates are evaluating you, your company, and whether they really want to work for you. They'll ask questions.

Give them time to ask. Answer thoughtfully. Be open and honest.

7. Describe the next steps.

At the end of the interview always describe the rest of the process. Explain what you will do and when you plan to do it.

Few things are worse than having no idea what, when, or if something happens next. Don't force the interviewee to ask. Tell them.

8. Provide closure - every time.

Failing to follow up is incredibly rude, especially to people who pay your business the highest compliment of all by saying they would like to work with you (and therefore spend more time with you than they do with their families.)

And if common courtesy isn't incentive enough, there's a business reason, too: if you don't provide closure people won't complain to you... but they will complain about you and your company.

This principle should apply to every person who applies for a job, regardless of whether or not they were interviewed or even seriously considered for an interview. Before you post an opening, always decide how you will close the loop with every person who responds.

Everyone.

9. Contact references.

But don't just contact the references the candidate provides; after all, that's a handpicked list. Check out the people in the candidate's network; chances are you know someone who knows someone who knows the candidate and can speak to his/her experience, skills, attitude, etc.

You have a network. Use it. A terrible candidate may wish you hadn't stuck to her list of references... but a great candidate never will.

10. Make an enthusiastic offer.

You should be excited when you find the best candidate. So, let your excitement show. Show your enthusiasm. Don't be coy; don't play the, "I better not seem too excited or he/she might expect a higher salary," game.

In a great employer-employee relationship there is no upper hand. The right candidate is just as excited to come on board as you are to welcome them. Don't pretend you're doing the best candidate a favour by hiring them; see it as they are doing you a favour by joining your company.

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> *"A well-developed offshore team can provide you with a previously unobtainable level of visibility within your business operations"*

Utilising a specialised offshoring provider in conjunction with your local operation can provide:

Reduced Costs: The most obvious advantage of offshoring select business processes is to reduce costs (up to a 60% saving in labour costs). Offshoring tasks such as labour intensive administrative and operational tasks can free up cash-flow and enable your local staff to perform activities that create additional value for your customers.

Upskill Local Staff: Removing repetitive, menial tasks from your local office by utilising offshoring provides an opportunity for you to assign higher value and revenue generating tasks to your local workforce, potentially creating additional revenue streams.

Scalability: The marginal cost to increase your offshore workforce is up to 60% less than doing so in-house making it a scalable solution to engage with company growth smoothly and with a positive impact on the short and long term profitability.

Visibility: A well-developed offshore team can provide you with a previously unobtainable level of visibility within your business operations providing you with hard data on such things as staff utilisation, timing reports at a per task level and job level, inter-department response times and department efficiency measurements.

Security: Data integrity is a big issue, for you and your clients. Due to system capabilities, your offshore team logs into your system remotely and works in your network, all data is saved directly to your system as per your SOP's and no information is retained on the agent's computer.

Things to consider when considering an offshore outsourcing provider:

- **Knowledge** – Is the service provider a generalist provider or do they specialise in your industry? Are they managed by current industry specialists with an intimate knowledge of your requirements?

Often a bio on the management team can assist for this comparison, the more aligned the BPO management's industry expertise is to the services delivered by your own company the better!

- **Due diligence** – Ask for referrals from the service provider, contact details of customers past and present, importantly make your own inquiries within your network as well.
- **Professionalism** – Does the service provider focus on their own competence and skill during the sales process?
- **Structure** – How does the service provider structure their management hierarchy? How does it support the end delivery of service? Often an organizational chart can assist for this comparison.
- **Size** – Is the size of the service provider such that they will have the time to invest in getting things right for you, or would you be just another number?

Often a service provider will provide queues to where their focus is when they talk about their own business goals are they volume or quality based goals?

- **Access to your staff** - Ensure your provider provides unfettered access to your staff, because they are 'your staff' they work for you. Your provider should be hosting your staff on your behalf - make sure you have unrestricted access as you would have with staff in your own office in Australia.

BUSINESS PROCESSES GETTING YOU DOWN?

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Crowe joint venture with VoxGroup goes National

By MATTHEW MORGAN, Manager - Global Trade and Customs - Tax Advisory

Crowe will expand the Trade & Customs service offering across 110 locations in Australia & New Zealand, allowing clients to access additional bespoke services regardless of region.

Crowe Australasia has announced the expansion of the joint venture with specialist firm, VoxGroup, extending access to bespoke services across the entire Crowe office footprint. The renewed and expanded partnership sees both Crowe & VoxGroup commit greater combined resources to the existing Trade & Customs teams across both client networks.

The expanded joint venture will bring additional resources and expertise to clients trading internationally, via Customs Compliance Duty Minimisation and Supply Chain Development services. Additionally, Crowe and local parent company Findex will launch a service allowing SMEs to secure accreditation as an Australian Trusted Trader for a one-time, upfront fee.

Speaking about the opportunity in market for the growth of international services for Australian SMEs, Matthew Morgan, local lead of the Crowe Australasia's Trade & Customs offering said, "We're seeing regulators adopt new methods and technologies for greater oversight and stricter compliance for imports into Australia, with an increase in fines for non-compliance over the past 12 months.

"Australian businesses need a greater level of expertise to support the increasingly complex Trade & Customs landscape. Our expanded joint venture with VoxGroup allows us to scale our offering to a wider client base which enhances already established growth opportunities for both businesses."

Commenting on the joint venture, Rob Crabtree, Managing Director of VoxGroup stated, "Our combined expertise is market-leading, and with both companies in a growth phase, it makes sense to further enhance the offering to such an important part of the Australasian economy. Australasian businesses are well placed to take advantage of growth in international trade markets both in Asia and beyond. An innovative approach to supporting new and existing clients through this expansion phase is needed, and our joint venture makes those services available."

The expansion of the VoxGroup joint venture comes after Crowe Australasia reaffirmed its partnership with Crowe Global last month, with the launch of the updated Crowe brand locally and announcement of Sydney has host city for the Crowe Global Conference in October 2019.

Crowe Australasia will operate across the established Findex network of 110 metro and regional office locations across both countries – offering Audit, Assurance and Tax Advisory Services to new and existing business and individual clients. Crowe Australia & New Zealand will also look to expand billable opportunities with international client portfolios from the Crowe Global network.

Spiro Paule, CEO of Crowe Australasia's parent firm, Findex stated: "We are eager to continue our partnership with Crowe Global and we see our Audit and Tax Advisory services as a pathway to significant growth in the near and long term. I am confident that the appointment will bring our teams closer to global opportunities and am excited to see our client base expand."

Robert Crabtree

Matthew Morgan

About Crowe:

Crowe LLP (www.crowe.com) is a public accounting, consulting and technology firm with offices around the world. Crowe uses its deep industry expertise to provide audit services to public and private entities. The firm and its subsidiaries also help clients make smart decisions that lead to lasting value with its tax, advisory and consulting services. Crowe is recognized by many organizations as one of the best places to work in the U.S. As an independent member of Crowe Global, one of the largest global accounting networks in the world, Crowe serves clients worldwide. The network consists of more than 200 independent accounting and advisory services firms in more than 130 countries around the world.

Crowe
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FTA and ACFS combine to deliver Western Australia stink bug solutions

By JOHN PARK, Head of Business Operations – FTA

At the same time as the world was celebrating the landing on the moon 50 years ago – Freight & Trade Alliance (FTA) were celebrating the opening of the office in Western Australia with their first face to face forums held in partnership with ACFS Port Logistics.

The events held over two days in Fremantle brought together some 80 people from a wide industry background, forwarders, transport operators, shipping lines, treatment providers, importers and customs brokers. After each session, ACFS and FTA facilitated networking activities providing a great opportunity to catch up on industry developments as we approach both the Brown marmorated stink bug (BMSB) season and peak period into Christmas.

Andrew Crawford (Head of Border & Biosecurity – FTA) delivered a timely presentation on the upcoming BMSB season which again will stretch all resources in managing the increase in countries and new master consolidator processes. Natalie Wallace (General Manager, Business Development ACFS Port Logistics) delivered a presentation on the services and facilities available at the ACFS facilities across the nation and of course Fremantle where an increase in treatment facilities will be a welcome relief for many.

The Friday venue was the old DP World boardroom in Koolinda House, courtesy of Fremantle Ports, and provided attendees a vantage point to overlook the port operations.

After the presentations, delegates were provided with a guided bus tour of the ACFS logistics, treatment and empty container yard operations on Rous Head.

Some of those attending were new to these types of information forums and welcomed the opportunity to both hear about industry developments as well as experiencing first hand the operations of the port service providers.

FTA will continue to interact with the whole of industry through their communications as well as more of these face to face events – stay tuned

FTA
ACFS

FTA

SunRice and the Port of Melbourne - celebrating '10 Years of Excellence in Exports'

By VLAD JOTIC, Head of Business Development – Port of Melbourne

In June 2019, the Port of Melbourne presented SunRice at its Leeton headquarters with a plaque and framed image of the Port as recognition of SunRice having achieved a significant milestone, exporting more than 130,000 TEUs through the Port of Melbourne in the years 2009 to 2019.

Ricegrowers, trading as SunRice, is one of Australia's largest branded food exporter, with over 30 major recognised brands in approximately 60 countries around the world. It is one of the largest rice food companies in the world and one of Australia's leading branded food exporters with the bulk of Australian rice being milled, packed and branded in the Riverina by SunRice. In the 2018 financial year, it recorded a group revenue in excess of A$1 billion.

SunRice dates back to the establishment of a single rice mill in the Riverina region of New South Wales in 1950. Today it operates state-of-the-art processing and packing food plants across Australia, the USA, the Middle East, the Pacific and Papua New Guinea.

It began exporting Riverina rice in 1961 and now supplies the world with diverse and innovative rice food products. Through its successful food ingredients and food service divisions it contributes to thousands of other brands and businesses the world over including Sunwhite, Sunfoods, Trukai and Riviana Foods. It is a major player in the domestic market as well, supplying a staple food for households around Australia.

Regional rail freight

SunRice relies heavily on rail transport as the majority of its international containers are transported by rail from its processing facilities for export through the Port of Melbourne.

To ensure it can achieve its growth strategy and continue to meet increasing international demand and protect premium export markets for its Riverina rice, the company is continually reviewing its systems and processes in order to build a global supply chain.

This is consistent with the Port of Melbourne's objectives to enhance efficiencies in its supply chain, with both the Port and SunRice working together since 2001 in delivering a consistent and reliable service to overseas markets and continuously seeking to improve the efficiency of the existing regional rail service from the Riverina.

The Port's ongoing focus on enhancing its supply chain for the benefit of Australian producers such as SunRice is exemplified by the proposed "Port Rail Transformation Project", which will enable us to reform the rail industry within the Port, improve operating performance and provide more efficient infrastructure to overcome the barriers to rail use for port freight. This project will provide better transport links between the Port and regional producers, encourage rail mode shift and remove freight trucks from roads.

Strong relationship

The connection between the Port and SunRice continues as the Port is a major sponsor of the Ricegrowers Association Annual Conference, with the 2019 edition to be held in Corowa this August.

The Port of Melbourne would also expressly like to acknowledge the strong relationship built through mutual support and led by the efforts of David Hamilton, Head of Customer Service and Logistics for SunRice.

We hope to grow on the past 10 years and deliver even greater volumes of Australia's finest rice products to the world.

Photo L-R: David Hamilton (Head of Customer Service and Logistics, SunRice), Linda Green (Finance Processing Services Team Leader, SunRice), Vlad Jotic (Head of Business Development, Port of Melbourne) and David Bardos (Business Development Manager NSW, Port of Melbourne).

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Out and About with WISTA Australia

WISTA Australia at the IMO!

By ALISON CUSAK, Principal Lawyer, Cusack & Co Pty Ltd and WISTA Australia President

On Monday 29 July 2019 the Australian Maritime Safety Authority (AMSA) hosted the International Maritime Organisation (IMO) Secretary General, Kitack Lim, and other senior members of the maritime industry at the Sydney Maritime Museum.

In recognition of the IMO's 2019 theme "Empowering Women in the Maritime Community" I was privileged to be invited to present to delegates alongside Teresa Lloyd, MIAL Chief Executive Office and Jeanine Drummond, Harbour Master, Newcastle and Yamba Ports.

My speech centred around the theme of "fearless pursuit of imperfect progress".

All too often we think that we need to have the perfect solution to gender equality and won't try anything in parts or halves for fear of failure.

We in the shipping industry are capable of difficult tasks and difficult conversations – it's in our DNA. You can look at the IMO conventions and how they update and adapt as proof.

The first Safety of Lives at Sea (SOLAS) convention was signed a mere 1 year, 9 months and 6 days after the Titanic sinking. Those in the container industry remember all too well the most recent Verified Gross Mass (VGM) updates!

The challenge for the maritime community:

For the next 1 year, 9 months and 6 days do one small thing daily to improve gender equality

- Ask who isn't the room and should be;
- Ask who isn't on that promotion list and ask why not;
- Who isn't involved in the conversation and invite them;

Mick Kinley (AMSA), Teresa Lloyd (MIAL), Kitack Lim (IMO), Alison Cusack (WISTA), Jeanine Drummond (Newcastle and Yamba Ports)

- Don't allow people to make inappropriate comments and slide by on the excuse "it's just a joke"; and
- Ask the women in your office what is one small change the business can make to head towards that imperfect progress.

The **WISTA Queensland Chapter** recently had the opportunity to board the "Hoegh Asia" car carrier at the Port of Brisbane.

The Process Communication Model (PCM) is Transforming the Way We Interact

Wayne Pearce OAM (Next Leap Training Solutions), Caroline Zalai (FTA), Joyce Campbell (Next Leap Training Solutions) & Paul Zalai (FTA)

A framework that fosters self-awareness in the workplace, facilitating seamless communication and cohesive teams

By JOYCE CAMPBELL – Next Leap Training Solutions

Joyce Campbell is a certified facilitator in PCM training workshops. Recently, she participated as a mentor in the WISTA mentor program and spoke at the Women in Logistics forum on the importance of personal and professional development. Her aim is to provide people with immediately useful skills that help them achieve their goals.

What is PCM?

The most important and highest paid intelligence is 'social intelligence' (Howard Gardner, Harvard University). A similar study found EQ (emotional intelligence) to account for almost 60% of job success across all industries.

The Process Communication Model, developed by clinical psychologist Dr. Taibi Kahler, is a methodology used to improve communication skills and predict distress behaviors. The NASA recruitment team adopted this model, as it allowed them to predict, and account for, their astronauts' behaviors under pressure. Today, its utility has been widely recognised, and it's been put to use in many professional industries, from aviation to hospitality and beyond.

According to the model, there are six key personality type. Each personality type comes with associated needs, motivations, and distress behaviors, as well as typical expressions, language structures, and phrases. Learning to identify and understand these personality types in yourself and others allows you to access a wide range of high-level communication tools.

The 6 main personality types are imaginers, promoters, rebels, harmonisers, thinkers, and persisters.

Imaginers like to think things through thoroughly on their own before reaching any conclusion. Introspective and imaginative, they often need substantial time to themselves. They might say something like 'I need time to think' - or they might say nothing at all.

Promoters are charismatic and resourceful and bounce back easily after experiencing a setback. They prefer dynamic environments and direct communication, and are likely to use phrases like 'the bottom line is'.

Rebels tend to be spontaneous and playful and excel at creative problem-solving. They tend to use a lot of slang, and express their opinions in terms of either like or disliking something - 'wow, I like that, I hate that'.

Harmonisers are warm and compassionate with high levels of empathy. They do well with leaders who recognise and acknowledge the importance of their emotions. Typical phrases include 'I love that, I feel comfortable with that'.

Thinkers excel in organisation and detailed planning. They take on responsibility willingly and can explain things clearly to others. Thinkers need structure and recognition for their accomplishments, and are likely to use phrases like 'I think, what options, what does that mean'.

Persisters operate through the framework of their values and beliefs. They tend to be quite observant and are willing to both hear and express opinions. They're likely to express themselves using phrases like 'I believe, in my opinion'.

Benefits and Applications

Knowledge of the PCM model is an invaluable resource in businesses, particularly for people with managerial responsibilities. The skills learnt allow managers to quickly categorise team members into one of the personality types.

This then provides a wealth of information on how best to communicate with, motivate, and manage that person. Understanding values allows managers to address each team member in a way that meets their specific psychological needs and makes them feel understood. PCM also provides a framework to recognise and resolve miscommunications before they escalate into full-blown conflict. It also provides the skills to quickly identify potential sources of conflict or distress, and either turn them into a constructive discussion with learning opportunities or resolve them neatly and effectively.

The uses of PCM extend beyond management. It can be used in HR or recruitment to match people to teams and environments as well as jobs. It can be used to increase sales performance, develop functional teams, and help counsellors and coaches develop effective teaching methods.

To learn more about PCM or inquire about available workshops, visit http://nextleaptrainingsolutions.com/ or contact Joyce, joyce@nextleaptrainingsolutions.com or Telephone 0408 264500 for the special FTA rate.

Life is a lesson, what have you learnt today!! Wayne Pearce OAM

Taking action on trade barriers

By the Department of Foreign Affairs and Trade

Australia's free trade agreements (FTAs) are creating many opportunities for our exporters through new or improved market access for Australian goods and services, reduced regulatory barriers and greater mobility for business travel.

FTAs are a major pathway to improving trade access, however, Australian exporters may continue to encounter a range of measures that restrict or exclude them from some overseas markets.

Many of these measures–such as import processing fees, labelling and packaging requirements, health and safety certification, and in-country testing–are in place to protect a community's health and wellbeing. That said, some countries may impose rules and requirements that make it difficult, costly or impossible to do business.

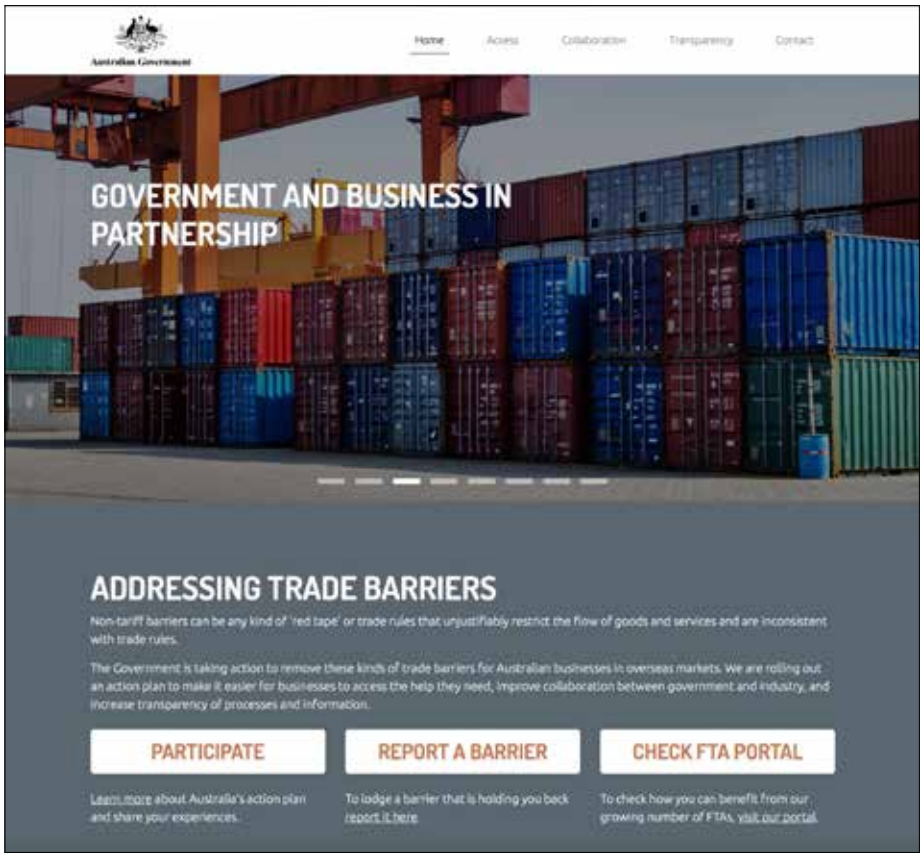
What is a non-tariff barrier?

Non-tariff barriers can be any kind of 'red tape' or trade rules that unjustifiably restrict the flow of goods and services. When overseas government laws or policies are unclear, excessive, or unfairly advantage local industries, either at the border or behind the border, they can become non-tariff issues.

Increasingly, non-tariff barriers influence who trades what and where, presenting new challenges for governments and businesses alike. By some estimates they cost as much as three times the cost of formal trade barriers, such as tariffs.

A government and business partnership to remove unjustified trade restrictions

In December 2018, the Australian Government launched a *Non-Tariff Barrier Action Plan.*



The Action Plan was developed in consultation with industry and business, and aims to strengthen the partnership between the Australian Government and exporters to tackle non-tariff barriers.

The Action Plan outlines several objectives including:

- to make it easier for business to report trade barriers;
- build the capability of frontline expertise to service Australian exporters; and
- increase transparency of the government's actions to address non-tariff barriers.

This complements other government efforts to strengthen trading rules, open markets, and facilitate global commerce through international bodies like the World Trade Organization.

Here to help

There are a range of government agencies and departments working together to help Australian businesses find solutions to improve or remove non-tariff trade barriers. The trade barriers coordination team is available to assist with your queries.

To find out more or report a trade barrier go to tradebarriers.dfat.gov.au or contact DFAT's trade barriers coordination team at ntb@dfat.gov.au or call 02 6178 4300.

For general business support visit business.gov.au or call 13 28 46.

Case study: Advocacy success for meat exporters to the Middle East

Improved access for Australian red meat exports to the United Arab Emirates (UAE) is just one example of successful advocacy by the Australian Government, in partnership with industry, to overcome a non-tariff barrier.

The UAE is one of Australia's largest red meat markets in the Middle East. The UAE's short shelf life requirements for red meat effectively limit exports to airfreight only, which has a higher cost compared to sea freight. When combined with long voyage times from Australia, by the time the meat arrives in the UAE for sale, little shelf life remains.

This regulation was limiting the competitiveness of Australian products and costing Australian exporters up to $60 million per year, according to Australian industry sources.

Increased business competitiveness

The Australian Government in partnership with the meat export industry successfully advocated the scientific merits of vacuum-packing chilled red meat, with the UAE extending the accepted shelf life of vacuum-packed beef from 90 days to 120 days.

An extension to the shelf life increases the competitiveness of Australian meat exports and provides greater opportunities for sale. For example, exporters can reduce the overall cost of their meat by sending bulk shipments via sea instead of smaller shipments via air. This can lower commodity prices and support greater competitiveness of Australian meat products in the market.

The Australian Government is continuing to promote extended shelf life for vacuum-packed chilled meat with other countries in the Middle East.

The Australian Government's Agricultural Councillor network with 22 agricultural specialists have been posted in regions like the Middle East to help tackle technical requirements like this one and expand Australia's agriculture exports.

This article was first published in the May 2019 edition of DFAT's business envoy magazine: www.dfat.gov.au/businessenvoy

A history of reducing trade risks: the new rules in Incoterms® 2020

By ANDREW WILLCOCKS, Associate Director - International Chamber of Commerce Australia, ACCI

It might be a grand statement, but it is an indisputable truth: for millennia, trade has served as an essential ingredient in the survival of our species and will continue to underpin the forward project of humanity.

Dig into the history of each successful human epoch, and you will uncover the beating heart of trade. First crossing valleys, then continents, oceans, and skies, trade has always remained the omniscient driver of social and cultural stability – a ballast in times of conflict, prosperity, famine, and disaster.

And yet, for all its importance to our survival, trade is still a very tentative human endeavour.

Since its origins in the earliest identified human activity, trade has remained reliant on our fragile ability to communicate amongst each other to sort out our differences and agree. With varied success.

Prehistoric societies knew the fundamental principle of trade well: if you cannot communicate effectively, you cannot understand and agree on terms. If you cannot agree on terms, you cannot trade. If you cannot trade, the cornerstone of your economy is in trouble.

Our modern global markets resonate with this principle on a massive scale. Bitcoin, Brexit, and the tariff skirmish between China and the US all paint vivid macro examples.

But what of the micro scale of trade? Has communication changed for the cogs in the trading machine?

Communication between traders in order to agree on terms requires a meeting of the minds, often between complete strangers, and usually across divergent linguistic, cultural and regulatory lines. This is increasingly the case with the diversification of complex global supply chains.

The present era of global trade is further saturated with technology and assistive tools for individual traders. This tech boom has sped up our communications, made us more efficient, and optimised our ability to agree with one another via smart contracts and other electronic innovations.

But at either end of every high-tech Artificial Intelligence transaction, you will find two humans, each reading a screen, tasked with interpretation of information from each other. And both those humans, in the end, have to make the final decisions about the trade, the risk, the transport, and the terms.

In this regard, we are still no better placed than our forebears on decisions around trade. The buyer of stone-age implements asked the same questions that the buyer of circuit boards asks themselves today: Can I trust the seller? When do I pay? How will these goods be transported safely and with certainty? What are the barriers and risks to my goods getting to market?

These inescapable human questions on certainty and interpretation have not changed across the vast history of our trading species. Neither have the risks. Misinterpretation will always lead to misunderstanding, which in turn leads to agreements falling through, disputes, and further loss.

International institutions have continued to make progress in recent decades on the shorthand expression of trade terms for trading parties. These global projects

> *Can I trust the seller? When do I pay? How will these goods be transported safely and with certainty? What are the barriers and risks to my goods getting to market?*

are refined across decades of use and practice, forming tools for traders to reduce misunderstandings and risk, and enhance their ability to agree.

One such set of tools are the Incoterms® rules, published by the global rule-setting organisation the International Chamber of Commerce (ICC) since 1936. The new 2020 rules are about to be released in Australia via national workshops taking place across September 2019.

The ICC Incoterms® are rules for interpreting standard three-letter 'trade terms' used by importers, exporters, lawyers, transporters and insurers across the world for international and domestic sale contracts that allocate certain obligations, costs and risks between the seller and the buyer. They have become crucial for understanding how – and what – each party agrees in a transaction.

For example, if you are a trader, lawyer, insurer, or transporter reading this article, but you don't know what the ICC Incoterms® 2020 version of CIP, DDP, or CFR means, you are at serious risk of having a misunderstanding about your goods trade, which could in turn cause serious loss.

For this reason, across September the Australian Chamber of Commerce and Industry together with partner BDO is launching a national series of 3.5 hour workshops covering the important new ICC Incoterms® 2020 rules.

The workshops will take place in Sydney, Melbourne, Adelaide, Perth, Darwin and Brisbane, and will be led by international Incoterms® expert Mr Bob Ronai, who was on ICC's Incoterms® 2020 Drafting Group, and Mr Bill Cole of BDO.

Each ticket holder will also receive a hard copy of the new ICC Incoterms® 2020 publications (book, pocket guide, wall chart), and a light lunch/tea and coffee. Practitioners seeking CPD points are encouraged to apply; please check with your appropriate society or body for CPD compliance.

Tickets are available for purchase via this link:

https://www.australianchamber.com.au/international/incoterms2020workshops/

For further information please contact: info@australianchamber.com.au

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Arrow becomes one of only three manned quarantine depots in Melbourne

‘Just in time for stink bug season’

By LUKE DUFFY – Chief Executive Officer, Arrow Worldwide

Arrow Transport and Quarantine Services, the fifth largest container transport operator in the Port of Melbourne, has announced that it has been given approval by the Australian Department of Agriculture (DOA) to become the third manned Quarantine depot in the Port of Melbourne.

This approval will enable Arrow to provide the industry with a genuine increase in Quarantine capacity, at a crucial time. With the Brown Marmorated Stink Bug (BMSB) season due to officially commence on 1st September 2019 and continue through to April 2020, the industry has been very concerned with Quarantine capacity in Victoria. At a time when manned Quarantine depots are already at capacity, Arrow’s main depot will significantly help to address industry concerns.

Arrow, in conjunction with the DOA, will have two Quarantine Officers at their site in Toll Drive Altona North, from 7am to 3pm every weekday. This new arrangement will commence from Monday 2nd September 2019, with Arrow taking pre-bookings for this service now. Arrow will also be the only manned depot outside the Port of Melbourne precinct. This will provide transport operators and importers from both metro and country Victoria, increased flexibility for Quarantine services than is currently available. This will enable a significant reduction in turnaround times and increased booking availability.

Arrow and the DOA aim to ensure that this Quarantine service is used to its full capacity. The DOA have a limited number of qualified and experienced inspectors, and both Arrow and the DOA want to ensure that inspectors are kept busy during this crucial phase of Quarantine activity over the next few months. The Industry is strongly encouraged to support this new manned depot & highlight the need for Quarantine servicing within the state of Victoria. The DOA are anticipating the success of this new collaboration so that future reassignment of inspectors and Quarantine capacity won’t be lost to the industry in Melbourne. Craig Webster, Managing Director of Arrow believes that, ‘industry needs to come together with a ‘use it or lose it’ mindset to ensure Arrow’s new Manned Depot status is pushed to capacity in support of DOA’s recognition of capacity issues through prior arrangements.”

With BMSB season expected to drastically increase inspection and fumigation numbers at the Port of Melbourne, this additional capacity will allow industry a viable method to absorb the load and provide the highest possible level of service. This use of this service will result in minimum delay and disruption to import and export clients, or their nominated carrier.

Arrow’s manned depot will provide the full range of Quarantine services - rural tailgate, inspect/unpack, fumigation and machinery wash - every weekday from 7am to 3pm each weekday and by arrangement on weekends. The facility is open to anyone requiring Quarantine services, whether you are an existing Arrow client or not, as well as to all metro and country container transport operators.

Arrow’s manned Quarantine depot is located at 96-108 Toll Drive, Altona North. Bookings and enquiries can be made by calling 1300 277 698 (ARROWTL) or by email to operations@arrowtl.com.au.

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Australian Department of Agriculture ('DOA') has granted '**manned depot**' status for our site at 96-108 Toll Drive, Altona North.

With the 2019/20 'stink bug' season about to get underway, this new DOA capacity provides a real alternative for importers, customs brokers/freight forwarders and transport companies to access DOA services in a quicker, more reliable way than is currently the case.

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Ready Set… Fumigate

By ANDREW CHRISTIE, Director - Andrew Christie Consulting

The 2019/20 Brown Marmorated Stink Bug (BMSB) season is upon us and now is the time to begin planning and implementing the processes and procedures you and your clients will need in place to ensure you are in the best possible position when importing goods from identified risk countries.

ACC ANDREW CHRISTIE CONSULTING

As you are aware, the Department of Agriculture has released the new seasonal measures in preparation for the upcoming BMSB season and a clear positive is the synergy between last seasons targeted high risk commodities and this seasons. The high-risk commodities are also reflective of last year so the need to familiarise yourself with new commodities being added to the list is reduced. The major change is the identified risk countries increasing from nine (9) to thirty-two (32).

To put some perspective around this BMSB season, and comparing it against last year, the department is expecting an additional 15-20% increase in lodging documentation, in inspecting consignments and treating containers. This equates to approximately 90,000 additional entries and an additional 46,000 containers being treated.

The department has however, put processes in place to manage the expected influx of consignments and entries. There are also actions you can take to ensure that you minimise delays to document processing and consignment clearance during what is expected to be a busy BMSB season.

To manage the increase in documentation processing, the department is encouraging brokers to lodge documents through Automatic Entry Processing (AEP). Last year only 25% of all BMSB entries eligible for AEP were lodged through the system. This meant significant and costly delays in processing times. Lodgement using AEP will significantly reduce the wait times for entry processing and is the recommended process for eligible entries.

For entries not eligible for AEP, the department has indicated that documents lodged through COLS, at least 5 days prior to the vessels scheduled arrival, will have their documents returned before the vessel arrives. For documents lodged within 5 days of the vessel arrival, the department has not issued a service level standard. This means there is no agreed time frame for processing these consignments, and you could be waiting some time.

Over recent months, I have had a steady increase in Freight Forwarders, transport companies and depots requesting assistance with gaining Approved Arrangement (AA) status (either a 4.6 Fumigation AA or a 4.1 Heat treatment AA). When discussing the needs and requirements of these clients and their arrangements, it soon becomes apparent that the driver for gaining AA status is the ability to expediate the fumigation of goods and consignments. The problem is, it is not an entirely accurate strategy, as the difficulty is not in having a premise in which to fumigate – rather having an available fumigator who is 12.1 accredited.

When a potential client calls to ask for assistance, my first question is not about which approved arrangement is best or what processes are required, my first question is “have you engaged a licenced fumigator to undertake your treatments?” Often, this has been overlooked, and the answer to my question, is no.

When it comes to fumigation, there is something you can do that will increase the efficiency of clearance of your goods at the Australian border. Having your consignment treated offshore is a viable option to decrease waiting times for clearance of goods. When using the services of an overseas treatment provider, remember than any provider who was approved last year, will need to re-register to retain approval for this year.

Understanding your fumigation requirements is also key. Targeted high-risk goods shipped as break bulk cargo or in open top or on flat rack containers will require mandatory treatment offshore prior to arrival into Australia. Consignments that arrive untreated, will be re-exported.

Targeted high-risk goods shipped as containerised FCL cargo will require mandatory treatment however this treatment can be undertaken either offshore prior to arrival into Australia, or on arrival onshore. Consignments arriving untreated, will be permitted to move the container to an Approved Arrangement for treatment. Importers will not be permitted to deconsolidate consignments before treatment unless they have prior approval from the department.

Once treated, the department may direct any container to be unpacked and inspected to validate the efficacy of the treatment. This could include a 100% unpack inspection or a partial unpack. Importers must consider how containers are packed overseas and ensure that the container is packed to maximise the effectiveness of the treatment. Once onshore, if the treatment provider or the department feel that the container is not packed in a way that would allow effective treatment, the container may be re-exported, unless another treatment option could be established.

Further demonstrating commitment to improving BMSB processes, this year, the department has worked closely with the New Zealand Ministry of Primary Industries to align treatment rates. This means that companies importing product into both countries can treat containers consistently.

The 2019/20 BMSB season kicks off on the 1st September and we should start to see consignments hit our shore within 3 weeks, remembering airfreight is still exempt.

My advice to Importers brokers and depots is:

1. Wherever possible, use AEP.

2. Lodge your entries early (at least 5 days prior to vessel arrival).

3. Have your goods treated offshore?

4. Ensure your offshore treatment provider is approved.

5. When treating goods on shore, have an agreement with an AA that has engaged a treatment provider (12.1 accredited).

6. Be aware of your treatment requirements.

7. Ensure your containers are packed in a way that allows for effective treatment.

BMSB is a pest of significant concern to Australian agriculture. It is imperative we work together, with the department to ensure BMSB is kept away from Australian borders. If you see a BMSB (dead or alive), contain the area and contact the department immediately.

2019-20 Continuing Biosecurity Competency (CBC)

Licensed customs brokers or self-reporting importers with **Non-commodity for containerised cargo clearance (NCCC)** and **Automatic entry processing for commodities (AEPCOMM)** Approved Arrangement (AA), must complete the following mandatory Continuing Biosecurity Competency (CBC) for the current period.

CBC	CPD	Must be completed between these dates
19.1. Non-commodity for Containerised Cargo Clearance (NCCC)		
CBC Information Session 19-20/01	3 CPD points - Stream A – FTA085	1 April 2019 to 31 March 2020
19.2. Automatic Entry Processing for Commodities (AEPCOMM)		
CBC Information Session 19-20/01	3 CPD points - Stream A – FTA085	1 April 2019 to 31 March 2020
CBC Activity 19-20/02	3 CPD points - Stream A – DOA029	26 August 2019 to 1 December 2019

CBC Compliance options via Freight & Trade Alliance (FTA)

You attended one of our **CPD & CBC – Border and Biosecurity Program** events (Sydney – 9 April 2019, Brisbane 2 May 2019 or Melbourne 19 June 2019)	
CBC Information Session 19-20/01	**No further action** - you have completed your 2019/2020 CBC requirement for NCCC on an attendance basis (no assessment required)
CBC Activity 19-20/02	**Access** to this option is FREE You will receive an email from FTA confirming automatic registration and access to complete this activity. View recording and complete online assessment via www.ComplianceNetFTA.com.au. **You must complete the online assessment by 1 December 2019**
You or your business has purchased a bulk online CPD / CBC package	
CBC Information Session 19-20/01	View recording and complete online assessment via www.ComplianceNetFTA.com.au (please use your provided CBC promotional code for complimentary access) **You must complete the online assessment by 31 March 2020**
CBC Activity 19-20/02	View recording and complete online assessment via www.ComplianceNetFTA.com.au. (please use your provided CBC promotional code for complimentary access) **You must complete the online assessment by 1 December 2019**
You want to purchase your CBC training	
CBC Information Session 19-20/01	View recording and complete online assessment via www.ComplianceNetFTA.com.au (course can be purchased online for **$55 incl GST)** **You must complete the online assessment by 31 March 2020**
CBC Activity 19-20/02	Purchase course online via www.ComplianceNetFTA.com.au for **$55 incl GST** View recording and complete online assessment via www.ComplianceNetFTA.com.au **You must complete the online assessment by 1 December 2019**

Participants undertaking CBC Activity 19-20/02: AEP Expansion will require the following resources to undertake the webinar and complete the online assessment:

Component	Access	Location
Webinar 26 August – 1.00pm (AEST)	a. Requirements and Conditions for Approved Arrangement class 19.2: Automatic Entry Processing for Commodities (v8.0) Further details at http://www.agriculture.gov.au/import/arrival/arrangements/aep-aa-reform-project	Further details at http://www.agriculture.gov.au/import/arrival/arrangements/aep-aa-reform-project
Assessment	a. Requirements and Conditions for Approved Arrangement class 19.2: Automatic Entry Processing for Commodities (v8.0)	
	b. Approved Arrangements General Policies (v7.0)	
	c. BICON AEPCOMM User Access Account	Own access through company BICON multi-user account. Provided (only if required)

For those that have completed the TLIX5054 Comply with Biosecurity Border Clearance course after 1 April 2019, you must complete the 19.2 CBC Activity 19-20/2 to maintain this accreditation. If you are not currently associated with a customs brokerage under an AEPCOMM approved arrangement (you may be in the process of becoming a Custom's broker) please contact the department on AEPSupport@agriculture.gov.au who will provided access to the BICON AEPCOMM User Access Account which you will need to complete the 19.2 CBC Activity 19-20/02. Note this access will be disabled by the due date of 1 December 2019.

Interview

Heat treatment to tackle bugs

Andrew Crawford, Head of Border and Biosecurity FTA speaks to Tricia Loutas, Burlwoods Heat Treatment

1. ANDREW CRAWFORD - How long have you been in the heat treatment industry?

Burlwoods Heat Treatment has been in operation for over two decades, originally established to service the quarantine needs of a private timber importer of BURL WOOD from Canada.

In the mid 80's the business flourished with a growing demand for quarantine approved heat treatment across many sectors.

I acquired the business in early 2000 and the business has continued to grow servicing an ever-increasing market.

To help with the expansion Mark Goldman joined BHT in 2012. Mark's background in warehousing and logistics has helped BHT to continue to offer customers a reliable fast and efficient service. We both pride ourselves in offering personalised service and advice to all of our customers from the first-time importers to the more experienced international forwarding market.

2. ANDREW CRAWFORD - What is heat treatment and who benefits from the treatment?

Heat treatment is an environmentally friendly non-toxic application for the sterilisation or devitalisation of goods imported into Australia.

Our purpose-built heat chamber functions either for Dry Heat Treatment, essentially to kill pests on a wide range of products from specialised medical equipment. through to automotive parts and garden tools, or Moist Heat Treatment.

Burlwoods
Heat Treatment Pty Ltd
12 Clive St, Springvale
9574 0200
www.heattreatment.com.au

As the name implies, Moist Heat Treatment combines moisture, delivered in the form of controlled relative humidity, and heat to devitalise among other things, seeds and grains.

Of particular benefit of heat treatment are the importers of organic products. Heat treatment uses no chemicals just heated recirculated air and in the case of moist heat treatment, town water in the form of steam. Similarly, any importer who has concerns about chemical residue from other methods of treatment can rest assured that with heat treatment the only thing that will come in contact with their product is hot humid air.

3. ANDREW CRAWFORD - Talking about exotic pests and diseases, has Brown marmorated stick bug measures impacted your business at all and what innovation have you made to be able to treat imports at a container level?

Yes, it has impacted our business.

The 2017-18 BMSB season took a lot of industry participants, us included, by surprise with a sharp increase in enquiries and treatments. The 2018-19 BMSB season saw a change to the regulations regarding the deconsolidation of containers and left importers, freight forwarders and customs brokers scrambling for options.

The new regulations gave us the impetus to develop and invest in new technology to address the changes and to help meet the growing need for treatment of FCL, LCL and FAK goods from high risk BMSB countries.

In collaboration with various partners, all well regarded in their fields, we were successful in developing a method for heat treating goods at container level and in early 2019 had this method audited and approved by the Department of Agriculture for use for the treatment of BMSB containers.

Foremost in the design brief for this heat treatment apparatus was the notion that it should be portable and to that end we stand ready for the departments introduction of a new class (expected this season) to allow mobile treatment of BMSB containers.

As the 2019-20 season approaches with the expansion of high risk BMSB countries from 9 to 33 we have been receiving an increase in enquiries and bookings for treatment. Notwithstanding the anticipated and unavoidable impact that the new season will have on inspection times, we typically offer 48-hour turnaround for BMSB containers (subject to demand and inspections) together with a seamless, hassle free, product and environmentally friendly, cost effective treatment option.

We are well placed to help meet the needs of importers, freight forwarders and customs brokers now and into the future.

Rentokil – Your fumigation expert partner

By DAVID MARRS, National Fumigation Manager - Rentokil

Rentokil Initial has been providing effective, reliable and innovative fumigation solutions across the world for over 90 years. They were founded in Australia in 1965 and have grown to become the largest and most trusted pest control and fumigation provider in the country.

With over 36,000 employees and now operating in 60 countries, they are the largest Pest and Fumigation business in the world. Rentokil conducts biosecurity fumigation in over 45 of these countries making them the largest and most experience fumigation company in the world.

As most people are aware, Australia's department of Agriculture and Water Resources have strengthened their response to the rapid expansion of the Brown Marmorated Stink Bug (BMSB) particularly throughout North America and European countries.

Rentokil understands the significant risk BSMB carries if it enters Australia - particularly to our agricultural industry – as they are known to feed on close to 300 different plant species. Rentokil's committed to adhering to the Department of Agriculture's fumigation methodologies to make sure that BMSB does not enter the country.

One of the biggest challenges experienced by fumigators in the 2018-2019 BMSB season is the requirement to keep the temperature of the enclosure above 15°C when treating with Methyl Bromide. This was experienced in the early part of the season, moving to later in the season when temperature can fall significantly under the required 15°C. In preparation for the 2019-2020 season, this requirement has moved down to 10°C. This will assist in less failures occurring and maintaining required temperatures for the duration of the fumigation.

For the upcoming 2019-2020 season the number of targeted risk countries has expanded to 33 in total. It is understood that vessel only surveillance will include all goods coming from these countries with the exception of Japan. The season has also been extended to include any vessels that berth at, load or tranship from these countries. These regulations start from 1 September 2019 through to 31 May 2020 inclusive.

Data from the Department of Agriculture shows that in the 2018-2019 season, 36,000 consignments were directed for onshore treatment in Australia, with the increase of the number of countries and the period being extended a month for the upcoming 2019-2020 season. Rentokil has estimated a 20% increase on the previous season, to over 43,000 consignments to be ordered by the DAWR for treatment.

Rentokil have employed adequate resources and well trained and highly skilled fumigators within Australia to confidently service the increase in demand anticipated throughout the 2019/2020 season. There is an increase of clients and potential clients asking Rentokil for advice for the upcoming season. Rentokil will provide consultation and assistance to help through the season.

Rentokil is also a Registered Training Organisation and the fumigation teams are regularly trained and kept up-to-date with new procedures and regulations. Rentokil carries out their own internal audits to make sure all staff are following procedures and protocols. Priority is placed on fumigating in a safe manner and at the same time complying with the department's requirements.

Rentokil has approved arrangements with the Department of Agricultural for Class 12.1 and 12.2 to complete onshore import fumigations and are also registered to complete export fumigations within Australia (with the exception of Victoria). They are also available to complete vessel treatments from residual spray treatments, fogging treatments and also to complete entire vessel fumigations - these can be conducted offshore or onshore.

Please reach out to the **Rentokil Fumigation and Quarantine Services** friendly team. They are only too happy to answer any queries regarding fumigation services for BMSB or related fumigation queries you may have.

Feel free to give them a call on **1300 568 931** or they can be reached via email at fumigation-au@rentokil.com

Rentokil
The Experts in Pest Control

Collaboration for innovation

By LYN O'CONNELL, Deputy Secretary, Department of Agriculture

At the Department of Agriculture, we are always exploring different initiatives and new technologies to keep Australia free of many of the world's worst pests and diseases.

We regularly collaborate with industry and recently also tapped into the creativity of small to medium businesses to better manage hitchhiking pests and contaminants on or in shipping containers.

Every year over three million containers arrive at Australian ports. With the volume of cargo entering Australia expected to double between 2015 and 2030, biosecurity risks will also increase. It is vital that we use new and diverse tools to work smarter.

We sought ideas through the **Australian Government's Business Research and Innovation Initiative**, which provides financial assistance to help businesses test and refine their designs.

This was a great opportunity to test the market for novel solutions and the business community didn't let us down.

I was delighted to see we received a large number of inventive proposals for the container initiative. The following companies have now been given funding to progress their idea to the next feasibility stage.

- Industry Spec Drones Pty Ltd—use of Integrated CS-Unmanned Aerial Vehicles (UAV), Hyperspectral Imaging and Gas Detection to detect biosecurity threats
- iugotec Pty Ltd—AI-Driven Biosecurity Threat Sensing System
- Silverpond Pty Ltd—using Autonomous Systems to improve current biosecurity inspections
- Trellis Data Pty Ltd—Biosecurity Automated Threat Detection System.

We will work closely with these companies and other industry stakeholders on the impact of their proposed solution.

I can't wait to see the outcomes.

New chapter for international ports and airports in Australia

The *Biosecurity Act 2015* recognises that biosecurity risk is elevated where international aircraft, vessels and goods arrive. Like the *Quarantine Act 1908*, the Biosecurity Act requires all international vessels and aircraft to arrive at a first point of entry unless permission has been granted to arrive elsewhere.

The two Acts differ in that ports and landing places must now meet specific legislated criteria. These criteria are intended to ensure that operators at first points of entry have processes, systems and facilities in place to effectively manage biosecurity risk. Ports and airports were given three years to meet the new criteria which ended on 16 June 2019.

Under the Biosecurity Act, a determination recognising a port or landing place as a first point of entry can only be made if the Director of Biosecurity, in consultation with the Director of Human Biosecurity, is satisfied that:

1. the prescribed requirements in the regulations have been met

2. the level of biosecurity risk is acceptable.

Rather than being included in a list of proclaimed ports and landing places, each first point of entry now has a separate legislative instrument, a *Biosecurity First Point of Entry Determination*, which details its specific arrival permissions. These permissions reflect the port or landing place's business-as-usual operations and are included only where operators have provided evidence of full compliance with regulatory requirements.

Check the determination for a first point of entry before planning vessel or aircraft movements or the importation of goods.

First points of entry may be approved for the arrival of general goods or specific goods. This information and any conditions will be listed on the determination. If approval for the type of goods is covered by the determination, they may be unloaded.

Apart from general permissions, each first point of entry determination may include one or more Biosecurity Entry Points. Biosecurity Entry Points are only named where there is additional infrastructure required to manage the biosecurity risk associated with a particular type of aircraft, vessel or good.

Where a Biosecurity Entry Point is named for the type of goods you are planning to import you must ensure those goods are unloaded only at the designated Biosecurity Entry Point. The exception to this requirement is where we have granted prior approval for the goods to be unloaded at an alternative location.

Some determinations may not include Biosecurity Entry Points. For example, if a determination lists a general permission for waste and there are no Biosecurity Entry Points for waste then those goods can be unloaded anywhere within the first point of entry.

It is important to note permissions listed in first point of entry determinations do not override commodity-specific import conditions or other legislative restrictions or controls. Make sure you check the relevant import conditions in BICON.

Determinations for first points of entry can be accessed using the search function on the Federal Register of Legislation. For more information on first points of entry biosecurity regulation contact us at biosecurityfirstpoints@agriculture.gov.au.

Interview

Dr Bradley Armstrong PSM, Deputy Comptroller-General and Group Manager of Customs Group, Australian Border Force (ABF)

Paul Zalai, Director FTA, speaks to Brad Armstrong about his new role as Deputy Comptroller-General and Group Manager of Customs Group at the ABF.

1. PAUL ZALAI - Brad, you were appointed to your new role on 1 July 2019. How significant is the establishment of the Customs Group in the ABF?

The Customs Group supports the Government's strong focus on border and customs policy and program management and encompasses trade, customs and traveller related policy, and program management of key government initiatives such as the Australian Trusted Trader program and implementation of the Modern Slavery Act.

The new group better integrates and elevates the trade, traveller and customs function within the Home Affairs Portfolio and, more broadly, across government. The group will enable greater levels of industry and civil engagement with a primary focus on supporting the movement and clearance of legitimate goods and travellers seeking to cross our border.

2. PAUL ZALAI - You said the Customs Group will support the movement and clearance of legitimate goods and travellers, but what about the other side of the coin — will you also focus on trade enforcement?

The ABF's role at the border covers a broad spectrum of activities to support legitimate traders while ensuring traders are unable to gain an unfair advantage or break the law. On the enforcement side, combatting illicit trade and black economy activity is a key priority. Shutting down black economy activity protects the Australian community, stops revenue leakage, and ensures a level playing field for business.

3. PAUL ZALAI - How do you intend to manage increasing traveller numbers across Australia's border?

Australia benefits from being open and connected to the world, resulting in increasing traveller numbers across our border. In the past 10 years to November 2018, passenger movements across Australia's borders increased by more than 75 per cent (from approximately 23.9 million to nearly 42 million per annum). Tourism Research Australia predicts growth of 75 per cent in international visitors through to 2026-27.

The ABF prioritises protecting our national security while supporting our economy. Security and border management threats continue to evolve, while travellers expect fast, simpler border services. This places pressure

on port infrastructure and front line ABF officers. To address this, the ABF, in partnership with industry, are moving away from manual processes to a model where data informs our risk assessment and intervention.

The Customs Group is working across government and with industry to remove duplication and unnecessary touchpoints. While Government will continue to set standards, maintain security and regulate border management, over time we anticipate industry will have greater capacity to control customer services, offering differentiated levels of facilitation, with less restriction on how this is done.

Canberra meeting with the new Customs Group executive - Andrew Crawford, Head of Border and Biosecurity, FTA; Paul Zalai, Director FTA; Dr Bradley Armstrong PSM, Deputy Comptroller-General of Customs, Group Manager, Customs Group, ABF; Christie Sawczuk, Assistant Secretary, Trade Modernisation and Industry Engagement Branch, Customs Group, ABF; Susan Turnville, acting Assistant Secretary, Customs and Border Revenue Branch, Customs Group, ABF

4. PAUL ZALAI - How do you see Australian Trusted Trader (ATT) and customs licensed entities contributing to strengthening Australia's Customs Service in support of legitimate goods crossing our border?

Australian Trusted Trader is a government partnership with Australian traders and service providers, for those entities that meet or exceed international supply chain security and trade compliance standards.

Australian Trusted Trader reduces red tape at the border for Trusted Traders, improves certainty in export markets, and expedites the flow of cargo in and out of Australia, which means faster access to market.

Customs brokers, depots and warehouses also hold a privileged role of trust within the supply chain and play a significant role in the protection of Australia's borders and economy. With the ever-increasing volume of goods crossing our border, Trusted Traders and licensed service providers play a crucial role in assisting the ABF in identifying high-risk shipments as well as ensuring collection of Commonwealth revenue is not at risk. As such, entities that hold accreditation need to ensure they have appropriate measures in place to ensure they remain compliant with Australia's laws and are not at risk of being infiltrated by criminal organisations.

5. PAUL ZALAI - Brad, the Customs Group is also responsible for implementing Australia's Modern Slavery Act. What does the Act aim to achieve?

Millions of modern slavery victims are hidden in global supply chains. Australia's ground-breaking Modern Slavery Act, that came into effect on 1 January 2019, aims to tackle the horrors of modern slavery by requiring over 3,000 businesses to report annually on their actions to address modern slavery risks in their global supply chains and operations. In a world first, the Australian Government will also comply with the Act and report on its actions to combat modern slavery risks in its procurement and investment.

6. PAUL ZALAI - Home Affairs and the ABF have previously advised that work was underway to modernise Australia's international supply chain. Can you provide an update on this work?

The Customs Group is developing a customs and border modernisation agenda to enhance service delivery, improve compliance and border protection, and better detect illicit trade. This agenda seeks to reduce red tape for Australian businesses and ensure trade is seamless, digital and secure. We expect the Government will consider this agenda next year. We will continue progressing short to medium term trade initiatives. For example, we are currently working with New Zealand Customs Service to undertake a live digital trial of a secure trade lane with trusted businesses by June 2020. We have a lot to learn from industry's expertise. Australia's future customs and border systems need to be co-designed with industry. We welcome industry's ideas and partnerships in testing initiates. The Customs Group will be actively engaging across industry and industry organisations, such as the Freight & Trade Alliance (FTA), to seek business point-of-view.

BorderWise: Unlock the power of comprehensive customs information in a single window

Australia is a trading nation, with millions of consignments crossing our borders every year. This trade is only increasing in volume and complexity. Ecommerce is growing rapidly, and Australia is already the world's 10th largest ecommerce market in the world by revenue.

To avoid delays at the border and meet customer expectations amid complicated border requirements, trade professionals must make complex decisions and increase throughput faster than ever before.

BorderWise brings together a range of critical border compliance data – including law and regulation, tariffs and duty rates – and advanced search functionality for customs brokers, legal and other trade professionals.

It delivers detailed information from many sources with speed, quality and accuracy, and provides peace of mind so you can focus on your core business and customers.

Navigate the complex world of border compliance

The compliance maze for Australian importers and exporters is becoming more complicated. In Australia, there are more than 30 government departments with a requirement at the border. These agencies can hand out serious penalties, whether you are knowingly non-compliant or not.

Free-trade agreements are an increasingly thorny area for exporters and importers. Australia has 11 in-effect free-trade agreements with 11 countries (or groups of countries). There are also four agreements concluded but not yet in force, and seven under negotiation.

In an environment where commercial imperatives put pressure on the need for speed, quality and accuracy may be compromised. This can result in increased exposure to non-compliance and ultimately penalties. For trade professionals, compliance is not an option – it's the law.

BorderWise puts the information you need at your fingertips to navigate these risks quickly, easily and with confidence. It features a comprehensive, integrated suite of legal books. This includes the full breadth of the World Customs Organization Harmonized System publications, tariff-classification tools, prohibited goods information, and community protection requirements.

The platform features a smart search engine to help you find exactly what you need. It provides real-time updates to legislation, notices, and alerts from government agencies. This way, customs brokers can stay up to date and informed of requirements and changes.

BorderWise allows you to do your due diligence checks well before a shipment leaves the warehouse and arrives at the port. This way you reduce risk, meet compliance, and avoid penalties.

Global rollout continues

BorderWise's comprehensive customs and border reference library provides access to the World Customs Organization's Harmonized System publications, along with 200 books for each of Australia, New Zealand and the United States of America.

See our new South Africa BorderWise library, including a comprehensive technical library and all ten Schedules, Parts and Annex of The Customs and Excise Act, 1964 Tariff Book. Keep a look out for the continued expansion of the global libraries, with Canada and Mexico coming soon.

BorderWise editions

BorderWise can be accessed via web or desktop application, making it even easier for you to make timely and accurate decisions.

Fully integrated into CargoWise One, it can be used by existing CargoWise One customers to significantly enhance their productivity. It is also available to industry professionals as a standalone application via a monthly on demand license.

There are three editions to choose from to suit your needs – Single Window, Single Window Plus Pro Pack and Global Entries – featuring thousands of trade related legal books, documents and resources.

Special FTA members offer

BorderWise is powered by WiseTech Global, a leading developer and provider of software solutions to the logistics execution industry globally.

Many FTA members have taken up our special BorderWise offer. They have benefited from WiseTech Global's commitment to building the best trade ecosystem for global logistics. For more details on this special offer, visit FTAlliance.com.au.

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Avoid costly penalties with BorderWise real-time compliance

As trade professionals, you face immense pressure to make decisions quickly, keep costs low, and take on more work.
At the same time you want to avoid hefty penalties and under - or overpaying duties and taxes.

BorderWise is a powerful search engine with a comprehensive technical library, putting all the information at your fingertips so you can make timely, informed decisions.

Visit www.borderwise.com to learn more about this comprehensive tool.

*Limited offer. Terms & conditions apply.
See FTAlliance.com.au for details.

Australia is all in favour of free trade unless you are trying to obtain a tariff concession order

By RUSSELL WIESE, Principal – Hunt & Hunt Lawyers

In a world dominated by headlines proclaiming trade wars and increasing US and Chinese tariffs, Australia is seen as a shining example of the benefits of free trade. It is true that when it comes to negotiating free trade agreements, Australia does remove as many barriers as it can. However, there is an increasing trend of making some tariff concessions harder to obtain. In particular, tariff concession orders (TCO) are becoming increasingly difficult to obtain or use with confidence.

Why TCOs are a good thing

Customs duties are not meant to be a revenue raising tax. Rather, the purpose of the tax is to provide protection to the Australian industry that competes with imports. You could spend a long time debating the merits of this approach, however, one thing economists and unions can agree on is that if there is no local industry to protect, there is no point in imposing a protectionist tax. Given that local manufacturers use imported goods, it would make no sense to tax those imports where there was no protectionist benefit.

This is where TCOs come in. An importer can seek the making of a TCO for particular goods with the effect that the import of those goods will be duty free. Before a TCO will be made the applicant must show that there are no substitutable goods made in Australian in the ordinary course of business.

The TCO will have wording that describes the goods it covers and the TCO will be keyed to a particular tariff heading.

If the TCO is made, any importer can use the TCO provided the following three requirements are met:

- the goods are entered for home consumption (imported) after the effective date of TCO;
- the TCO is keyed to the same tariff classification as the imported goods; and
- the goods fit within the terms of the TCO.

All of the above sounds reasonable. However, the past 5 years there has been a dramatic increase in the difficulty in obtaining and using TCOs. These difficulties could largely be cured by legislative intervention. However, it seems that the Government is happy to make it hard to reduce customs duty even where there is no local industry to protect. The clearest example of this is that it is not possible to obtain a TCO for passenger motor vehicles. This is a hangover from the days where passenger motor vehicles were produced in Australia. The local industry has gone, but the restrictions on obtaining TCOs remain.

Obtaining a TCO

Even submitting the application form is becoming harder

When applying for a TCO an applicant has to complete the prescribed form. At the time of applying for the TCO the applicant must demonstrate that all reasonable inquiries have been made to identify the extent of the Australian industry. This at least requires online searches and then contacting the local industry in writing to seek its views on the proposed TCO.

In May this year the Department of Homes Affairs (DHA) released a notice making clear that TCO applications are not to be lodged knowing that there is an Australian industry in the hope that the potential producer will not object.

The DHA has made clear that it will strictly enforce the requirement that reasonable inquires be made. If the DHA does not believe that reasonable inquiries have been made it can reject the application. If it considered that false information was deliberately provided, it could consider seeking penalties.

It is important to remember that even if the TCO applicant is the local industry, it must disclose its own potential manufacture of substitutable goods. A local manufacturer is not permitted to waive this requirement simply because it wants the TCO to be made.

What are substitutable goods

The starting point is to forget about any idea of competition or commercial realities. Substitutable goods are any goods that can be put to a use that corresponds with a use of the imported goods. In applying this test, the courts only require the corresponding use to be a reasonable one and exclude notices of price, quality and how the use is performed. This means that local goods can be deemed substitutable even in circumstances where it is very unrealistic that the imported and local goods would compete.

Driverless trains and driver operated trains are substitutable

In a recent decision[1], the Administrative Appeals Tribunal (AAT) was asked to review a decision by Comptroller-General of Customs to not make a TCO sought by Alstom (a train importer) that covered certain driverless trains. If made, a TCO would reduce the duty payable on the Indian made driverless trains from 5% to 0%.

Customs did not make the TCO as it was satisfied that EDI Downer manufactured driver operated passenger trains in Australia that were substitutable for the proposed imported driverless trains.

Alstom argued that the use of the TCO

[1] Alstom Transport Australia Pty Ltd and Comptroller-General of Customs [2019] AATA 1308

goods should be considered narrowly to be the transport of passengers on a driverless metropolitan train line system and that no trains made in Australia could be put to this use. Customs argued that the use of the imported goods was wider, being the transport of passengers by train. Whether the train was manned or driverless did not alter this use, but rather looked to how the use was performed.

Essentially, the AAT had to determine the degree of specificity with which to identify "use".

The AAT referred to past case law and dismissed considerations of how a use was performed. The AAT considered the most important aspect of use to be the transport of passengers by train. Other issues were seen as selling points, rather than a description of use.

The AAT upheld the decision to not make the TCO.

In a part of the judgment that will be welcomed by Australian manufacturers, the AAT said it is not necessary to find uses that are precisely applicable to both the local goods and the imported goods. Rather, the uses need merely "correspond". While it wasn't definitively ruled on, it was suggested that even if the use was identified narrowly as "a driverless train", this use corresponded to the use of the locally made goods, being manned trains. Essentially, the ATT is saying that it doesn't matter if the locally made goods cannot be put to the same use as the imported goods, provided the uses "correspond". The Tribunal did not elaborate on when uses that do not overlap, nevertheless "correspond". Often the term means something less than identical, but rather "similar" or "closely matches". Arguably, any vehicle used for public transport has a corresponding use to driver operated trains.

The decision may be appealed. If it is not, it should be expected that it will be rare that a TCO will be made if there is any opposition from an Australian manufacturer. It leads to the question of whether this was a good outcome for Australia. A decision had been made to move Sydney's train system to a driverless one. The driverless trains could not be sourced from Australian manufacturers. Despite this, customs duties will be imposed to protect the Australian manufacturer. Sydney commuters will pay the customs duty and the Australian industry is no better off. As revenue raising tool the customs duty works, but it performed no role as a protectionist tax.

The lesson for importers is that the bar has been set low in terms of establishing that locally produced goods are substitutable. Do not assume a TCO will be made simply because similar goods are not made in Australia. Seek advice from a trade specialist as to what the DHA is likely to consider substitutable. Whether or not the 5% duty applies will probably not be a deal breaker, but it is important to know the import costs in making costing and supply chain decisions.

Using TCOs

Once made, using a TCO is not as simple as it seems. A series of cases have established that the imported good must fit precisely within the terms of the TCO. The import must meet all of requirements of the TCO, but also do not more than that. For example, a TCO that described hoses was held not to apply to an importation of hoses and hose fittings. The problem most often arises when an importer seeks to take advantage of a TCO they did not apply for and the terms of the TCO do not precisely fit their goods.

Another issues that arises with some regularity is whether the TCO when made was classified to the correct tariff classification. An imported good must be classified to the same tariff classification to which the TCO is keyed. There may be no doubt that the good is precisely described in the TCO wording and that the TCO was intended to cover that exact good. However, it may be realised, often by an ABF auditor, that the TCO was in fact keyed to the wrong tariff classification.

When this issue is identified the ABF will insist that the goods be classified to the correct heading (as they legally must), including past imports. However, the TCO intended to be applied to those goods is not keyed to that new classification. Common sense would dictate that the TCO be moved to the new tariff classification at the same time. The problem is that the ABF will rarely backdate the movement of the TCO. While the past imports will be moved to the correct classification, the TCO will not be deemed to be keyed to that classification at the time of the past imports.

There are two solutions to this:

1. when a TCO is made the DHA should at the same time provide a binding tariff advice ruling for the goods the subject of the application. DHA has published a notice in May 2019 stating that it will not do this as it is an unnecessary duplication of effort. This seems illogical given that the DHA has to classify the goods to process the TCO application. Rather than duplication of effort, it is the same effort producing two outcomes – processing a TCO application and providing a tariff advice ruling. It is a case of double the output from the same level of effort. Further, the existence of a tariff advice would avoid inefficient audit activity in future years resulting from DHA changing its position of tariff classification;

2. if there is a change in classification, backdate that change to the time the TCO was made. This is possible under the legislation. However, it is not the common practice of DHA. One view is that backdating the classification of the TCO is unfair on those importers that used the TCO in good faith. However, the company being audited is being forced to change the classification of goods and not given the option to use the TCO. Why should that particular importer receive an adverse outcome to protect other importers who are equally guilty of incorrectly classifying the goods? For a fair outcome, either all uses of the TCO need to be audited or the change in classification of the TCO be backdated allowing all importers to correctly classify the goods and use the TCO.

Given DHA will not give a tariff advice at the time of applying for a TCO, we suggest applying for a tariff advice before applying for a TCO or alternatively, wait a short period of time and apply for a tariff advice once the TCO is made. Once the tariff advice is in place, the importer can use the TCO with confidence that at least the goods and the TCO have the same tariff classification

The future

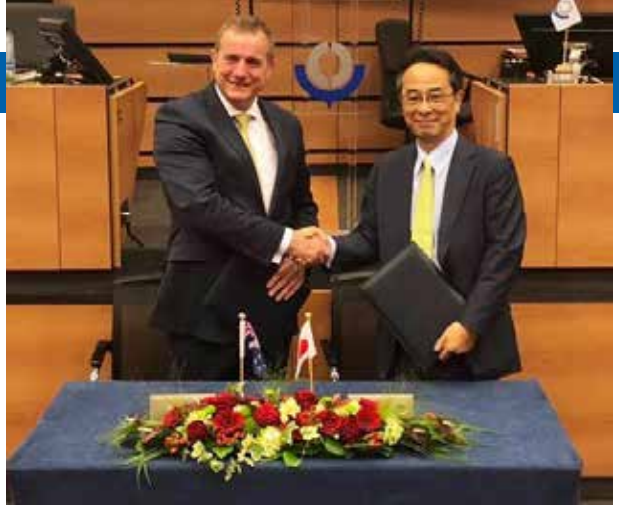
Naturally TCOs only have a role to play where customs duty would otherwise be payable on the goods. With the rise in the use of free trade agreements, there will be less reason to use TCOs. Further, the Government is taking steps to make FTAs easier to use. Because of falling demand for TCOs it is unlikely that there will be a strong drive to improve the system. Rather, in the short to medium term it can be expected that obtaining and using TCOs will become more difficult and align with the growing protectionist trend.

However, the benefit of TCOs is that the importer contains all the information to determine whether a TCO applies. This should be contrasted with FTAs where the importer is largely relying on unverified claims by the exporter. There is certain to be major FTA compliance issues in the future. At this time you may see importers flock back to using TCOs. Unfortunately, those importers that stop using FTAs due to compliance risks will find a TCO system that is almost unworkable.

Please contact Russell Wiese on 03 8602 9231 or rwiese@huntvic.com.au if you would like to discuss the application of tariff concessions to your imports.

Australian Trusted Trader program continuing to grow

By the Department of Home Affairs.



Australian Border Force Commissioner, Michael Outram APM and Director-General of Japan Customs, Motoya Nakae sign the MRA between Australia and Japan.

It has been a busy first six months of 2019 for the Australian Trusted Trader program with the fourth annual Australian Trusted Trader Symposium held in Brisbane in June as well as the signing of a new Mutual Recognition Arrangement (MRA) with Japan and the full implementation of others. The number of accredited businesses also continues to grow, taking the total over 440.

Australian Trusted Trader Symposium 2019

At the annual Australian Trusted Trader Symposium in Brisbane on June 11, Trusted Traders participated in workshops and presentations where they learned leading practice on securing their supply chain, and provided valuable input into the Government's trade Modernisation agenda.

Topics included improving cyber resilience and countering foreign interference in supply chains, and how to benefit from Australia's Free Trade Agreements (FTAs). Trusted Traders also learned about the work the Government is doing to combat modern slavery and the black economy, and what they can do in this space.

The workshops were followed by a formal dinner where Trusted Traders met Assistant Minister for Customs, Community Safety and Multicultural Affairs, Jason Wood MP and senior government executives including the then acting Australian Border Force Commissioner, Justine Saunders.

Assistant Minister Wood announced an expansion of benefits for Trusted Traders including reducing red tape through the Certificate of Origin Waiver and the implementation of a number of MRAs.

For importers, red tape has been considerably reduced when claiming preferential tariff treatment under FTAs with Chile, Japan, South Korea, Malaysia, Singapore and Thailand.

The Origin Waiver Benefit eliminates the need for Trusted Traders to acquire Certificates of Origin or Declarations of Origin when importing under Australia's FTAs with Chile, Japan, Korea, Malaysia, Singapore and Thailand.

Since 28 June 2019, Trusted Traders have a significantly reduced administrative burden on imports, as well as saving the direct cost of obtaining a certificate. Trusted Traders now need only to maintain—and produce if requested—evidence that goods imported comply with the relevant rules of origin – evidence such as commercial documentation or contracts, bills of lading, and freight or transactional documentation is sufficient.

Removing the need to produce a Certificate or Declaration of Origin saves businesses both time and money when importing goods, a unique benefit afforded to Trusted Traders.

Mutual Recognition Arrangements

Australian Border Force Commissioner, Michael Outram APM signed a MRA with Japan, Australia's second largest trading partner on 27 June 2019. This means Trusted Traders have access to MRAs in eight export markets and opens yet another door for accredited businesses to streamline clearance of their goods internationally.

In addition to the new MRA, our MRAs with Singapore and Taiwan are now fully implemented. Trusted Traders now automatically receive priority processing and differentiated examinations at the borders of these economies. Mutual recognition reduces clearance times and help Trusted Traders' goods reach export markets faster. This is an exclusive benefit of the program, and one which helps traders gain a competitive edge internationally. No action is required by traders once they receive accreditation—we take care of it all.

Why become a Trusted Trader?

Becoming a Trusted Trader reduces red tape at the border, improves certainty in export markets and expedites the flow of cargo in and out of Australia meaning faster access to market.

Australian Trusted Trader is a free program run by the Australian Border Force (ABF) which accredits Australian businesses who have compliant trade practices and a secure supply chain. Once accredited, businesses have access to an ever-growing range of benefits that help them to simplify the customs process.

Who is eligible to become a Trusted Trader?

Importers, exporters and service providers who have been active in the international supply chain for at least two years, have an Australian Business Number (ABN), and are financially solvent are eligible for accreditation as a Trusted Trader.

How do I become an accredited Trusted Trader?

Applying is quicker and easier than ever before, with significant improvements implemented in 2018. It could take as little as a few hours depending on the size and structure of a business. Progress can be saved and there are no wrong answers. Be a part of this internationally recognised program and start your online application at www.abf.gov.au/trustedtrader

Australian Trusted Trader benefits

In addition to the new benefits announced at the symposium, Trusted Traders have access to:

- An ABF account manager
- Duty deferral
- Priority processing on imports
- Priority treatment of goods at the border
- A seat at the table and exclusive invitations – such as to the annual Symposium
- Permission to use the Australian Trusted Trader logo
- MRAs with Canada, China, Hong Kong, Japan, New Zealand, Korea, Singapore, and Taiwan Customs
- Monthly reports on their import and export data
- Simpler processes when becoming an accredited sponsor under the Temporary Skilled Shortage visa scheme
- Easier access to APEC Business Travel Card
- Consolidated cargo clearance reducing red tape on importing sea cargo.
- Australian Government partnerships; and
- Australian Trusted Trader Origin Advance Ruling, simplifying reporting when importing from China

Contact us at trustedtrader@abf.gov.au for more information or assistance in applying. https://www.abf.gov.au/about-us/what-we-do/trustedtrader/benefits

Australian Government

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Help your clients. Enhance your business.

Join and get your clients to talk to us today.

WWW.ABF.GOV.AU/TRUSTEDTRADER

Can you or your clients afford to not join?

"Being a Trusted Trader demonstrates our commitment to customer service and excellence in international supply chain security. All Australian businesses involved in importing or exporting goods should apply and benefit"

Björn Johansson
Managing Director of Kuehne + Nagel Australia

Authorised by the Australian Government, Canberra.

Trusted Trader Origin Waiver Benefit - Making free trade agreements easier (and riskier)

By RUSSELL WIESE, Principal – Hunt & Hunt Lawyers

The first thing you need to know about the Trusted Trader origin waiver benefit, is that it does not involve the waiver of the need to satisfy the rules of origin under free trade agreements. Rather, the effect of the benefit is to remove the need for importers to hold a certificate of origin (CoO) or declaration or origin (DoO) when claiming the reduced rate under a free trade agreement. This reduces the paperwork required on a per consignment basis and should make the use of free trade agreements more attractive.

The benefit is currently available in respect of free trade agreements with Thailand, Malaysia, Japan, Korea, Singapore and Chile. It can be used to reduce duty payable at the time or import and to justify a refund. It applies to goods imported from 28 June 2019.

However, using a free trade agreement without a CoO or DoO is inherently risky. The risk is apparent when you ask yourself "what is the purpose of a certificate of origin?". The document is a declaration, usually by a government authority, that the relevant goods satisfy the rules of origin under the relevant free trade agreement. The document sets out a description of the goods, the tariff classification and the rule of origin that is claimed to have applied.

If a customs broker handling the import of goods into Australia holds a CoO, he or she can rely on that document as a reasonable basis for applying the free trade agreement. Unless there is an obvious inconsistency, the customs broker does not need to look behind the CoO.

The origin waiver benefit removes this document from the supply chain. In doing so, it removes the strongest evidence a customs broker could hold to prove the goods meet the terms of the free trade agreement. This makes life easier for the exporter who now has less red tape but increases the risk and difficulty of the customs broker's job.

Trade facilitation often means less regulation by government authorities and less interference in the supply chain. However, usually that interference is to ensure compliance with the law. If the government is not ensuring compliance with law, someone else will need to. In this case it is either the importer, or more likely, the customs broker. It creates somewhat of a mismatch, the exporter is enjoying the benefit of trade facilitation, but it is the importer, and their service provider, that is incurring the extra risk and/or cost.

Before jumping to use this benefit, importers need to ask:

1. why does the exporter not want to provide a CoO or DoO; and

2. if audited in 4 years' time, how will I prove the origin of the goods?

Reasons for not providing a CoO or DoO

There are good and bad reasons for not providing a CoO or DoO. Reasons that should not cause concern are where obtaining the document is costly or time consuming. CoOs issued by third parties usually come at a cost. This may make the process of obtaining a document uneconomical for low value consignments.

Speed in the supply chain is paramount. If the process of completing a CoO or DoO on a per consignment basis adds time to the supply chain, logistics managers will waste no time cutting the document.

CoOs and DoOs can also be inefficient for consignments made up of a great variety of small value goods. Each good must be detailed and on its own, an individual good may not attract enough duty to warrant the paperwork.

CoOs and DoOs are usually required to be completed on a per consignment basis. This is easy where there is a direct shipment from the manufacturer to Australia. However, it can become difficult where the manufacturer delivers goods to a distribution centre in a third country. At the time when the manufacturer exports the goods to the DC, and has to complete the CoO or

DoO, it may have no idea which of those goods are going to Australia.

While the above reasons are legitimate justifications for doing away with a CoO, there any some reasons that should set off alarm bells. The origin waiver benefit should not be used where the exporter is having difficulty assessing whether the goods meet the rules of origin. Difficulty in applying rules of origin are the number one reasons for underutilisation of free trade agreements. The origin waiver benefit is not the solution to this problem. Rather, it would simply be a way of concealing and magnifying the problem.

The origin waiver benefit should not be used where the exporter sees issuing a DoO as a compliance risk. If the exporter is not prepared to declare that the goods meet the rules of origin, an importer should not be prepared to claim the lower rate of duty.

An exporter may complain that an issuing body will not issue a CoO for the goods. This may be the case especially if that issuing body has concerns about whether the goods satisfy the rules of origin. Importers need to fully understand the reason why a CoO has not been issued. It will be rare that the reason can be ignored.

A similar concern may be that the issuing authority will not provide a CoO with the correct manufacturer or goods details, such as a HS code. Again, it needs to be determined if there is a legitimate difference in opinion between the exporter and the issuing authority or whether the exporter is requesting a CoO that does not match the goods. If so, ask why.

Until you know the reason why a CoO or DoO will not be provided, you should not be using the origin waiver benefit.

Evidence of origin

Once the CoO or DoO is gone the importer has lost the easiest way to prove to the Australian Border Force (ABF) that the goods qualify for the free trade agreement. How will the importer in Australia at some random point in the future prove to an ABF auditor that the goods meet the rules of origin under a particular free trade agreement?

It will be easier with related parties where it can be presumed that there will a sharing of confidential information. There will also be goods where origin is easier to prove by their very nature. For example, horticultural goods accompanied by origin document issued by a quarantine authority.

Manufactured goods with inputs from multiple countries pose a significant risk. To assess origin you will need to know the rule of origin applied, what imported goods were used in the manufacture of the finished product, the origin and value of those products and possibly, detailed confidential information regarding the costs of production.

It is unlikely that a third party will provide you with this information. As an alternative, you could request:

1. a DoO stating what rule of origin has been applied and that the goods satisfied that rule. This could be sought periodically for each different product or when there is some change to the product or the supply chain;

2. a contractual warranty that the goods are manufactured in a certain country;

3. a contractual right to have origin claims audited (possibility by a third party);

4. a commitment by the supplier to comply with any reasonable request by the ABF or the importer in respect of proving the origin of the goods.

Naturally, you should also retain all commercial documents relating to the consignment.

Risks if the goods do not satisfy the rules of origin

If the goods do not satisfy the relevant rule of origin, it will mean that there was a false statement made regarding the application of a free trade agreement that resulted in an underpayment of duty. In other words, a breach of the Customs Act 1901. This could have the following impact:

1. an obligation to pay the underpaid duty going back up to 4 years;

2. the issuing of fines. An infringement notice equal to 75% of the underpaid duty can be issued without the ABF needing to prove intent or that an offence was actually committed;

3. if the ABF believes it is warranted, Court prosecution. We believe that this would be reserved for cases of deliberate misconduct or extreme carelessness;

4. loss of Trusted Trader status.

All of these potential risks are significant.

The benefits of being a Trusted Trader are only provided to those organisations that have demonstrated a commitment to high levels of trade compliance. This commitment does not end once Trusted Trader status is obtained. The origin waiver benefit should only be used by those entities that are willing, and able, to verify the origin of the goods. A Trusted Trader that is willing to obtain this benefit, without accepting the increased obligation, is pursuing a risky path.

Trusted Traders that wish to use this benefit need to work closely with their suppliers and customs brokers to understand what is required to assess origin and put in place appropriate processes and contractual provisions. Those that can do this will achieve increase trade facilitation, reduced supply chain costs with minimal added risk.

Please contact
Russell Wiese on 03 8602 9231 or rwiese@huntvic.com.au if you would like to discuss any issues concerning the Trusted Trader Programme or free trade agreements.

"If the exporter is not prepared to declare that the goods meet the rules of origin, an importer should not be prepared to claim the lower rate of duty."

hunt & hunt lawyers

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What's on...
Calendar
of events 2019/20

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) are proud to present the following accredited compliance training and professional development events.

Further details and to book your place please go to www.FTAlliance.com.au/Upcoming-Events

FTA & WORLD CLASS TEAMS WORKSHOPS – INCREASING PRODUCTIVITY & PROFITABILITY

Featuring Dianna Tapp, CEO, World Class Teams
SYDNEY - Novotel Sydney Airport - Wednesday 20 November 2019
MELBOURNE – Mantra Tullamarine - Tuesday 26 November 2019

NEXT LEAP TRAINING SOLUTIONS

Featuring Joyce Campbell, Next Leap Training Solutions
SYDNEY - The Graphic Arts Club Boardroom
Friday 27 September 2019 - *PCM "Core Topics" Workshop*
Wednesday 6 November 2019 - *Leading Out of Drama Workshop*

OFFICIAL ICC INCOTERMS® 2020 AUSTRALIAN WORKSHOP (6 CPD points – Stream A)

Featuring ICC Incoterms® rules expert Bob Ronai and Bill Cole, BDO's International Trade Partner.
SYDNEY
Monday 16 September 2019 - *11am to 3.30pm*, Dexus Place, level 5/1 Margaret St, Sydney
MELBOURNE
Tuesday 17 September 2019 - *11am to 3.30pm,* BDO Melbourne, Tower 4/727 Collins St, Docklands
ADELAIDE
Wednesday 18 September 2019 - *10am to 2.30pm,* Adelaide, 7/420 King William St, Adelaide
PERTH
Thursday 19 September 2019 - *11am to 3.30pm,* Perth Westin, 480 Hay St, Perth
DARWIN
Monday 23 September 2019 - *8.30am to 1pm,* Doubletree by Hilton Darwin, 122 Esplanade, Darwin City
BRISBANE
Tuesday 24 September 2019 - *11am to 3.30pm,* BDO Brisbane, Level 10/12 Creek St, Brisbane City

"KEEPING AUSTRALIA'S INTERNATIONAL TRADE MOVING"

FTA FREIGHT & TRADE ALLIANCE

Australian Peak Shippers Association Inc. (APSA)

LEGAL FORUMS (6 CPD points – Stream A)

Featuring Russell Wiese, Principal, Hunt & Hunt Lawyers
SYDNEY
Monday 28 October - *3pm to 5pm*
St George Rowers (Rowers on Cooks River) 1 Levey Street, Wolli Creek
BRISBANE
Monday 11 November - *3pm to 5pm*
Aviation Australia, 15 Boronia Road, Eagle Farm
MELBOURNE
Thursday 14 November - *3pm to 5pm*
Mantra Tullamarine Hotel, Trade Park Drive, Tullamarine
FREMANTLE
Wednesday 27 November - *9am to 11am*
Swan Yacht Club, Riverside Road, Preston Point, East Fremantle

CPD & CBC – BORDER AND BIOSECURITY COMPLIANCE PROGRAM (24 CPD POINTS

SYDNEY
Wednesday 1 April 2020 & repeated Saturday 4 April 2020 - *8.30am to 4.30pm*
Novotel Sydney Brighton Beach Hotel, Cnr Grand Parade and Princess Street, Brighton Le Sands
MELBOURNE
Friday 17 April 2020 & repeated Saturday 18 April 2020 - *8.30am to 4.30pm*
Hyatt Place Melbourne, 1 English Street, Essendon Fields
PERTH
Saturday 2 May 2020 - *8.30am to 4.30pm*
Hyatt Regency Perth, 99 Adelaide Terrace, Perth
BRISBANE
Wednesday 20 May 2020 - *8.30am to 4.30pm*
Novotel Brisbane Airport, 6 – 8 The Circuit, Brisbane Airport

ONLINE TRAINING

FTA and APSA offer practical online training at www.ComplianceNetFTA.com.au with resources and online assessment available at listed prices.

Members are offered unlimited Continuing Professional Development (CPD) and Continued Biosecurity Competency (CBC) training for $150 (excl GST) per person per accreditation period (1 April to 31 March).

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