

13 May 2009

Customs, Trade & Transport Ealert

Federal Budget for 2009-2010. Much to do with less.

The Federal Government Budget released last night (12 May 2009) reflected the anticipated outcomes with general reductions in expenditure but some specific commitments consistent with recent media commentary. In the case of Customs and Border Protection ("CBP") and other border agencies new measures have been consistent with the announcements made by the Federal Government in December 2008. For these border agencies, the main focus is clearly on an increase in assets for border protection and to reduce people smuggling.

Following a preliminary review of the Budget, the following outcomes for various agencies which may affect industry are set out below.

Customs and Border Protection

- A "whole of government" expenditure of \$654 million to assist border protection and to stop people smuggling. This includes:
 - additional funding for CBP to tow and dispose of intercepted vessels;
 - more funding for maritime and aviation surveillance;
 - new CBP posts in Colombo and Kuala Lumpur; and
 - additional officers deployed to Jakarta.
- Reduction in expenditure on "Trade Facilitation" largely funded by some proposed reductions in average staff numbers (down from 5,720 to 5,500) and a "refined risk based approach to air and sea cargo". Budgeted expenditure has been reduced by \$19 million from the preceding financial year to actual proposed expenditure of \$211 million. Some of the other proposed savings are as follows:
 - savings of \$6.254 million in the 2009-2010 year in IT expenditure, which savings are to increase over time to savings over forward estimates of \$63.883 million in total;
 - downward impact of economic parameters of \$3.513 million; and
 - a reduction in funding for the SmartGate maintenance measure of \$5.164 million.
- There will be some additional revenue collected, mainly associated with the change to the definition of "Beer and Wine" in relevant legislation. However, revenues will decrease from an anticipated reduction in import duties and an increase in the amounts not collected through Tariff Concession Orders and other related schemes.
- In terms of trade facilitation generally, the following results are anticipated:
 - a reduction in Import Declarations;
 - the same level of Export Declarations;
 - the same level of cargo inspections;
 - 55% of import audits are anticipated to lead to a revenue adjustment of \$1,000 or more;
 - 75% of export audits will lead to a change to FOB revenue by \$5,000 or more;
 - company audits for importers are to remain steady at 274;
 - company audits for exporters are to remain steady at 36; and
 - 60% of licence and warehouse premises are to be visited.

According to the overview in the Budget Portfolio Statement, a key focus for 2009-2010 is to "*optimise front-line operations and deploy resources based on the assessment of risk in priorities*". These are anticipated to lead to savings of \$14.468 million.

Biosecurity Australia

According to the Budget Portfolio Statement, interim arrangements are to take effect from 1 July 2009 to commence implementation of the 84 recommendations from the Beale review. A key recommendation is the establishment of a new National Authority bringing together AQIS, Biosecurity Australia and relevant operations of the Department of Agriculture, Fisheries and Forestry. The Portfolio Statement indicates that a key activity for 2009 to 2010 will be to assist in the implementation of reforms.

Some other aspects to note are as follows:

- the implementation of the Beale review will include adoption of new legislation; and
- interim arrangements will include the appointment of an interim Inspector-General of Biosecurity and an interim Biosecurity Advisory Council.

Some of the outcomes referred to in the Portfolio Budget Statements include the following:

- the provision of \$106 million over 4 years to enhance national security and commercial interests through further engagement with areas of growing importance including India, Pakistan, Africa and Latin America;
- provision of an additional \$50 million in the 2008 to 2009 Budget year for the EMDG Scheme to fill a perceived shortfall in funding in the Scheme;
- \$14.9 million over 3 years for Austrade to implement the Government's commitment to a Clean Energy Trade and Investment Strategy; and
- the Automotive Market Access Program referred to in the 2008 to 2009 Portfolio Additional Estimate Statements will commence in 2009 to 2010 to focus resources on assisting the automotive sector in the US, China, Republic of Korea and Thailand. This has been referred to in our earlier e-alerts.

Transport infrastructure

A media release by the Minister for Infrastructure, Transport, Regional Development and Local Government indicates that there will be a significant increase in infrastructure funding for roads, rails and ports totalling \$8.453 billion. This will include significant expenditure on regional rail and road projects in Victoria. In addition, \$389 million has been allocated to assist export capacity for ports in Western Australia (\$339 million for a new multi-user and multi-functional Oakajee port facility in Western Australia) and \$50 million towards the Darwin port expansion. This is expressed to be in addition to commitments to additional funding last year in New South Wales such as \$150 million to improve landside access to Port Botany and \$300 million to develop an inter-modal terminal at Moorebank in south-west Sydney.

There is also reference to improving the competitiveness and efficiency of Australia's airports and aviation industry through the development of the nation's first Aviation White Paper.

Alcopops shaken up again

Although not strictly part of the Budget process, the Budget sittings of Parliament have led to a number of developments in relation to the ongoing dispute regarding the collection of Alcopops revenue by Government. These include the following:

- introduction by the Federal Government of validating legislation aimed at allowing it to retain the revenues collected pursuant to the Tariff and Excise Proposals introduced in May 2008;
- introduction of new *Customs Tariff Proposal (No. 3) 2009* and *Excise Tariff Proposal (No. 1) 2009* by the Federal Health Minister. These have the effect of continuing the proposals introduced in 2008 subject to increasing rates of excise and duty based on litres of alcohol from 66.67 cents per litre of alcohol to 69.16 cents per litre of alcohol whether imported or manufactured in Australia. In relation to imports, the additional rates of customs duty (depending upon relevant tariff classification of the items) will also apply; and
- the proposed introduction of legislation to permit the forward collection of customs duty and excise in a manner consistent with the new Proposals.

Conclusion

Ultimately, through the combination of managed media statements and general discussions, there do not appear to be any significant surprises arising from the Portfolio Statements for those Government Departments involved at the border. It will be interesting to see how CBP delivers a saving on trade facilitation through a "*move to an intelligence-led, risk-based approach to the inspection of sea and air cargo as well as first port boarding activities*". Given previous announcements, this has already been occurring in previous years so these additional measures will be of interest.

For further information, please contact Andrew Hudson.

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