



AUSTRALIAN FEDERATION OF INTERNATIONAL FORWARDERS Ltd

## *CEO Annual Report 2009*

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**Dear valued member of AFIF,**

The past year has been a continuing ongoing challenge and as the Global Financial Crisis ('GFC') took hold, trade in both air and sea dropped dramatically. As the movers of trade related goods, our members were automatically impacted upon to a great extent. Forwarders being the type of enterprising organisations that they are, have been amazingly resilient and took steps to weather the storm despite some inevitable cut-backs.

As we see light at the end of the tunnel and trade begins to pick-up, once again members will quickly see the volumes of cargo transactions rise and whether we return quickly to pre-downturn levels or slowly, a number of lessons have been learned. So the year ahead holds more promise of improving volume and yields.

In general terms, we are happy to report that AFIF is financially sound and details of our results can be found in the audited accounts and accompanying Annual Financial Report, as previously circulated.

We are continually mindful of the cost of running the various business units and whilst our resources are frequently stretched, we are progressively growing the business for the benefit of our membership and the industry in general.

The Chairman will, in his report, be covering some of the developments in working more closely with the CBFCA towards creating a single representative body for our industry.

Our active representation on core Air Cargo, Sea Cargo and various related matters has continued unabated and this annual report summarises our activity on your behalf during the year and includes some specific matters which we believe will be of importance to you.

There are many detailed matters which our office and your representatives have been and continue to deal with on your behalf. Some of the major current matters will be covered in greater detail during the member briefing session being held at the AGM on November 26<sup>th</sup>.

## **1. AIRFREIGHT**

### **a) Forthcoming changes to limitation of Liability under MC '99**

As advised to members in October, from January 1, 2010, the limitation of liability that applies to all air cargo shipments consigned where the Montreal Convention 1999 (MC 99) applies, will increase from the current 17 'Special Drawing Rights' (SDR) per kilo, to 19 SDR per kilo.

As Australia is a signatory to the MC '99 Convention, where the country of origin and destination are both signatories to this convention, the new higher limit will apply. If origin or destination has not signed MC 99', existing limitations will apply. IATA has advised its airline members and forwarders to continue to use the current AWB stock beyond January 2010, as updated conventions take precedence over the Conditions of Contract printed thereon.

Nevertheless, we would recommend that you manage your neutral AWB stock prudently in anticipation of the effect of the new conditions.

In addition we would also remind you that you may need to review your own standard trading conditions and the relevant limits of liability.

*For clarity, please note that the convention liability limits vary according to the applicable regime. As from January 1, 2010 these limits will be:*

- *19 SDR for transportation between countries having ratified the Montreal Convention;*
- *17 SDR for transportation between countries having ratified the Montreal protocol 4 (1973 - Warsaw Convention amendment);*
- *250 Gold francs for transportation between countries having ratified only the Warsaw convention.*

### **b) IATA E-Freight – update on current progress**

As advised during the year, AFIF has been involved in local working committees and executive steering groups in order to help progress the International Air Transport Association (IATA) e-freight initiative in Australia.

The first 'live' e-Freight consignments were successfully sent from Australia in October 2008 and since that time there has been a steady growth in numbers of shipments sent as e-freight. The number of e-freight enabled locations around the globe continues to increase.

The e-Freight program is aimed at ultimately eliminating the need to send up to 30 identified paper documents with an air freight shipment.

To date some 16 have been replaced with electronic versions. Recently, various amendments under IATA Resolution 600 (relating to the Airway bill) have been adopted to facilitate shipments sent with electronic instead of paper documents.

IATA e-freight is currently operational in 22 countries and special admin regions around the world. Chinese Taipei being the most recent addition. IATA aim to have 44 locations live by the end of 2010, claiming that this will allow 80% of airfreight shipments to be sent using e-freight.

*Australia, Canada, Denmark, France, Germany, Hong Kong, Japan, Luxembourg, Malaysia, Mauritius, New Zealand, Netherlands, Norway, Singapore, South Korea, Spain, Sweden, Switzerland, UAE, UK, USA.*

Within these locations, 110 airports can accept e-freight shipments which represent 444 'live trade-lanes'. Globally there are 3078 'feasible' trade lanes where e-freight shipments could be sent and received electronically.

So, whilst the scope is increasing and AFIF supports the e-commerce initiative, the concern remains at the slow take-up globally. The world freight forwarder representative Association – FIATA - has stated its concerns commenting that in trying to replicate the successful e-ticketing process for passenger, IATA's focus in the e-freight project is too broad, undertaking to extend beyond the airport to airport sector in which the airlines trade, to an overly ambitious desire to cover from buyer to seller.

AFIF believes that the immediate focus for IATA should be on the message improvement program (MIP) and recruitment of more member airlines to join the e-freight program to facilitate more trade routes and increase the attractiveness of e-freight. Also, IATA must encourage forwarders to use e-freight despite the fact that the paper commercial documents may have to be sent, whilst electronic conversion facilitation becomes more acceptable and cost-effective.

AFIF will continue to work proactively with IATA on the e-freight facilitation program in all its facets.

### **c) IATA Agency & Intermediary Financial Criteria**

AFIF representatives form part of the IATA Cargo Executive Council (CEC) for Australia and hold equal voting rights with airline carrier members of the CEC. One of the main issues tackled during the year was the review of the Financial Criteria by which IATA agency accreditation credit requirements are set. AFIF objected to plans by IATA to bring in more onerous criteria, which had the potential to require a forwarding business to hold \$100,000.00 in paid-up capital to avoid the need for Bank Guarantee or, an equivalent insurance policy. AFIF commissioned a CPA accounting firm assessment as to whether *retained earnings* could be substituted for *paid-up capital* in determining the financial strength of a business.

A thoroughly professional and detailed analysis was produced by the firm of Hilzinger Gibbons which recommended that the AFIF alternative proposal had merit and also that *retained earnings* may carry a higher weighting than *paid-up capital* by itself.

The report was submitted to IATA and, following review by their lawyers, IATA agreed with the recommendation and proposed a relevant amendment to the financial criteria requirements. The IATA CEC committee passed the recommendation and following approval by the full General Council of the member airlines, was put into practice. This outcome has helped to alleviate more stringent and unnecessary financial requirements for our members.

### **3. Seafreight:**

#### **a) Port Botany landside improvement issues.**

During the year, Sydney Ports began to exercise some of the powers delegated to them by the NSW Government, by designing and proposing infrastructure and process changes aimed at alleviating congestion and inefficiencies surrounding the landside interface at Port Botany.

One of the proposals - the well publicised *Peak Period Pricing (PPP)* project - has attracted the most controversy and AFIF made submission to the proposal on behalf of its members and the wider industry. The major impact of this is the potential that the initiative will not alleviate the congestion to any great degree but may increase overall transportation costs, some of which may not be paid by the importer / exporter.

More recently, the Stevedores themselves introduced independent measures designed to encourage a greater spread of working hours and to try and reduce some of the peak period congestion. This is separate to the 'PPP' that may be required in the near future. Again these measure have not been popular because they have removed the storage free period for Sunday, which is now included as part of a normal working week.

There are knock-on ramifications for many parts of the supply chain in this decision. Whilst many in the forwarding and transport industry are prepared to operate 7 days per week in arranging collections and deliveries of containerised cargo from the wharf, the import community, regrettably, do not. Therefore the issue of staging or storing of containers, removed at weekends, becomes a massive problem for many of our members.

### **4. Update re application of GST to DDP / DDU and Export**

Members would recall that AFIF, CBFCA and others in a group (AITSP) formed to address the problem of the application of GST law in DDU/DDP shipments and exports, had lodged a detailed submission and had been involved in many discussions with the ATO and the Federal Treasury department.

The positive outcome was that in the May 2009 Federal Budget, the Government made a commitment to amend certain sections of the relevant legislation to provide clarity in these matters. Currently, the Dept of Treasury, together with ATO, are currently drafting the amending legislation for further review and comment.

Once the draft is available, our group will be further consulted and we will keep members informed.

## **5. Education and Training**

### **a. AFIF & CBFCA Dangerous Goods by Sea Training project**

In September, AFIF and CBFCA began a collaborative project to offer an on-line training package to allow staff of members to meet the new Dangerous Goods by Sea training requirements as laid down by the International Maritime Organisation (IMO) in its Dangerous goods (IMDG) code. The accreditation and assessment standards will be policed by the Australian Maritime Safety authority (AMSA) from January 2010.

We have since added a face-to-face group / classroom option, primarily to assist those with large numbers of people to train quickly to the new standards and for those who may find it difficult to allow staff access to PC's (drivers / warehouse staff).

### **b. AFIF & CBFCA RACA Quality Assured Security Training**

The AFIF and CBFCA RACA on-line training Program, the first of its type to be accredited under the Government Office of Transport Security (OTS) new 'Quality Assured' training framework, began in January 2008. Since that time, we have streamlined the application and assessment systems to improve the usability of the program and it has been well supported and received by the combined membership of AFIF and CBFCA.

We have now developed a face-to-face, instructor led 'Awareness' training program and a self-paced workbook for those without the opportunity to use a computer and unable to attend group sessions.

### **c. a Degree in Freight Logistics (International Freight Forwarding)**

The first phase of the project involving research and scoping has now been completed. This process involved sourcing potential Universities and / or Higher Education Providers who were willing and able to work together on the development of such a degree. Funding was obtained through a trust administered under the auspices of Tradegate Australia and a suitably qualified and competent consultant was appointed by AFIF for this phase of the project.

Good progress has been made in attracting interest from a number of Universities and other Higher Education Providers.

A matrix was developed to identify the various levels of interest and to highlight what these entities could offer in terms of expertise, experience and further development. The project consultant has made recommendation as to the preferred provider and a letter of commitment has been received. Should the next stage proceed, we will be in a position to commence the project to develop the degree course subjects in conjunction with the University.

The next stage will be the preparation of final reports of the current phase and development of the Phase 2 proposal to apply for further funding for the next stage.

## **6. Modernisation of Industry Employment Awards.**

Since the election of the current Federal Labour Government, a process of modernisation and rationalisation of all industry Awards has been in progress. Our industry is being looked at in the current (priority 2) round and the Government has issued a draft analysis grouping us in with 'Private Road Transport' (non passenger).

Obviously this is unsatisfactory and, in addition to representation from other Associations who have been similarly incorrectly classified, AFIF has made submission to the Australian Industrial Relation Commission (AIRC).

We will continue to seek a separate 'Modern Award' representing the International Freight Forwarding and Customs Clearing industry of our members.

## **7. Legal and Compliance**

During the year we have provided members with guidance on relevant legal compliance matters that may have an effect on their businesses, this has included:

- **All Inclusive Pricing Laws:**

It is now law that whenever you give a price for a consumer style service that might be used for personal purposes (eg, shipping personal effects) you must give the customer an all inclusive or 'all in' price. The rules do not apply when you are giving prices to a company, or giving prices for non-consumer services.

- **Unfair Contracts Law:**

During the year, the Federal Government unveiled a draft of its proposed unfair contracts legislation. The legislation represents one of the most significant additions ever to the *Trade Practices Act*.

At its simplest, the draft legislation provides that any term in a standard form contract that is 'unfair' will be void. The draft new law has been described as consumer legislation.

However, the provisions reach far beyond consumer contracts to provide a powerful weapon by which many other agreements will also be able to be challenged. Independent contractors may also have a powerful new tool to challenge provisions in quasi-employment agreements. As a result, the new provisions, if introduced, are likely to quickly become among the most litigated provisions in the *Trade Practices Act*. The latest advice we have is that the new law may be introduced in July 2010. We will provide further info as it comes to hand.

## 8. General

There are many other issues being handled at any one time and AFIF Directors and representatives are necessarily active on many committees and Boards. The following is a summary of the major national and international external committees:

- **Customs and Border Protection (CBP) National Consultative Committee (CBPNCC):-**  
The peak consultation body for discussion between Customs and Industry on trade facilitation issues.
- **CBP Admin Policy and Legislation & Service Delivery Sub-Committees.** AFIF is represented on both these sub-committees of the CBPNCC.
- **Tradegate Australia:-**  
Our industry sector (Categories 2 & 3) is represented by five Directors who cover the Forwarder & Customs Broker interests and also those of depot operators. Fritz Heinzmann, immediate-past chairman of AFIF, was a member of the Board this past year. Brian Lovell, AFIF CEO was elected to the Board in November 2009.
- **AQIS & Industry Cargo Consultative Committee (AICCC):-**  
The peak body for consultation between AQIS and our Industry. AFIF representatives also participate in the sub-groups formed under the banner of Industry Working Group on Quarantine (IWGQ).
- **IATA Cargo Executive Council:-**  
AFIF has three representatives on the 5 person industry committee who meet with IATA and their Airline members to discuss IATA Resolutions and Agency Accreditation matters.

- **Office of Transport Security (OTS) Aviation Security Cargo Working Group:-**  
AFIF is represented on this committee who meet quarterly to review requirements in regard to the RACA and AACA Aviation Security programs.
- **Australian Dangerous Goods Air Transport Council**  
Industry body representing movers of Dangerous Goods by Air. This body meets with the Civil Aviation Safety Authority (CASA) on a quarterly basis. AFIF DG training instructors represent AFIF member interests.
- **CBP NSW Trade Facilitation Forum (TFF)**  
Quarterly meeting of representatives of AFIF and CBFCA with senior NSW Customs executives to discuss current local issues, services, statistics, compliance and other matters in regard to Customs clearance and Cargo reporting.
- **Australian Maritime Transport Arbitration Committee**  
AFIF is a foundation member of this body formed to provide cost effective mediation to assist parties in disputes relating to maritime issues, which would normally involve expensive litigation.
- **State based Freight Councils**  
AFIF representatives have a seat on the Freight and Logistics Council of NSW (FALCON SW). 'FALCON' was created as a single entity out of the former separate Air and Sea freight Councils of NSW. Some highly valued work has been undertaken recently, particularly in regard to aircargo security and the latest report on this topic, commissioned by FALCON, is due for public viewing very soon
- **Sydney Ports Cargo Facilitation Committee (SPCFC)**  
AFIF representatives participate in this committee where issues affecting the landside interface with Sydney Port operators are discussed.
- **FIATA:**  
FIATA is the World body of Freight Forwarder Associations. The various forums discuss ways in which to standardise worldwide forwarding practices. AFIF and CBFCA are joint members for Australia under the 'FIFCBA' banner and are well represented at the Annual World Congress. Former AFIF Chairman Barry Vining is a Vice-President of FIATA for the Asia-Pacific Region.
- **FAPAA (Federation of Asia - Pacific Aircargo Associations):**  
AFIF holds the current position of permanent part-time Secretariat for the FAPAA group and is also a past-Chairman. FAPAA is very active in developing solutions to issues of concern to air forwarders of this region.

- **AFIF State Committees:**  
Active committees dealing with local issues represent members in the major trading centres around Australia.

## **9. AFIF Events 2009**

- **AFIF 2009 Conference**

The 2009 annual conference, held at Grand Chancellor Hotel in Hobart, Tasmania in May, appeared to be a somewhat 'bold' venture, as the 'GFC' had descended upon us all since the original announcement of the event. Cancellation would have proved more costly to the Association and so the decision was taken some two months out to persevere.

Fortunately, a reasonable turnout in excess of 100 participants, together with quality speakers and active participation, ensured a good outcome and the feedback was most positive indeed.

- **AFIF Annual Charity Golf Day 2009**

On August 13<sup>th</sup>, 124 players in 31 teams lined – up for the 5<sup>th</sup> AFIF Annual Charity Golf Day, held at the Macquarie Links Golf Course in Sydney.

The after game festivities included entertaining stories from special guest M.C. Max '*Tangles*' Walker: the former Australian cricketer, TV presenter and author, together with a lively charity auction, all followed by dinner and a comedy entertainer - *Tahir*.

The fund raising activities also included sponsorships; raffle prizes and golf competitions. After all costs had been taken into account, the resulting net margin was in excess of \$19,000.00. This was a very satisfying outcome, especially during an economic downturn. The beneficiary charity this year was *Alzheimer's Australia - NSW*, who were absolutely delighted!

The total amount raised by AFIF in the 5 annual charity golf days to date has now exceeded \$114,000. Members are to be congratulated for their generosity.

**Note: This year's winning golf team was: AGS.**

## **10. Other AFIF activities:**

The annual publication sales agency contract with IATA Montreal continues to operate and we can report that the projected figures will benefit the Association.

The margin for sales of Dangerous Goods Technical Manuals and CD's, plus a variety of other IATA printed materials are channeled into benefits on behalf of the membership and help to keep member fees as low as possible.

There has been much activity in our training program, both in terms of student numbers and in planning for the future needs of our industry members. In addition to the previously highlighted AFIF/CBFCA *RACA Security* and *Dangerous Goods by Sea* on-line training programs, the programs we offer in combination with *Frontline Resources Management / myfreightcareer*, including the revised import air and Import / export sea procedures training programs, have proven to be very popular.

The Industry Traineeship partnership with *myfreightcareer* is progressing well with student numbers growing all the time. The program provides a unique opportunity for new industry entrants offering a well constructed industry apprenticeship scheme.

## **11. In conclusion:**

I would like to offer thanks to my hard working, enthusiastic administration team at the AFIF Secretariat Office and to our instructors who deliver the vital industry training programs.

I would like to thank our energetic Chairman and the AFIF Board of Directors, together with our State representative and other committee members, for giving up their valuable time to represent members in tackling a variety of issues in order to maintain the welfare of our Industry.

Finally and most importantly, a big thank you to all the members for your continuing support and on behalf of all at AFIF, our very best wishes for a successful and hopefully less stressful year ahead !

As it is close to the end of the year, may I take the opportunity to wish you a Merry Christmas and a happy, safe, New Year to you all.

**Brian Lovell**

Chief Executive Officer

November 2009