

Issue 118
3rd March 2023



TOMAX
NEWS



PLUS:



TARIFF CONCESSIONS GAZETTE (TC)

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THE END OF GLOBALISATION?

The end of globalisation is being felt, with collapsing rates and lack of post-Chinese New Year pick up threatening the global air freight market. Last week's reported TAC Index spot rates for Shanghai to the US were \$2.58.

The market has been "quiet" since Chinese New Year, and while this was "normal", there were no signs of the usual strong March pick-up. The state of play is expected to remain in the slump which began in the final quarter of 2022, amid a drop in demand for Chinese products from the west, which was potentially linked to unsteady political relations.

A Hong Kong freight forwarder believes the "rate war" was already heating up in the weakened market, citing rates offered by Chinese carriers as low as \$2.55/kg to Los Angeles and Chicago and \$2.85 to New York.

Meanwhile, Flexport advised customers that across China "demand is low". However, in northern China, there was "an upward trend", while in the south the opposite was true. It added, "demand ex-South-east Asia overall remains low, with capacity widely available. The Thailand export market is picking up a bit this week, but demand is generally still on the softer side."

With a drop in container rates leading to a post-pandemic modal shift to ocean, full-freighter services are expected to bear the brunt of the pain. Concurrently, the resumption of almost all passenger flights and resultant incoming belly capacity is exacerbating excess capacity.

Ligentia confirmed that China-North Europe exports continue to be "relatively weak" with some suggesting the decline in demand for Chinese goods could see cargo value fall 10%.

According to the source, while "rate wars" and drops in trade were nothing new, these signs, twinned with the shifting geopolitical landscape, were evidence of the emergence of a "very different" model of international trade, in which "the real globalisation" had died.

Whiteman, A. (2023). Plunging airfreight rates and no post CNY pick-up: 'the end of globalisation?'. Retrieved from <https://theloadstar.com/plunging-airfreight-rates-and-no-post-cny-pick-up-the-end-of-globalisation/> on 3rd March, 2023.



SOUTH AFRICA DITCHES AIRFREIGHT

South Africa is set to see a shift from air freight as importers and exporters turn to falling sea freight rates and improved ocean reliability.

“The market has been very volatile,” explained Renaj Moothilal, executive director of South Africa’s component manufacturer association, NAACAM, “the component market depends on a globally integrated value chain. You can’t have 99% of components, you need 100%. In the past, we’ve moved mostly by sea freight, but over the [pandemic] years, we’ve had a huge uptake towards air. Sea had issues. We’ve seen a 60% to 70% increased use of airfreight over the last three or four years. The component sector is cost-sensitive, and cost will always be a key decision driver. But to avoid being the cause of an assembly line shutting down, the use of aircraft became a lot more prevalent.”

The automotive industry in particular will rely less on air. Jacques Mellet, head of logistics for Indian carmaker Mahindra & Mahindra, said his company had also turned to air freight. “We do just-in-time logistics, so sea freight is always a challenge. COVID had a huge impact and we had to turn to air. Normally, we do 80% sea freight, now it’s more like 60:40 or 50:50. We have to ensure plants run smoothly.” He added that air capacity had been hard to find. He explained, “not a lot of airlines were available, especially out of India, where we only had Emirates.”

Nhlamulo Mashimbye, head parts & sales at Daimler Truck Southern Africa, said he needed speed and reliability. “Those are the most important things to us. We began to enforce the services we needed – we have penalty clauses. That forces you to resort to air, otherwise you’ll end up paying more [by getting fines for delayed shipments].”

According to research consultancy Trade Data Service (TDS), last year air accounted for about 20% of the value of South African trade, with sea and road accounting for 67% and 12%, respectively. Overall air trade dropped by 1.2% last year, but exports were up slightly by 0.5%. Much of the decline in imports was associated with a drop in COVID vaccines

delivered. Currently about two-thirds of Africa’s air cargo volumes are going through four airports: Nairobi, Johannesburg, Addis Ababa and Lagos.

Car companies predict that air volumes will fall this year. Mr Mellet said, “sea freight rates are coming down and cheaper now than four years ago, so we won’t move much by air if we can ship it. We will always use air, it’ll always be in the background. But sea is cheaper.”

Furthermore, shippers were scarred by last year’s Transnet strike of port and rail workers. “The role of labour and productivity in ports becomes even more important as a global competitiveness factor,” advised Mr Moothilal. As a result, the South African government added fiscal support to the growing automotive sector in the form of grants and incentives to encourage more exports.

Meanwhile, Kenya Airways Cargo, suggested manufacturers should consider sea-air, and get the best of both worlds. “We have seen companies restructure and shift to a multimodal approach,” said Peter Musola, cargo commercial manager, “sea to air is a good option for Africa, it brings costs down for a lot of landlocked countries. It makes sense that imports come by sea to Mombasa and then go by air.” He added that the airline was liaising with CMA CGM to set up a multimodal solution.

TDS revealed that annual air cargo traffic in South Africa was about 350,000 tonnes, while container throughput at main ports had been some 4M TEU annually. “Economically, South Africa has had a bumpy ride over the past decade, and this is also reflected in international trade figures. However, 2022 performance was good, with trade value growing at 9.5% overall. Expectations for this year point towards further growth, although the current power crisis [load shedding] could derail this.”



TECHNOLOGY TO ASSIST COLD SUPPLY CHAIN GROWTH

Cold supply chains should develop better decision-making through improved communications and data. According to SeaCube, between 7% to 15% of food transported via reefer containers was deemed inedible by the time it reached its destination.

SeaCube's Chief commercial officer, Greg Tuthill, believes a fluid cold supply chain is critical to feeding the world. Additionally, with the market forecasted to grow at 5% per year through to 2025, a more efficient cold supply chain would minimise costs and make up for shortfalls caused by economic shocks such as the Ukraine war. A rise in food supply shortages to parts of the world, notably in the Middle East and Africa, were evident following the invasion of Ukraine by Russia - both countries who produce a significant percentage of the world's grains and oils.

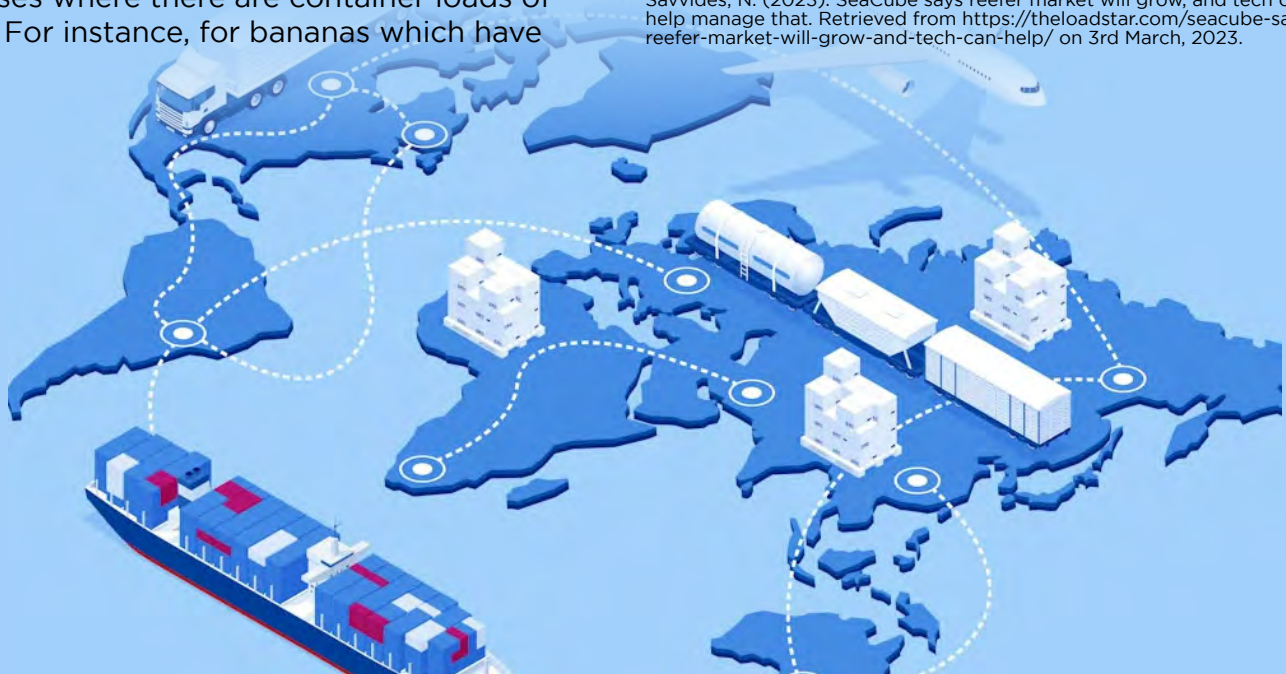
However, an expert reefer business advised that the losses could have been mitigated by introducing new technology and better communication between stakeholders in the cold chain. The business pointed to the proliferation of the latest generation of ships which include about 2000 reefer plugs. These containers are able to be unplugged for discharge and remain unplugged until the container reaches its position in the terminal storage area. "The sheer size of these ships and the limited number of crew means reefer boxes have longer plug-in, plug-out times," said the source, which could affect the produce within the container.

Moreover, better communication could assist in cases where there are container loads of fruit. For instance, for bananas which have

suffered downtime affecting the fruit, a customer could decide to send this container load for processing to make smoothies, while another container load of fresher bananas could be directed to the retailer for sale. "This kind of data and planning information if properly communicated could improve on the situation regarding expensive food losses," explained the source.

Mr Tuthill wishes to see containers fitted with telematic devices which could, "provide real-time visibility of its [the container's] location and contents, he added, "telematics also provide preventive measures using algorithms that recognise failures before they happen, notification of erratic driver behaviour, potential theft and safety issues." In light of the increased focus on decarbonisation, efficiency can be improved through more effective use of energy on board ships and in terminals. With the outsourcing of food supply chains there is an urgent requirement to eliminate waste and move food rapidly through supply chains to meet the demands of a growing global population. According to Mr Tuthill, there would be a compound growth rate of more than 21% for telematics in the shipping industry up to 2026, a view borne out by the number of major containership operators that are installing internet-connected devices in their container fleets. He said, "this stat is a strong statement about the supply chain industry's commitment to investing in technology to address critical cold chain issues," said Mr Tuthill.

Savvides, N. (2023). SeaCube says reefer market will grow, and tech can help manage that. Retrieved from <https://theloadstar.com/seacube-says-reefer-market-will-grow-and-tech-can-help/> on 3rd March, 2023.



SHIPPERS ARE 'BACK FOR BLOOD'

Collapsing ocean shipping rates are not all good news for U.S. retailers, who paid as much as \$20,000 to move a container of goods amid the worst pandemic disruptions and are now bracing for delays due to the dropping demand.

Carriers like MSC and Maersk are trying to prop up prices by canceling voyages and that could spark a new round of cargo delays as containers get bumped from one ship to the next, experts said. The Port of Los Angeles reported 17 cancelled voyages in January and warned of more to come.

"If (carriers) keep bumping containers, we could end up missing Christmas," said Isaac Larian, chief executive of Southern California toy maker MGA Entertainment. MGA's team has switched around 75% of shipments of products like Rainbow High and L.O.L. Surprise! dolls to the short-term spot market from the long-term contract market. The company is paying around \$1,150 per container – a cost savings of more than \$18,000 from peak.

Volatile spot rates were the first to plummet when pandemic-weary consumers shifted spending from goods to travel and entertainment. Now the gap between spot and contract rates is closing, pressured by the threat of recession and competition to fill ships.

SHIPPERS' REVENGE

When demand was booming, carriers raked in record profits by focusing on the most lucrative cargo. Critical customers had to jostle for space and the likes of Walmart,

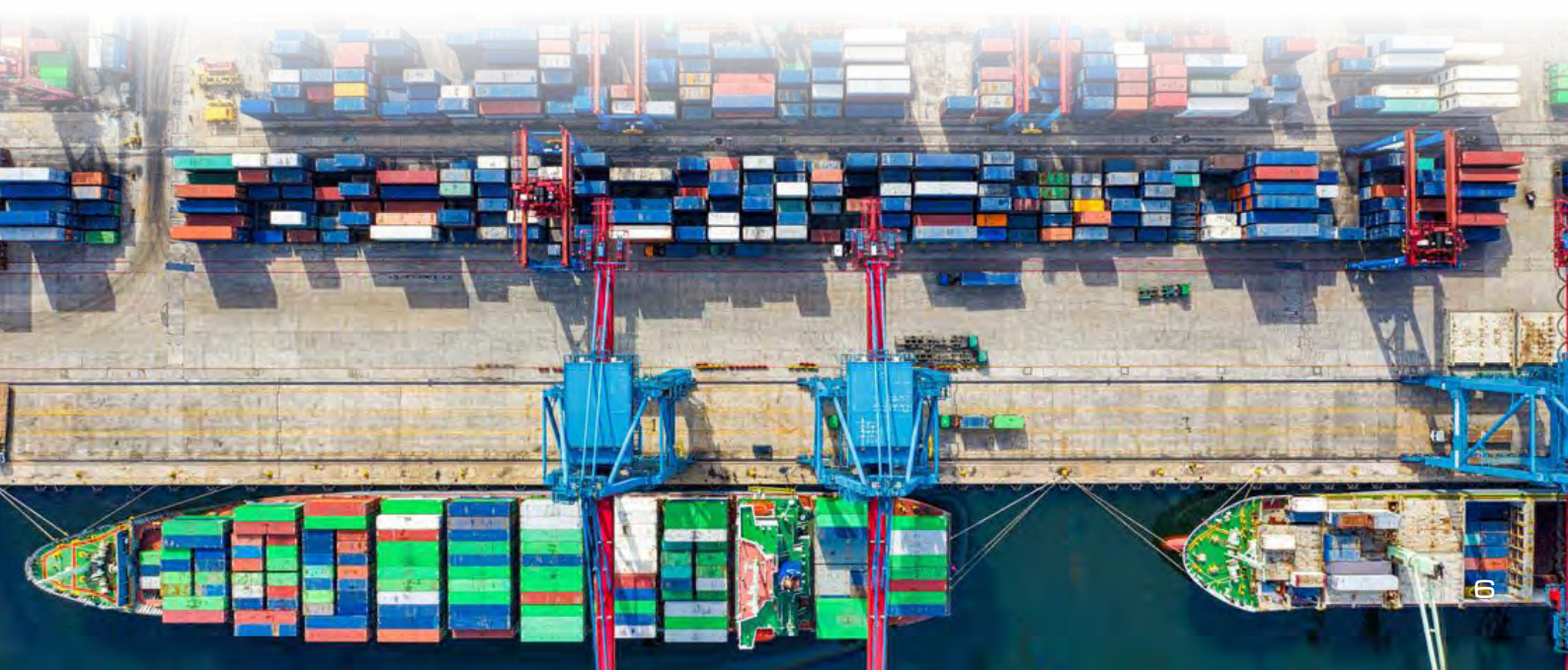
Costco Wholesale Corp and Dollar Tree Inc chartered ships to keep shelves stocked.

Now, the tables have turned, and shippers want payback for ocean cargo costs that quadrupled in some cases. "It is shippers' revenge," said Jon Monroe, an industry consultant, "there was a time when everybody looked for a win-win. COVID threw that right off the tracks."

Previously loyal customers are aggressively comparison-shopping, spreading their business around and gambling on the spot market, experts believe. "The nonbinding nature of ocean contracts drives customers or carriers to push for everything they can get when leverage swings their way", said Lawrence Burns, consultant for Hyundai Merchant Marine, "this time around, importer and exporter shipping managers, whose costs exploded when they were unexpectedly forced into the sky-high spot market, have the upper hand. They've been called into the CEO's office too many times in the last two years. They're coming back for blood."

When asked if large customers are signing deals at near spot rates, MSC Vice President Allen Clifford said, "I suppose some are." Customers and carriers do not often discuss contract talks, but in recent earnings calls officials for Walmart – the No. 1 U.S. container shipper – retailers La-Z-Boy, Mattel Inc and Yamaha said they expected to benefit from lower rates.

Baertlein, L. (2023). Rumble in Long Beach: Shippers 'Back for Blood' as Container Shipping Contract Season Kicks Off. Retrieved from <https://gcaptain.com/tpm23-shippers-back-for-blood-as-container-shipping-contract-season-kicks-off/> on 2nd March, 2023.



STAFF SPOTLIGHT

JORDAN BUOVAC
WAREHOUSE HAND
TOMAX TRANSPORT



What do you do at Tomax?

I am a Warehouse Hand at the Tomax Hoppers Crossing warehouse.

What are your hobbies/interests?

Cooking!

What kind of dishes do you like to cook?

I am Croatian so we are big on soup.

Do you follow any sports?

I am not really into sports.

Favourite musical artist?

My favourite is Chief Keef.

What is something you don't like the taste of?

Seafood.

First thing you'd buy if you won a million dollars?

A house.

A goal you wish to achieve this year?

To obtain my Forklift License.



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FRIDAY FUNNIES

We hope these jokes brighten up your Friday!

What are ten things you can always count on?

Your fingers.

Why do dogs like cell phones?

They have collar ID.

What is the name of the horse next door?

Neigh-bour.

Why couldn't the duck stop laughing?

He was quacking up.

What do you cakes and baseball have in common?

They both need a batter.

Do you know what's odd?

Every other number.

What do snowmen call their kids?

Chill-dren.

Why was the equal sign so humble?

Because it wasn't greater than or less than anyone else.

What has a head and tail but no body?

A coin.

Answers from [last week's Maze Craze](#)



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