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TOMAX NEWS

FEDERAL GOVERNMENT SLAMMED FOR AUSTRALIA’S POOR SUPPLY CHAIN PERFORMANCE

Read on
Pg 04

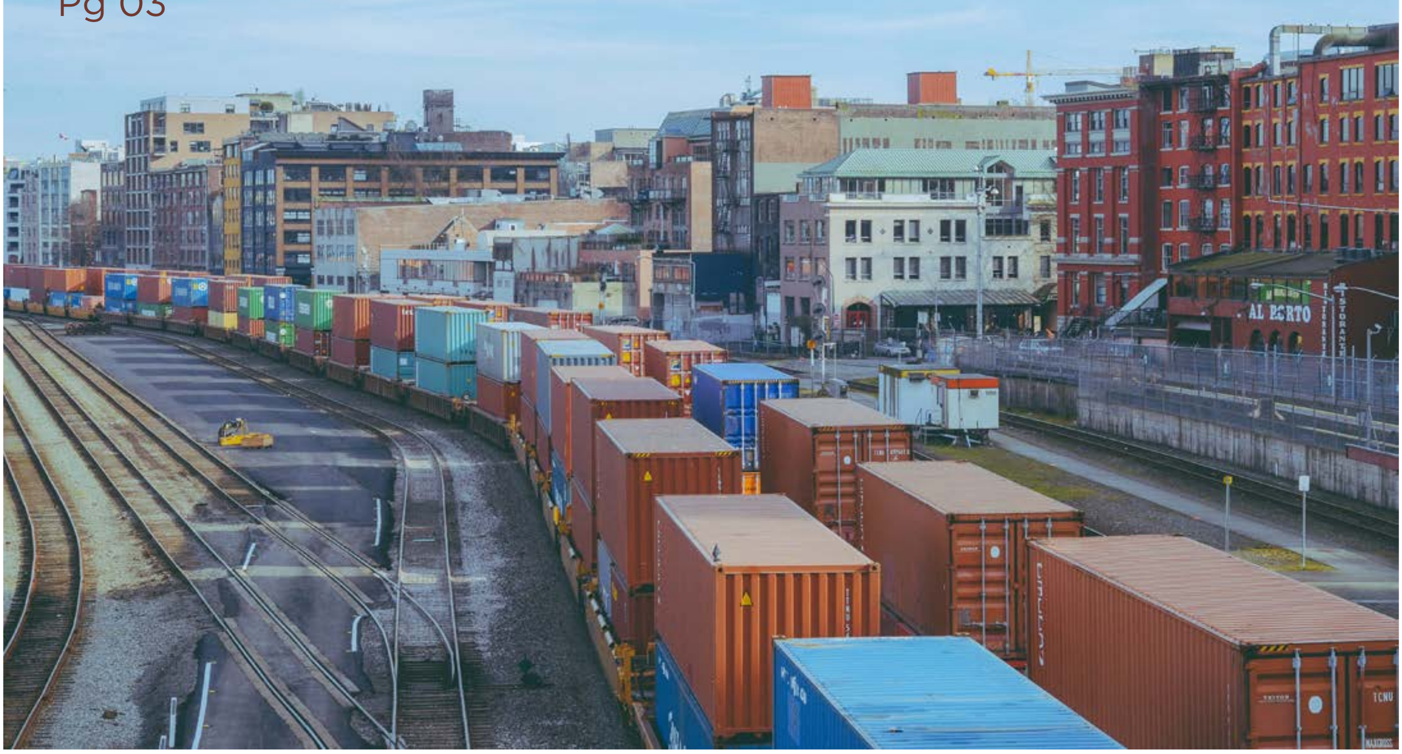
REEFER CONTAINER RATES THRIVE DESPITE TRADE CHALLENGES

See more
Pg 08

AMAZON AUSTRALIA’S NEW ROBOTICS FULFILMENT CENTRE

Be informed
Pg 03

PLUS:
TC Gazette
Quick Sudoku
+ Much more!



TARIFF CONCESSIONS GAZETTE (TC)

Tariff Concession Orders (TCOs) are an Australian Government revenue concession that exists where there are no known Australian manufacturers of goods that are substitutable for imported goods. When a new TCO is made, it is published in the Gazette by the Australian Border Force. The weekly Tomax Client Newsletter will contain a link to the latest Gazette document so that you can stay updated.

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AMAZON AUSTRALIA'S NEW ROBOTICS FULFILMENT CENTRE

Amazon Australia has unveiled its plans to establish a second Amazon Robotics fulfilment centre (FC) at the Craigieburn Logistics Estate in northern Melbourne, owned by AustralianSuper. This initiative, set to be completed by 2025, is aimed at accommodating up to 25 million smaller items available on Amazon.com.au. The move reflects Amazon Australia's ongoing dedication to the country, with a focus on enhancing job opportunities and refining the selection and delivery services for customers throughout Australia.

The new fulfilment centre is projected to cover an expansive area of about 209,000 square metres, spanning four levels, which will make it the largest warehouse ever constructed in Australia. This surpasses the size of Amazon's existing robotics site in Western Sydney by 9,000 square metres. This venture comes on the heels of the successful launch of Amazon Australia's inaugural robotics site in Western Sydney in 2022, effectively doubling the company's operational capacity.

Equipped with advanced Amazon Robotics technology, the upcoming fulfilment centre is set to provide substantial support to employees, bolster customer service, and contribute to Amazon's mission of delivering a seamless shopping experience for its Australian patrons. The integration of robots will facilitate collaboration with employees by transporting 'pods' of inventory to them. This innovation is expected to significantly reduce the time and effort required for employees to manage inventory and fulfil new customer orders.

Upon full operation, the facility will generate approximately 2,000 local jobs, offering the opportunity to work alongside cutting-edge robotics. The diverse array of positions will range from part-time to full-time roles, covering a spectrum of skill levels, from highly technical positions such as IT, HR, and engineering, to entry-level roles that provide on-the-job training, boasting attractive career prospects.

Janet Menzies, the Country Manager of Amazon Australia, expressed pride in the company's substantial investment in Victoria, generating around 2,000 job opportunities and fostering an environment where advanced technology and competitive wages converge in a secure and positive work atmosphere. She emphasised that the fulfilment centre would also enhance connections between Victorian customers and local small and medium-sized businesses, ultimately improving delivery options and product selection.

Local officials have also weighed in on the venture, with Ros Spence MP, the State Member for Kalkallo, viewing the project as a boon for the local economy, promising secure job opportunities in close proximity to residences. Mayor Joseph Haweil of Hume City Council echoed these sentiments, hailing the fulfilment centre as an economic driver that will support the region's growth.

Invest Victoria CEO Danni Jarrett welcomed Amazon Australia's investment, highlighting its potential to bolster local skills and capabilities while contributing to the development of the region's logistics infrastructure. The new fulfilment centre, will be custom-designed to meet Amazon's precise specifications. This project will mark Amazon's sixth operational site in Melbourne, augmenting the company's existing fulfilment and logistics network in Victoria, which includes various centres and sites dedicated to supporting Amazon's operations across the state.

Retail World Editor (2023). Amazon Australia announces Robotics fulfilment centre for Melbourne. Retrieved from https://retailworldmagazine.com.au/amazon-australia-announces-robotics-fulfilment-centre-for-melbourne/ on 9th August, 2023.

FEDERAL GOVERNMENT SLAMMED FOR AUSTRALIA'S POOR SUPPLY CHAIN PERFORMANCE

According to the World Bank, Australia's 'trading across border' ranking plunged in the decade to 2020 from 25th in the world to 106th. In response, the Federal Government in its most recent budget committed an additional $23.8 million in 2023–24 to continue initiatives to modernise and improve Australia's international trade system. Supporting this outcome, the Simplified Trade System (STS) Taskforce released a consultation paper last month for industry feedback.

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) provided a detailed submission to the STS (including 28 key recommendations) and also included a strong message to the Federal Government that much more is required to turn around a further decline supply chain performance. The Productivity Commission review of 'Australia's Maritime Logistics System' highlighted the need for urgent reform in shipping competition and specific landside commercial practices.

The Federal Government is yet to respond to the Productivity Commission report that was released in January this year. This leaves the question as to how long the Federal Government can escape criticism for this lack of action that is directly impacting inflationary pressures across our economy. Specific supply chain practices referenced by the Productivity Commission are unfairly directly costing the trade sector $1 billion per annum. The lack of response by the Federal Government makes you question whether the root cause of problems that exist in our international supply chains are being properly addressed.

While reform under the STS banner is welcomed, it is essential that the Federal Government takes a genuine and holistic approach to supply chain reform to stimulate an economic recovery and support significant growth opportunities for Australian exporters and importers.

JULY 2023 - SNAPSHOT

• Drewry's composite World Container Index increased by 2.59% in the past month to $1,575.62 per 40ft container as at 27 July 2023. It is now 85% below the peak of $10,377 reached in September 2021 and 41% lower than the 10-year average of $2,684. This indicates a return to more normal prices, but remains 11% higher than average 2019 (pre-pandemic) rates of $1,420. It is 45% lower than the 10-year average of $2,686, indicating a return to more normal prices, but remains 5% higher than average 2019 (pre-pandemic) rates of $1,420.

• **Shipping Line Q2 Results**

- OOCL saw its revenue slump 63% in Q2 compared with the same period of 2022 with $1.98bn, compared with $5.28bn the year before.
- CMA CGM recorded a $1.3bn net profit in Q2 despite revenue being down 37% compared to previous year.
- Maersk, Cosco, ONE & Hapag Lloyd results all expected to be released in August.

• **Panama Canal**

Drought conditions see Panama Canal restrict daily transits with the number of daily transits restricted to 32 vessels a day as Central America still grapples with the effects of drought and the El Niño weather phenomenon.

• **Ever Given / Suez Canal**

A 68 page report released in July into the now-infamous case of the Ever Given becoming lodged across the Suez Canal in March 2021 for 6 days has suggested the vessel ought to have sought the assistance of tugs for its northbound transit.
It claims the vessel traffic management system, the pilots and the master had not properly evaluated bad weather conditions especially strong winds and reduced visibility.

• According to a US State of Logistics report by the Council of Supply Chain Management Professionals, US firms saw their logistics costs surge to $2.3trn in 2022 - 9.1% of overall US GDP. On the transport side, the maritime sector (including inland shipping) saw the strongest increase, costs rising 18.4%, followed by rail, up 17.6%. Trucking costs were up 6.2% in the truckload sector and 6.4% in the LTL arena. Parcel costs rose 4.7%.

• **Mergers/Acquisitions**

- HMM, The South Korean state formally put its shares up for sale in late July with interested buyers now having one month to make a bid. HMM's third-largest stakeholder in SM Group, with a total stake of 6.56%, is preparing to bid up to $3.5bn to take a majority stake.

• Global schedule reliability has seen the first drop for the year of 2.5%, down to 64.3%. Albeit still some 24.4% higher than the same period last year.

• The average delay for late vessel arrivals improved to 4.36 days.

• MSC in June demonstrated the best result of the major carriers with a schedule reliability of 70.6%, making it the top-performing carrier among the top 14. Maersk closely followed with a commendable 69.9% schedule reliability. MSC was the sole carrier achieving a schedule reliability exceeding 70%, while six carriers, including Maersk, achieved a reliability range of 60% to 70%. The remaining seven carriers recorded schedule reliabilities between 50% and 60%, with HMM being the only carrier with a reliability score below 50% at 48.3%.

• **Cancellations**

- Between weeks 31 through 35, a total of 46 cancelled sailings have been announced out of a total of 619 scheduled sailings, representing 7% cancellation rate. During this period, 48% of the blank sailings will occur in the Transpacific Eastbound, 28% on Asia-North Europe and Med, and 23% on the Transatlantic Westbound trade.
- Over the next five weeks, OCEAN Alliance has announced 18 cancellations, followed by THE Alliance and 2M with 13 and 1 cancellations, respectively. During the same period, 14 blank sailings have been implemented in non-Alliance services.
- There is an expectation that cancelled sailings may pick up in the coming months as liners battle the worsening economic environment.

• **Sustainability**

- IMO (via MEPC 80) has agreed on a new and stricter approach to carbon neutrality, in which shipping should now be carbon neutral by 2050. This is a tightening from the previous target which was for total emissions from shipping to have been cut in half by 2050. Indicative checkpoints are targeting to reduce the total annual GHG emissions from international shipping by at least 20%, striving for 30% by 2030 (compared to 2008) and by at least 70%, striving for 80% by 2040. Carriers as a result have widely praised the outcome and some will have a little work to do to revise their strategies, for example Cosco who previously suggested they expect to be carbon neutral by 2060.

- The enormous decarbonisation price tag of Europe's Emissions Trading System (ETS) carbon pricing measure will top $3.2 billion in 2024 and rise to $9.1 billion in 2026, according to calculations by Hecla Emissions Management.

• **Terminal and Port Update**

Patrick terminals

- Brisbane: Working with minimal delays approx. 0-0.5 day
- Fremantle: Working with minimal delays approx. 0-0.5 day
- Sydney: Working with minimal delays approx. 0-0.5 day

DP World Terminals

- Brisbane: Working with minimal delays approx. 0.5-1 day - still hampered by equipment and IT outages of late. (declined since last month)
- Fremantle: Working with minimal delays approx. 0-0.5 day
- Sydney: Working with minimal delays approx. 0-0.5 day
- Melbourne: Working with minimal delays approx. 0-0.5 day (improved since last month)

VICT

- Melbourne: Working with minimal delays of 0-0.5 day

AAT

- Brisbane: Severe congestion has eased, with PCC vessel delays down to 3 to 7 days. August is expected to improve further.
- Port Kembla: Still affected by severe congestion with vessels still queued for up to 15 days.
- Melbourne: Congestion at present.

• **Rail**

Aurizon in July announced their aim to transform the Port of Darwin into a major shipping terminal, using its rail network as a land-bridge to transport containers from Darwin to other capital cities. The company has the capacity to move 350,000 twenty-foot equivalent units across the country each year (incl 150,000 TEUs on the Adelaide to Darwin rail line), with plans to build that business to 450,000 TEUs by 2025 and an aspirational goal of up to 750,000 TEUs by 2030. By establishing its own facilities at the Port of Darwin, Aurizon aims to offer faster delivery times to metropolitan centres and cost-competitive rail-based solutions.

• Enterprise Agreements will also take more of a focus later this year with both DP World (Australia) and Hutchison Ports approaching the end of their current enterprise agreements.

FTA. (2023). FEDERAL GOVERNMENT USES SIMPLIFIED TRADE SYSTEM AS A SMOKE SCREEN INSTEAD OF LEADING GENUINE REFORM. Retrieved from Monthly Shipping Report - July 2023 on 9th August, 2023.

CHINA RESTORES BARLEY EXPORT LICENSES FOR AUSTRALIAN COMPANIES

China has granted renewed export licences to CBH Grain and Emerald Grain Australia, allowing both firms to promptly resume trading activities with China.

The announcement of reinstated licences came on Wednesday (9 August) by the Australian government, following China's decision to eliminate tariffs on Australian barley.

Federal trade minister, Don Farrell, and federal agriculture minister, Murray Watt, jointly confirmed the re-registration of CBH Grain and Emerald Grain. This move places them among 126 other Australian exporters permitted to provide barley to the Chinese market.

In a joint statement, the ministers expressed their gratitude towards the grain industry and government officials who tirelessly contributed to achieving this outcome. They highlighted that this development is a constructive stride towards stabilising the bilateral relationship with China.

The decision to lift the suspension on CBH Grain's barley imports by China was greeted with enthusiasm by the CBH Group. Through a social media post, CBH Grain conveyed its eagerness to collaborate with its longstanding Chinese partners and resume the trade of Western Australian barley to China. The company expressed its appreciation to the Department of Agriculture, Fisheries and Forestry, as well as the Australian Department of Foreign Affairs and Trade, for their unwavering support in bringing about the lifting of the suspension.

Mr. Farrell and Mr. Watt underscored the significance of China as Australia's primary barley export market, valued at approximately $916 million during the 2018-2019 period prior to the imposition of tariffs. They affirmed their commitment to ongoing efforts aimed at the removal of any remaining trade obstacles that impact Australian exports. Emphasising that such actions are mutually beneficial for both nations, they expressed their intent to continue advocating for trade impediments to be eliminated.

Williams, A. (2023). CHINA REINSTATES CBG AND EMERALD GRAIN BARLEY IMPORTS. Retrieved from https://www.thedcn.com.au/news/bulk-trades-shipping/china-lifts-suspension-on-cbh-and-emerald-grain-imports/ on 10th August, 2023.

REEFER CONTAINER RATES THRIVE DESPITE TRADE CHALLENGES

Reefer container freight rates have maintained their strong performance compared to the dry cargo trade, even in the face of an unprecedented decline in reefer seaborne trade last year, according to Drewry's Reefer Shipping Annual Review and Forecast report.

This disparity between reefer rates and dry cargo rates is expected to persist in the coming years. Unlike the swift correction observed in the wider container shipping sector, the adjustment in reefer trade and subsequent freight rates has been more gradual. This reflects the resilience of reefer cargo demand, which has been steadily recovering since the beginning of the year.

CHALLENGES AND SETBACKS

In the previous year, the global seaborne reefer cargo faced a contraction of around 1%, resulting in a total volume decline to 137.5 million tonnes. This marked the first such decline in more than two decades, in stark contrast to the stagnant dry cargo trade. The drop was attributed to disruptions in supply chains, increasing input costs, and the normalisation of perishables cargo demand following the peak levels of 2021. Notably, significant reefer commodities like meat, bananas, and fresh vegetables all suffered setbacks in 2022 due to these factors. Amidst these challenges, containerised reefer trade shrank by 0.7% in 2022. This decrease was somewhat cushioned by the continuous reduction in specialised reefer ship transport, which balanced out the weakened cargo demand. This decline was roughly in line with the decrease in overall containerised shipments during that year.

RECENT RECOVERY

In spite of these adversities, the reefer shipping trade has been on a path to recovery throughout 2023. The recovery has been bolstered by consistent demand from a growing global population and the resurgence of Asian economies, particularly China, as it reopens. These positive developments have led to year-on-year growth across major reefer-intensive trade routes this year. As a result, seaborne volumes are projected to rise by 1.5% by year-end. However, the growth in containerised reefer trade is anticipated to outpace the stagnant demand in the broader container shipping sector, with an expected expansion of 2.3%.

FREIGHT RATE DYNAMICS

Reefer container freight rates have been experiencing a decline since their peak in the third quarter of 2022. Nevertheless, this decline has been more gradual compared to the drop in dry freight rates. This is attributed to the fact that the peak in reefer rates was less pronounced due to a higher prevalence of annual contracts. Additionally, the North-South trade routes, which account for the majority of reefer cargo movement, have shown greater resilience due to lesser overtonnage. Drewry's Global Reefer Container Freight Rate Index, which provides a weighted average of pricing across the top 15 reefer-intensive deepsea trades, dropped by 22% to $4840 per 40-foot container in the second quarter of 2023. Early indications suggest that this decline will have accelerated to 31% by the third quarter. Despite these corrections, reefer container freight rates remain around 60% higher than pre-pandemic levels, in contrast to the parity reached by dry cargo pricing.

FACTORS DRIVING PERFORMANCE

One of the key factors contributing to the impressive performance of reefer container freight rates has been the sustained increase in market share for this mode. This trend has been supported by the normalisation of container equipment availability and the alleviation of port congestion, both of which have directed more reefer volumes into containers at the expense of ageing specialised reefer ships. However, the reduction in the size of the specialised fleet has slowed due to capacity constraints experienced last year. Moreover, the impending arrival of a wave of large-sized newbuild vessels over the next three years is expected to mitigate some of this decline.

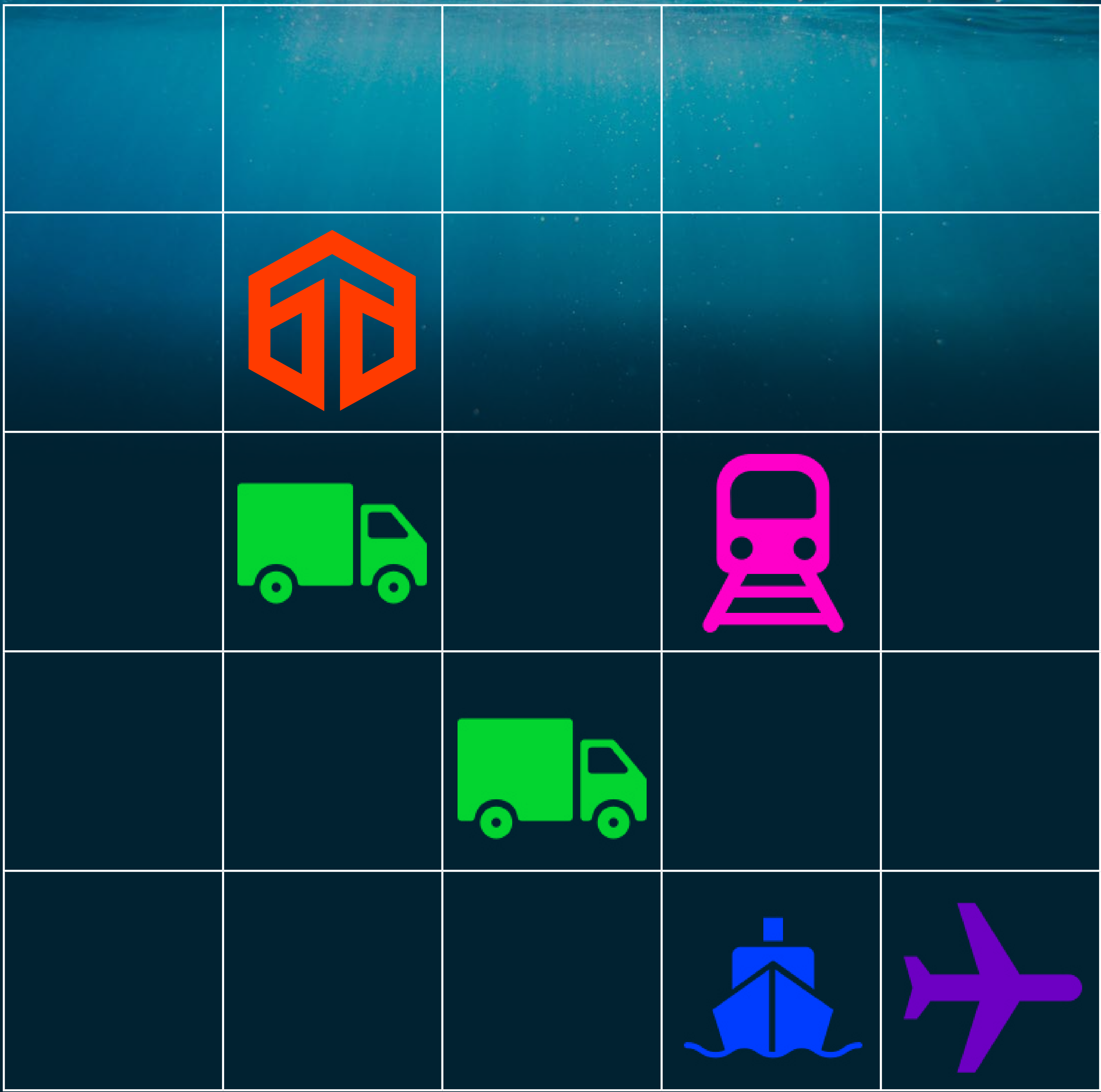
FUTURE OUTLOOK

Looking ahead, reefer shipping is poised to surpass the broader dry cargo trade, with an average annual growth projection of 3.6% for containerised reefer trade until 2027. Consequently, the projected decline in reefer container freight rates is anticipated to remain more moderate compared to dry freight, ensuring that they remain above pre-pandemic levels in the upcoming year.

DCN. (2023). REEFER TRADES RESILIENT IN TOUGH TIMES: DREWRY. Retrieved from https://www.thedcn.com.au/news/containers-and-container-shipping/reefer-trades-resilient-in-tough-times-drewry/ on 9th August, 2023.

QUICK SUDOKU

See if you can solve the quick sudoku puzzle?!



Answers:

TOMAX

Australian HQ
19/202 Ferntree Gully Rd
Clayton VIC 3168

tomax.com.au
1300 186 629
03 9544 4227