



TOMAX  
NEWS

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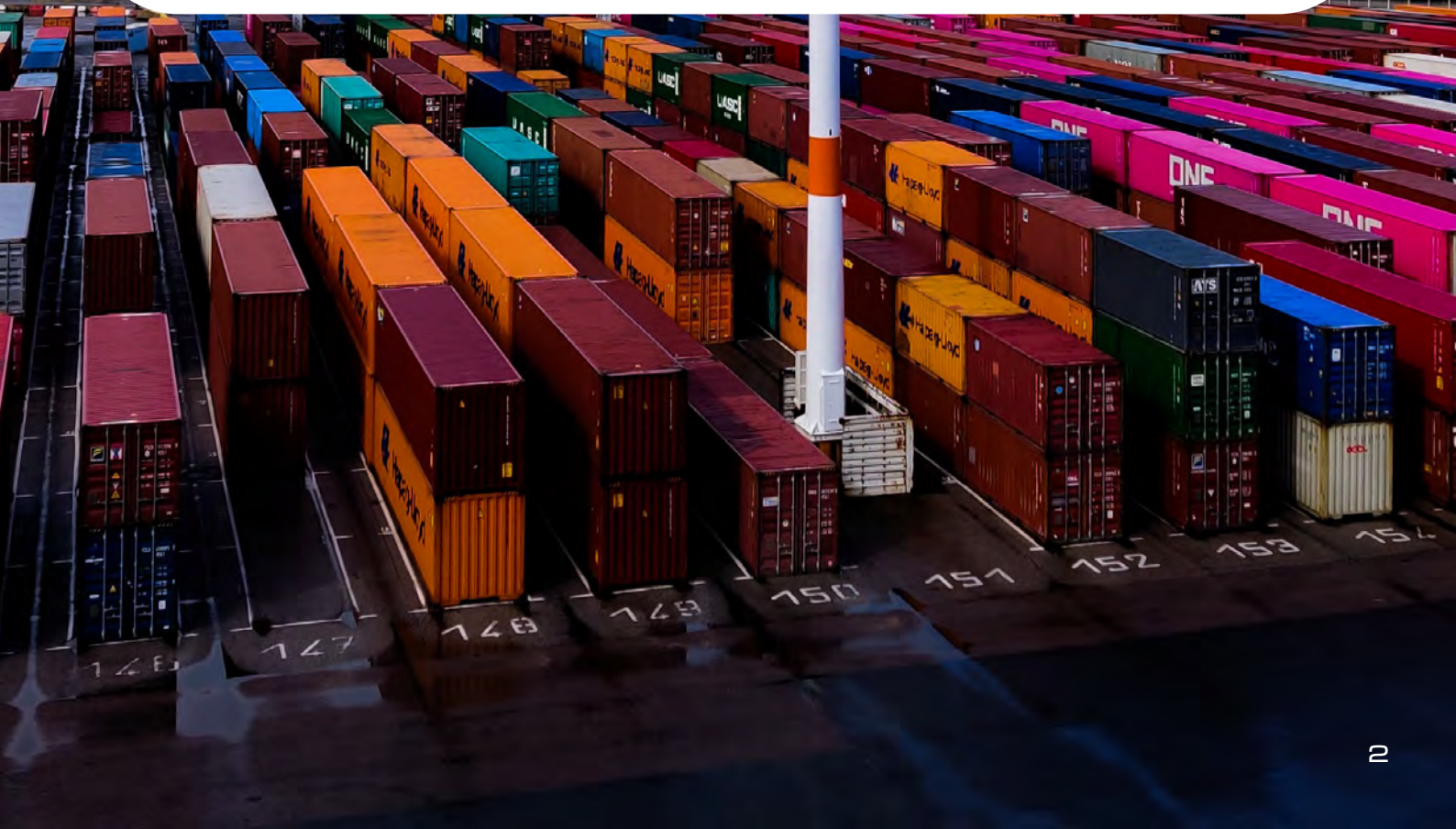


**PLUS:**



# MARKET SUMMARY

- Massive port congestion continues to cripple the container shipping industry with vessels delayed in all major worldwide ports
- Empty container shortage issues increase with no end in sight as demand continues to outstrip supply
- Transport companies in Melbourne and Sydney are plagued by empty depot congestion, refusal of acceptance, and wait times with high resultant costs being passed on to importers/exporters
- Demand for warehousing services continues to grow strongly as the volumes of imported cargo rise and rise (talk to Tomax if you need assistance with warehousing or distribution)
- The Chinese New Year holiday is approaching and congestion in the lead up will only get worse



# LATEST NEWS

## BACKLASH AFTER NEW PORT CHARGES INTRODUCED

**P**ilbara Ports Authority's implementation of a \$13,450 levy on each major shipload of ore exported from 1st March has faced backlash and criticism by Shipping Australia. Its purpose is to fund a buyback of dust-impacted homes in Port Hedland. Via a wholly owned subsidiary, Hedland Maritime Initiative Pty Ltd, the PPA indicates that the new charge will enable it to successfully fulfil its role as the administrator of the Port Hedland Voluntary Buy-Back Scheme.

Charges are based on a mixture of the vessel's gross registered tonnage and its movements. Charge-liable ships will be charged twice-once on its way into the port and once again on its way out. No charges are imposed for movements inside the harbour. The charges start at \$1250 for a 40,000 GRT ship and escalate to \$6725 ships for over 80,000 GRT. The likely cost each ship carrying iron-ore will bear to enter and leave the port is \$13,450. The majority of iron ore carriers will fall into the maximum bracket as the port predominately loads capsize bulkers.

With reference to the PPA Annual Report 2020, there were 6,346 vessel movements at Port Hedland during the 2019/2020 financial year. Multiplying vessel movements by the likely charge provides a total indicative revenue-raising figure of about \$85.4m.

The state government is determined to buy the resident's homes near the port of Port Hedland through a voluntary buyback scheme, due to unacceptable levels of dust arising from the port's operations.

"There's nothing inherently wrong with that and it is sensible to try to protect the health of everyday Australians who live near the port," Shipping Australia says. However, Shipping Australia argues that the Port Hedland

Voluntary Buy-Back Scheme has been unfairly imposed on the shipping industry. "Whatever happened to the 'polluter must pay' principle? The port is owned by the state government. So the polluter is also the state government," argues Shipping Australia, "the Pilbara Port Authority has shifted the economic burden from where it correctly belongs - on the joint polluters of Port of Port Hedland and the state government of WA - to a random innocent third party, namely, the ocean shipping industry."

From 2019-2020 the Western Australian government collected iron ore royalties of \$5.43bn. In the same period, the PPA generated profits of \$188.1m and returned a dividend of \$111.9m for the state government. Based on these figures, Shipping Australia believes the state government is able to fund the buy-back scheme from existing sources. PPA's documents indicate the start date of the charge, but no reference to its end date.

Shipping Australia says, "The ABC reckons that the cost of the buyback is about \$200m. With potential revenues from the new charge of about \$85.4m a year, that figure should be paid off in about two years and a few months". A concern raised by Shipping Australia is that, without an end date, this new charge will simply continue to become a charge that ships are forced to pay even though original reason for levying it has passed. Melweyn Noronha, CEO of Shipping Australia, believes that "it seems that the ship is just an easy target for this breathtakingly outrageous charge...what can we say? It's greedy, unfair and unjust... and it's just another day in WA".

Reference: Wallace, P.(2021). NEW PORT CHARGE SLAMMED BY SHIPPING INDUSTRY. Retrieved from <https://www.thedcn.com.au/> on 13th January, 2021.





# A RECORD 52 MILLION PARCELS DELIVERED BY AUSTRALIA POST

**A** whopping 52 million parcels were delivered during December by Australia Post, a never seen before record throughout its 211-year history. This figure is almost a 20% increase in the previous year. 7400 tonnes of airfreight were carried, a rise in 76% in comparison to the same month last year.

This was achieved by making use of up to 20 dedicated freighters and additional cargo space on limited domestic passenger flights. Its busiest night involved figures of about 490 tonnes.

Rodney Boys, Acting Chief Executive Officer and Managing Director, claimed that while the organisation had predicted it would be Australia Post's busiest Christmas ever, expectations were well and truly exceeded. Rodney says, "there is no denying that online shopping grew strongly through 2020, and this reached a new level in December as millions of people chose to buy their Christmas gifts online. We prepared extensively, opening 60 new or re-purposed facilities, adding 3000 vehicles and putting on additional dedicated planes, all to keep delivering for our customers. 2700 posties undertook additional training with over 2000 transitioning to deliver parcels in vans and an extra 5000 people were recruited."

Online growth followed through into December, with 19 days for the month which

saw more than 2 million parcels delivered across the country. Popular categories which saw Australians splurging their income included food and liquor (rising by 50%), fashion (rising by 37%) and home and garden products (rising by 36%), compared to December 2019. Books, fashion accessories and adventure and sporting items maintained a strong growth, in comparison to November.

Paul Fletcher MP, Minister for Communications, Urban Infrastructure, Cities and the Arts said, "Australia Post staff should be congratulated for the way they have risen to the challenge of unprecedented demand and delivered a record 52 million parcels during December. This was in part made possible as a result of the regulatory relief approved by the Morrison Government in 2020, which allowed Australia Post more operational flexibility to meet community demand for parcels and essential services."

Reference: Coles, B. (2021). Aus Post delivers a record 52 million parcels during peak season. Retrieved from <http://mhdsupplychain.com.au/2021/01/11/aus-post-delivers-a-record-52-million-parcels-during-peak-season/> on 12th January, 2021.





# PORT OF LOS ANGELES FACES CONGESTION ISSUES

**P**ort of Los Angeles executive director, Gene Seroka, stated that cargo volume was up 50% in the second half of 2020 compared to the first half—and that it is now commonplace for loaded ships to have to wait, anchored at sea until a dock opens up for unloading.

Gene says, “the port is strained. We’re shipping back two times the number of empty boxes than we are American exports across our docks.” Gene believes the reason behind the increased volume is related to ‘the change in the American consumer’ explaining that during the pandemic, ‘we’re not buying services, we’re buying goods.’

## THE DOMINO EFFECT

Expected volumes at the Port of Los Angeles will be up an average of 88% YoY in the first two weeks of 2021. Although, despite the increase in import volumes, the number of human resources, operating capacity and assets have remained unchanged. Therefore, the ongoing congestion is lengthened as a result of the pandemic labour shortages, chassis shortages in Southern California from “street dwell” times and delayed vessel arrivals. The challenges that surface as a result of an increased volume without an increase in capacity pose high difficulty.

Supply Chain Risk Intelligence Analyst at Resilience360, Sara Alkawari, says “terminal

operators have been forced to stack containers higher and wider in the container yards, which has delayed the release of import containers from the port complex for the final delivery leg to inland destinations. As yard utilization has averaged above 80 per cent, the terminals’ capacity to both store and move containers to distribution centres and rail ramps has been severely disrupted. Furthermore, reduced storage capacity at warehouses is likely to lead to further challenges and extended container and chassis dwell times.”

Trucking operations also face disruption due to the port congestion, as turn times for trucks have increased by 33% from June to September. The turn times refer to the time to drop off and pick up a container within the terminal premises. The overall productivity at the ports have decreased as more trucks are spending over 2 hours to complete the turn.

Ultimately, due to containers sitting in the yard for a longer period of time, shoppers have faced detention and demurrage surcharges by ocean carriers and marine terminals in addition to higher surcharges and spot rates for intermodal shipments by rail carriers.

Reference: Garcia, L. (2021). LA Struggles; The Domino Effect of Congested Ports. The Port of Los Angeles is becoming congested due to global supply chain issues caused by COVID-19. What’s the knock-on effect? Retrieved on 13th January, 2021.

# CONTAINER FREIGHT RATES SOAR TO RECORD HIGHS



**W**e are currently in one of the strongest bull markets for container carriers seen in the last few decades, with container rates on many trade lanes setting records week after week. But how long will this last? The Global Container Index climbed 38% in December to a new record high, representing a 143% annual increase, driven by still-surging global demand and the resulting container shortage that kept rates spiking on major trade lanes.

Strong demand for vessel space is still causing congestion and delays at US, European, and Australian ports, and remains the main driver of the global equipment shortage. Industry analysts are unsure as to how long this bull market will last, with one analyst Mr Lars Jensen from Sealntelligence Consulting stating, “the container shipping supply chain is comprised of a large number of elements, and presently virtually every single one of the involved components is finding itself in a state of turmoil. Getting the market to a normal level of predictability and performance will take an unknown amount of time.”

Mr Jensen said the trigger for this level of uncertainty is of course the pandemic, which in turn has dramatically altered consumer behaviour – again leading to an impact on container shipping volumes. This impact was not only both negative and positive in 2020, but it has also shifted with a speed not seen previously. “The magnitude and speed with which the consumer behaviour – and hence impact on the container markets – will change in 2021 is exceedingly difficult to predict given that all modelling of this is quite literally unknown territory,” he said. “Seeing beyond the immediate issues related to the pandemic, it would be erroneous to believe that once the pandemic is over then the container markets would become stable and predictable.”

Mr Jensen offers two reasons for this position. The first reason is that the container shipping market has always had a relatively high level of unpredictability. Whenever there are large changes in market elements, this tends to draw headlines. But unfortunately, this often also leads to the perception that large changes are an anomaly – a unique and rare event. “The reality is that these changes are more frequent than market participants appear to give them credit for,” he said. The second reason is that the structural development in the industry will act to enhance these uncertainties and not necessarily reduce them going forward.

“As a consequence, we might well see a gradual market shift...towards a more volatile spot market on one hand and a more stable contract market governed by enforceable contracts. For shippers who wish to manage their market risk, this will result in a challenge. Even the most structured shippers cannot accurately predict their volume flows up to a year in advance. Especially not at the port level as both customer demand, as well as sourcing locations, might change. This in turn means that they will be able to secure only the most predictable part of their demand in a strict contractual framework but be left to the increasing uncertainties of the spot market for the rest.”

Mr Jensen said, for those shippers, it is therefore worthwhile to consider how to re-address risk management to find the correct balance between the need to know future costs, the need to be able to move product reliably, and the need to be able to shift sourcing locations and address changes in consumer demand.



# STAFF SPOTLIGHT

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## MEET SHAWN XIANG

**CUSTOMS COMPILER**

**TOMAX LOGISTICS AUSTRALIA**

### HOW DO YOU SPEND YOUR WEEKENDS?

I spend my weekends taking my daughter to her different hobby classes. I also do some gardening and sometimes do a one day trip at some good places nearby.

### DO YOU HAVE ANY NEW YEAR'S RESOLUTIONS OR GOALS FOR THIS YEAR?

Finishing the Customs Broker course and to be able to have a nice holiday without worrying about Covid!

### DO YOU FOLLOW OR PLAY ANY SPORTS?

I follow the NBA and go for Houston Rockets. Sports I play include basketball and table tennis.



### WHAT DO YOU DO AT TOMAX?

I am a Customs Compiler who works at the Tomax Clayton Office.

### IF YOU COULD EAT ONE FOOD FOR THE REST OF YOUR LIFE WHAT WOULD IT BE?

Potatoes because I can cook them in many different ways!

### A GENIE HAS GRANTED YOU ONE WISH! WHAT WILL YOU WISH FOR?

I will wish for a life filled with good health, wealth and happiness...that counts as one wish right?





# FRIDAY FUNNIES

We hope these funny or not-so-funny jokes will lift your mood as we approach another weekend!

How do you stop a bull from charging?  
**Cancel its credit card.**

What kind of music do planets like?  
**Neptunes.**

Where can you buy chicken broth in bulk?  
**The stock market.**

What did one hat say to the other?  
**You stay here. I'll go on ahead.**

Why do seagulls fly over the sea?  
**Because if they flew over a bay, they would be bagels.**

When do computers overheat?  
**When they need to vent.**

What do lawyers wear to court?  
**Lawsuits.**

What do cows most like to read?  
**Cattle-logs.**

Why are frogs so happy?  
**They eat whatever bugs them.**