



**TOMAX
NEWS**

Issue 34
4th June 2021



PLUS:

MARKET SUMMARY

- The 316m long OOCL Durban has collided with another vessel and container crane in the Taiwanese port of Kaohsiung causing extensive damage but fortunately only minor injuries. The accident caused an overhead crane to totally collapse onto container stacks which sent cargo scattering and people running to avoid injury.
- Industry experts are remaining expectant that ocean freight rates on the China to Australia trade-lane will hit around USD 10,000 per FEU during this year's peak season as demand continues to stay high and capacity restrictions remain in place.
- Warehousing space in Melbourne is in high demand with many cargo warehouses overflowing causing a severe shortage of industrial space. Warehousing rates are soaring as a result of the current market conditions.
- The port of Yantian is starting to get back to normal with some operations returning to normal post the COVID outbreak amongst shipping line workers.
- Industrial action at Australian container terminals is ongoing and increasing and will continue to cause congestion and delays to vessels and container release.

LATEST NEWS

SINKING SHIP CAUSES ENVIRONMENTAL DAMAGE

After catching fire on 20th May, the Singapore-flagged containership X-Press Pearl is currently still deteriorating and burning.

Videos and photos taken of the scene reveal destroyed containers on the ship as well as debris that have washed ashore in the ship's surrounds. Unfortunately, the break down of the ship has left tonnes of plastic pellets polluting the fishing waters in the area, according to Reuters reports. X-Press Pearl's aft section is "sitting on the seabed at a depth of about 21 metres and the forward section continues to settle down slowly," according to X-Press Feeders, the vessel's operator.

Located 9.5 nautical miles northwest of the Port of Colombo, the ship is reported to have 350 tonnes of fuel oil onboard. Although, as of Thursday, the company reported no indication of oil pollution taking place. Despite attempts of the salvage crew to tow the vessel to deeper waters, they failed to do so. They continue to remain at the scene on standby and are supported by the Sri Lankan Navy and Indian Coast Guard, who are ready to respond to oil spills.

The ship had 1486 containers onboard and during the fire outbreak, all crew were safely evacuated. The ship is also reported to carry 25 tonnes of nitric acid.

To examine the environmental detriment of the incident, the Sri Lanka Navy has dispatched research vessel, Samudrika. The Maritime and Port Authority of Singapore have been in constant contact with the Sri Lankan authorities, the ship operator and its classification society to assist with stabilising

the ship, extinguishing the fire and reducing the environmental impact this event will cause.

MPA stated, "based on the latest update from the ship operator on June 2nd, while the fire on board has been put out but the ship's condition has deteriorated. MPA understands that the ship's stern is now submerged, and the ship may be at risk of sinking."

MPA added that the vessel was registered in Singapore this February and was delivered from the shipyard during the same month with a full set of applicable class and statutory certificates.



Ackerman, I. (2021). X-Press Pearl sinking, environmental impact mounts. Retrieved from The DCN on 4th June, 2021.

NATIONAL FREIGHT DATA HUB PROTOTYPE RELEASED

A prototype of the National Freight Data Hub has been launched by the Australian Government, after its announcement to fund \$16.5 million in the 2021-22 state budget to further develop the hub. Michael McCormack, Deputy Prime Minister and Minister for infrastructure, transport and regional development, said the hub would be a trusted source of freight data for the industry, government and others to boost the freight sector's efficiency, safety and resilience. Mr. McCormack said, "the hub will highlight important information about traffic volumes, congestion, road condition and rest area usage, to improve road safety for the nation's freight operators. Every Australian, everywhere, every day relies on a truck driver, which is why we need high-quality, easily accessible data to make sure the movement of goods and services is as efficient as possible, especially as Australia's freight task grows."

Marika Calfas, NSW Ports C.E.O., said the prototype website is an integral first step towards a comprehensive National Freight Data Hub. "A fully developed National Freight Data Hub, with data across all supply chains, will assist with decision-making and evidence led-investments to enhance the efficiency and resilience of Australia's freight supply chains and to quantify investment outcomes", said Ms Calfas. Meanwhile, Kirk Coningham, Australian Logistics Council C.E.O., said having an integrated National Freight Data Hub is important to the delivery of the National Freight and Supply Chain Strategy. He said, "the ALC commends the government on the launch of the prototype website and looks forward to working together on this vital project, to ensure it meets the needs of industry now and into the future."

Scott Buchholz, assistant minister for road safety and freight transport, said the industry

raised the need for a congestion metric to assist with their businesses and the Australian government. Mr Succholz said, "the website showcases government and industry co-operation of a number of projects and allows users to search for data relevant their business. Interactive truck telematics are publicly available at national level with insights on congestion in our cities."

Peter Carney, Toll head of innovation, said the congestion data will provide the freight industry and all road users a keener understanding of where and when congestion takes place. Mr Carney said, "this will enable road users and governments to develop strategies for managing the effects of congestion. The maps will assist drivers in planning their routes, because knowing where not to drive is as important as knowing where to drive."

The National Freight Data Hub plans to be a "federated data sharing network", as stated in the Department of Infrastructure, Transport, Regional Development and Communications website. The three main functions and purposes of the hub are: to provide better access to existing government data, to enable data exchange and to encourage leadership and innovation by connecting freight data users with each other. "Establishing a hub as a trusted source of national freight data will provide a national picture of critical information to keep freight moving, such as where roadworks are occurring or the impact of congestion," the department said, "it will also support container tracking to manage biosecurity and dangerous goods risks, forecast freight demand and provide insights into port performance."

Click here to view the National Freight Data Hub prototype website datahub.freightaustralia.gov.au.

SEAFARER TESTS POSITIVE TO COVID-19

Testing positive for COVID-19, a seafarer in his 20s, on chemical tanker Allegra, is now isolating in hotel quarantine. Currently, the vessel is docked at the Kwinana Bulk Jetty, south of Fremantle.

Mark McGowan, Western Australia Premier, stated the other 22 crew members onboard did not show symptoms and believes the ship should depart from Western Australia “as soon as possible”. He said, “the state government’s very, very strong view is that the ship should sail as soon as possible. We’d like to ship to sail, to go back – I think it’s to Malaysia – with the cargo and leave Western Australia as soon as possible. The crew are healthy, the ship is ready to go. It reduces pressure on Western Australia if the ship sails immediately.”

According to the Western Australia Department of Health, on Sunday 30th May, the man attended Fiona Stanley Hospital for an unconnected illness and presented with no COVID-19 symptoms.

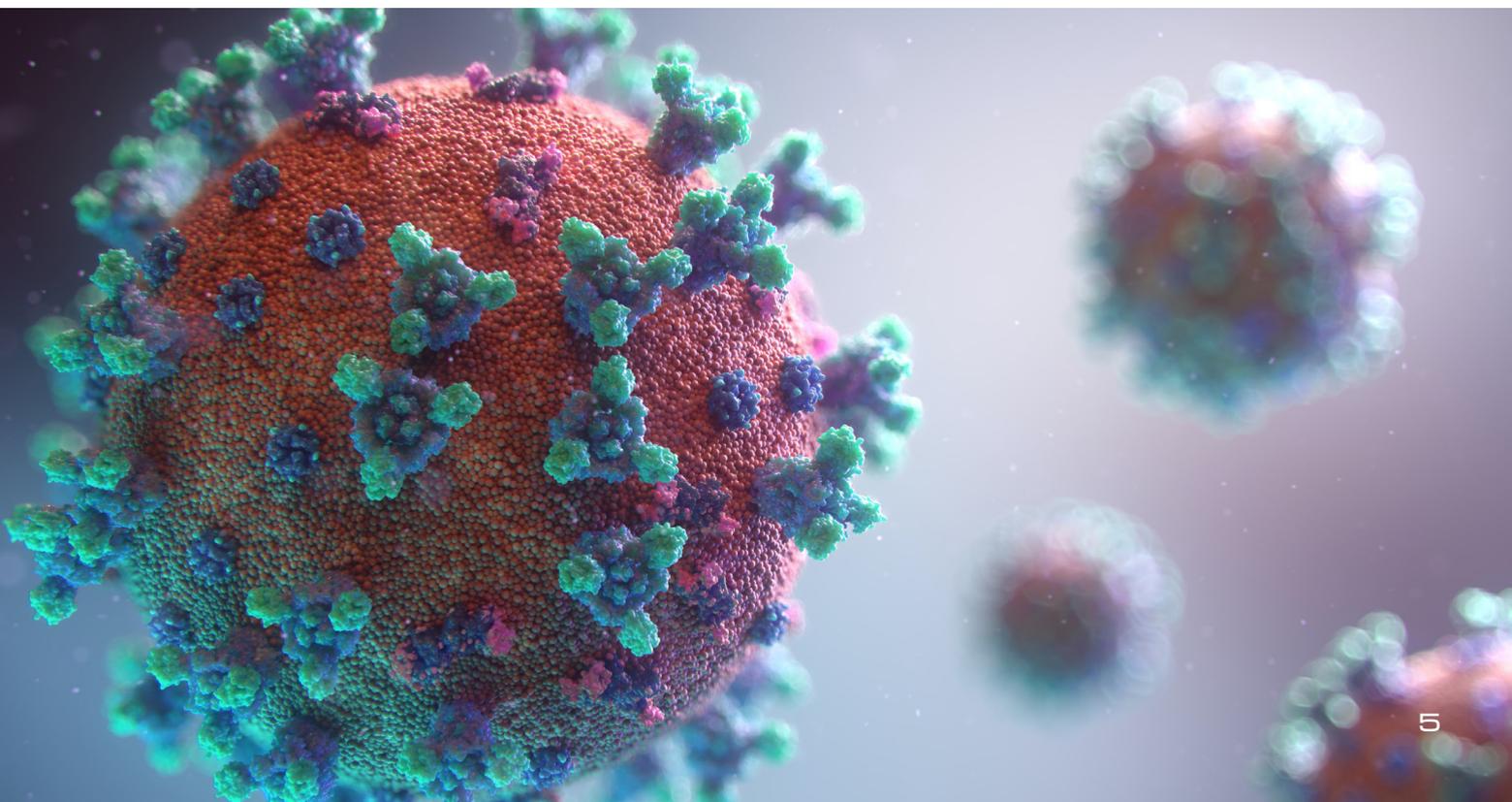
“As the man came off the ship, he wore appropriate PPE and health staff followed infection control processes and treated the man as they treat all maritime crew – as a suspected positive COVID-19 case and he happened to be tested for COVID-19”, the

department said, “following his treatment at the hospital he was discharged back to the vessel. The man returned an initial weak positive test result via GeneXpert but returned a negative confirmatory test (PCR).”

The following day saw the Allegra seafarer returning with a positive PCR test, who was then immediately relocated to hotel quarantine on Monday evening, where he must undergo mandatory quarantine for 14 days.

WA Health, in conjunction with WA Police and Commonwealth authorities are working to facilitate the departure of the Allegra, from the Kwinana Bulk Jett.

Source: Aklerman, I. (2021). Seafarer tests COVID-19 Positive in WA. Retrieved from The DCN, on 2nd June, 2021.



RECORD HIGH FREIGHT RATES TAKE THEIR TOLL

The huge soar in freight rates across major trade-lanes are chewing into retailers margins, putting the transport of some commodities unsustainable and at risk.

According to Sea-Intelligence, average spot rates in conjunction with carrier premium fees – which became essential to secure equipment and space on heavily booked vessels – means the de-facto rate from Asia to the US west coast is close to \$10,000 per 40ft and for North Europe, over \$12,000 per 40ft.

Sea-Intelligence examined the impact of these record high transport costs on a range of both high- and low-end commodities in the respective sectors.

“It is clear that the worst impacted cargo owner category included in the analysis is assembled furniture, where the freight rate now accounts for up to 62% of the retail value of the goods, when the goods moved are in the lower range of the commodity value,” the report states.

Meanwhile, shipments of lower-value large appliances have observed rates account for 41% of the cargo value, and for even small appliances, the freight now accounts for 27%, as per the analysis.

One garden furniture retailer, believes that consumers are in for a real shock. “The average punter is quite savvy on comparing prices on

Amazon and elsewhere, but they are likely to find a lot of stock on the sites unavailable,” he said, “we have already had to increase our prices for patio garden sets by around a third this year, just to cover the extra freight costs, and we may have to hike that higher when we eventually get our next shipment.”

Alan Murphy, Sea-Intelligence C.E.O., trusts that the elevated rates are taking their toll on trade. He said, “from an overall perspective, it is very clear we are now at a point where an increasing range of cargo owners quite simply will not be able to sustain their business at the currently high freight rates.”

Wackett, M. (2021). No shade for trade as still soaring freight rates start to take their toll. Retrieved from <https://theloadstar.com/no-shade-for-trade-as-still-soaring-freight-rates-start-to-take-their-toll/> on 4th June, 2021.



EXPECTED RISE IN SHIPPING COSTS DUE TO COVID-19 OUTBREAK IN CHINA

The COVID-19 outbreak that spread across port staff and the broader community, triggered the partial closure of Yantian Port's container yard as of last week.

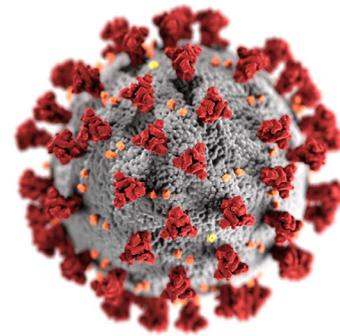
Being one of the busiest ports globally, with a cargo throughput of 13.34 million 20 ft equivalent unit in 2020 and serving about 100 ships a week (source: Shenzhen government website), this can spark a delay in shipments as a result of stricter virus control measure being implemented.

According to a port employee, all cargoes which leave Yantian Port in China will require reservations. The port has strengthened its COVID-19 testing programme for imports which can cause a delay for imports and cargoes who enter China. Yantian Port in the export and industrial hub of Shenzhen, Southern China, had temporarily ceased the acceptance of containers for export until Sunday. State wide media reported the port's container yard being partially shut down since last week after the COVID-19 outbreak.

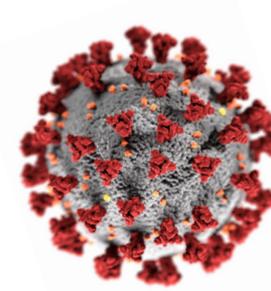
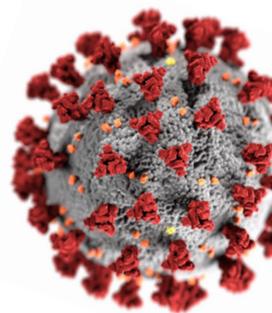
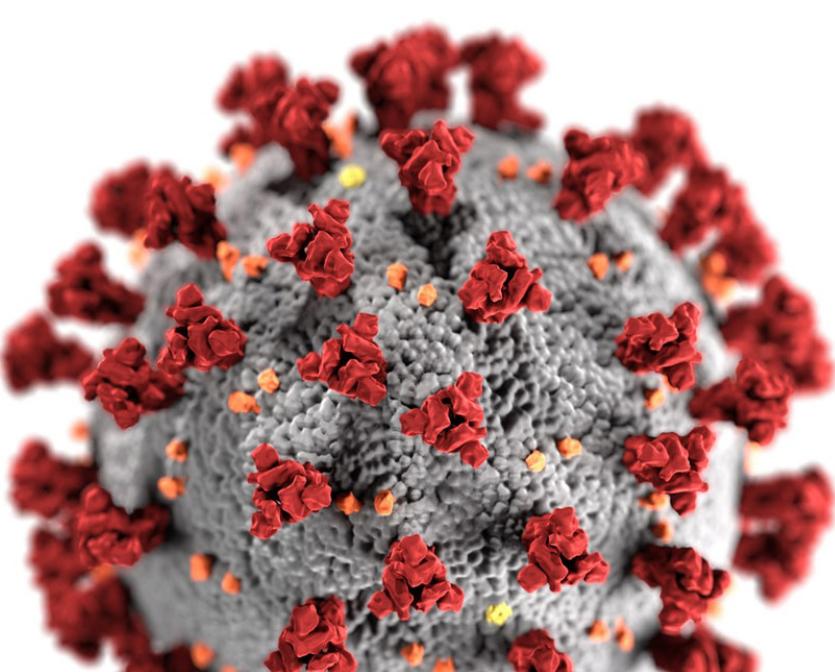
The disruptions will most likely continue into the next week, with AP Moller-Maersk reporting delays in its schedules as a result of

the closure. Any delays will predictably add to the pressure on the existing sky-high costs of shipping goods from China, which have sky rocketed on record export demand, container shortages and other factors.

Such shipping costs are just one of the factors boosting the price of China's exports, which threaten to further initiate global inflation. The local government will conduct mass testing of the entire Yantian district population, as per their Friday notice.



Bloomberg. (2021). China container port expects delays after coronavirus outbreak, shipping costs set to rise further. Retrieved from <https://www.scmp.com/economy/china-economy/article/3135479/china-container-port-expects-delays-after-coronavirus> on 4th June, 2021.



HMM'S DOZEN 13,111 TEU CONTAINERSHIP ORDER FROM KOREAN YARDS

HMM, South Korean flagship carrier, is said to have ordered a dozen 13,248 TEU containerships from compatriot yards Hyundai Heavy Industries and Daewoo Shipbuilding & Marine Engineering. The deliveries will reportedly take place between late 2024 to September 2025. A HMM spokesperson said, “we are considering new orders for containerships including 13,000 TEU class, but no decisions have been made yet. We expect a conclusion this month.”

The orders are being made amongst the direction of a team consisting of Moon Sung-Hyeok (Minister of Oceans and Fisheries), Bae Jae-Hoon (HMM C.E.O.), Hwang Ho-Sun Korea (Ocean Business Corporation president), Hong Jam-Ki (Minister of Economy and Finance) and Sung Yun-Mo, (Minister of Trade, Industry and Energy).

Once delivered, HMM’s fleet will grow to 1.12 million TEU achieving ‘cost competitiveness’ on transpacific routes. Currently, HMM is South Korea’s largest liner operator and is sitting 8th in the world. Recently, they took delivery of twelve 24,000 TEU and eight 16,000 TEU vessels which were deployed on Asia-Europe and transpacific services.

The Ministry of Oceans and Fisheries stated that HMM’s recovery near-bankruptcy showcased the success in the government’s five-year plan in April 2018 to recover the country’s maritime industry.

Despite a year of losses, HMM was able to achieve a record operating profit of \$831.1 million in 2020 as container freight rates sky rocketed to unprecedented levels during the tight capacity.

Li, Martina. (2021). HMM and an order for a dozen 13,000 teu box ships from Korean yards. Retrieved from <https://theloadstar.com/hmm-and-an-order-for-a-dozen-13000-teu-box-ships-from-korean-yards/> on 4th June, 2021.



INCOTERMS 2020 - WHAT YOU SHOULD KNOW

INCOTERMS (International Commercial TERMS) are very often misused and misunderstood. The correct and careful use of INCOTERMS is vital to protecting your company in dealings with international parties for the purchase and sale of goods. The array of INCOTERMS are managed by the International Chamber of Commerce (ICC) and are updated every 10 years, hence the designation of INCOTERMS 2010 or INCOTERMS 2020. In the most recent update to INCOTERMS in 2020 there were a few changes made, but nothing that really affected 99% of the usage for cargo into Australia.

In this article we will identify the most common mistakes made in the usage of INCOTERMS, and outline what you can do to make sure you are better protected. We all generally know the most common terms (eg; EXW, FOB, CFR, CIF) and their basic application, so we won't review the actual terms here, instead we will focus on how to better utilise the terms.

Common Mistake # 1 - No NAMED PLACE

Without a NAMED PLACE, the use of an INCOTERM is effectively pointless. For example, in "FOB Shanghai", the named place is "Shanghai". Imagine that you received a price from a supplier, and they told you the price was "FOB" but didn't specify a named place. Their office is in Jakarta, so you assume that the price they gave you is FOB Jakarta, but then once the order is placed and paid for they advise that the FOB point is Bali. All of a sudden there is a myriad of extra costs involved in order to get the cargo from the FOB point that you probably didn't allow for.

The ICC advise that NAMED PLACES should be as specific as possible. Another example is that in Shanghai there are two container terminals. One terminal is in downtown Shanghai (Waigaoqiao), and the other (Yangshan) is a very long drive out along a bridge out to a man made island in the middle of the bay, the additional trucking costs are quite large. So as a supplier, if you quote your price as FOB Shanghai, but then the consignee selects a vessel that will depart from Yangshan terminal, then all of a sudden you are bearing additional unplanned

for expenses. The way to protect this from happening would be to quote "FOB Shanghai - Waigaoqiao terminal".

Common Mistake # 2 - Transfer of Risks

This common misconception has caught many importers unaware and resulted in large costs. It is often mistakenly believed that under CFR/CIF/CPT/CIP terms ("C" terms) that the supplier bears all the risks until the cargo arrives at the NAMED PLACE destination port. For example, if you purchased a container of clothing from Italy and the terms were CFR Melbourne Port, and whilst at sea the container fell overboard after leaving the origin port but before arriving into Melbourne port, who would bear the risks of cargo loss and having to claim on insurance? The answer is that the consignee bears ALL risks once the cargo has been loaded on board the vessel at the origin port.

Even though the supplier is responsible for paying the freight all the way through to Melbourne port, and the terms are CFR, as soon as the cargo is loaded on board at origin all the risks pass to the consignee. Please be very aware of this pitfall as many buyers of cargo mistakenly believe that they are better protected under "C" terms because the supplier carries the risk.

Common Mistake # 3 - Sea Terms used for Air Transport

Officially, FOB and CFR/CIF terms are only able to be used for sea freight. This is as a result of the terminology used within the definitions of those terms. For cargo being transported by air, the terms FCA, CPT/CIP are the more correct terms to be used in order to 100% protect your company in the event of any claims and arbitration being required. Whilst it is extremely common for sea terms to be used for air transport, we highly recommend that any sales contracts made for the purchase of cargo by air do in fact use the correct INCOTERM.

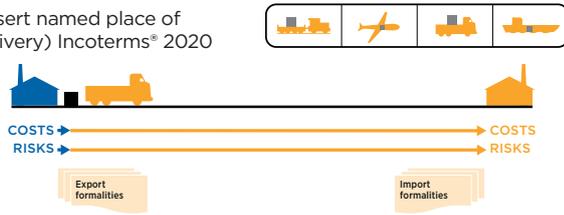
For ease of reference the following page identifies INCOTERMS 2020 and provides a brief understanding of risks and obligations. If you would like to discuss INCOTERMS with one of our experts please do not hesitate to contact us on 1300 186 629.



RULES FOR ANY MODE OR MODES OF TRANSPORT

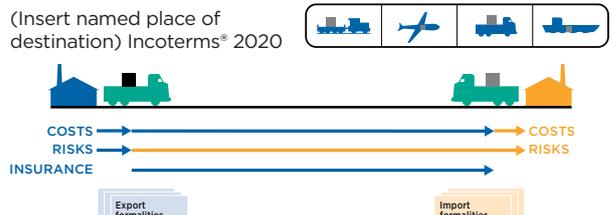
EXW Ex Works

(Insert named place of delivery) Incoterms[®] 2020



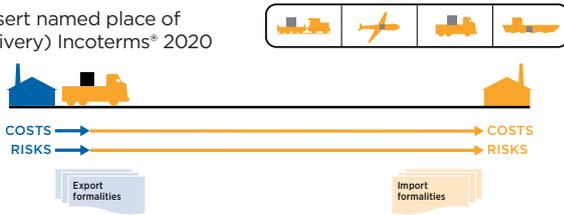
CIP Carriage and Insurance Paid To

(Insert named place of destination) Incoterms[®] 2020



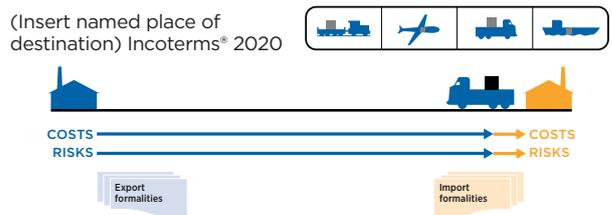
FCA Free Carrier

(Insert named place of delivery) Incoterms[®] 2020



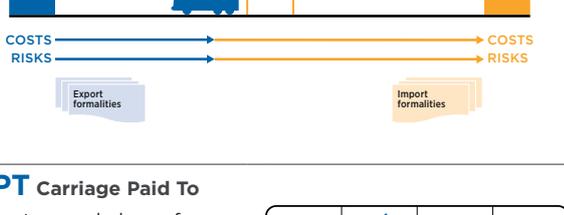
DAP Delivered at Place

(Insert named place of destination) Incoterms[®] 2020



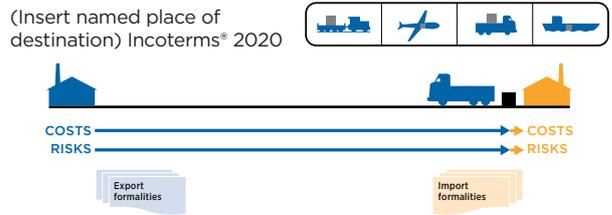
CPT Carriage Paid To

(Insert named place of destination) Incoterms[®] 2020



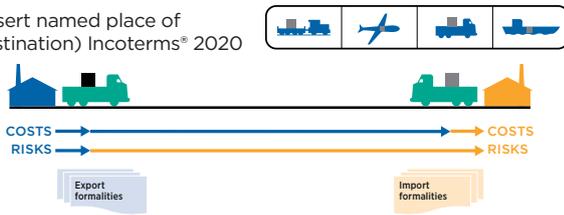
DDU Delivered at Place Unloaded

(Insert named place of destination) Incoterms[®] 2020



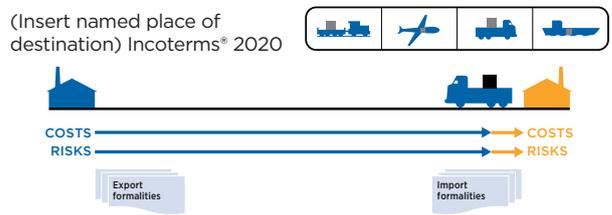
CPT Carriage Paid To

(Insert named place of destination) Incoterms[®] 2020



DDP Delivered Duty Paid

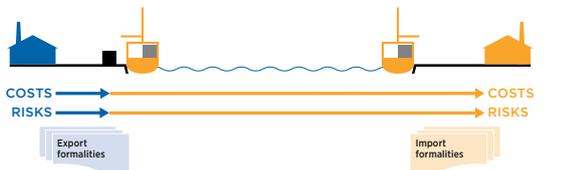
(Insert named place of destination) Incoterms[®] 2020



RULES FOR SEA AND INLAND WATERWAY TRANSPORT

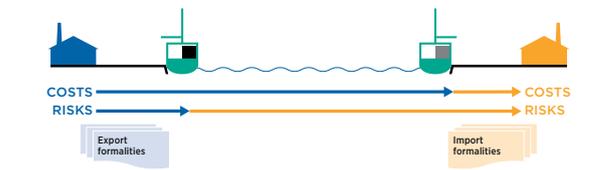
FAS Free Alongside Ship

(Insert named port of loading) Incoterms[®] 2020



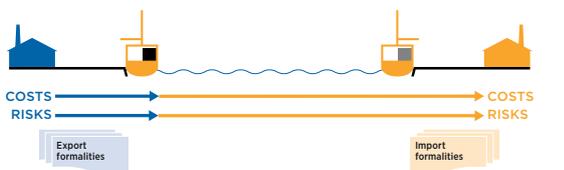
CFR Cost and Freight

(Insert named port of destination) Incoterms[®] 2020



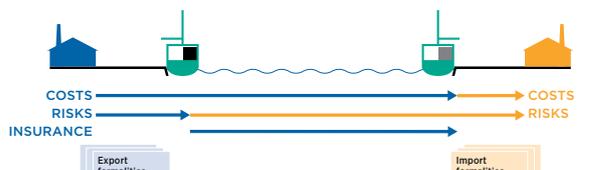
FOB Free on Board

(Insert named port of loading) Incoterms[®] 2020



CIF Cost, Insurance and Freight

(Insert named port of destination) Incoterms[®] 2020



FRIDAY FUNNIES

Winter
Edition!

How was the snow globe feeling?
A little shaken!

Who is Frosty's favourite aunt?
Aunt Artica!

What do snowmen call
their offspring?
Chill-dren

What can you catch
with your eyes closed?
A cold.

How do mountains stay warm?
They put on their snowcaps.

How does a penguin
build a house?
Igloos it together!

What do you call it when
a snowman throws a
temper tantrum?
A meltdown.

What does a cyclist
ride in winter?
An icicle.



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