



TOMAX  
NEWS

Issue 46  
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**PLUS:**

# MARKET SUMMARY

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- Airfreight services and rates from China to Australia are once again proving troublesome. Various direct services have been cancelled as a result of COVID outbreaks or diminished demand for passenger movements. Cargo demand has recently skyrocketed causing backlogs for airfreight movement and increasing pricing. Please ensure that over the coming weeks you allow an additional 4-5 days for airfreight movements due to backlogs and longer transit times.
- A reminder that the PONUS stand container weighing charges will be introduced in Melbourne from 4th October 2021. Any containers found to be more than 1,000 kgs different in weight from the declared weight (even if that weight is declared by an overseas shipper and not the importer) will be subject to expensive penalties. Please liaise with your suppliers to remind them of the importance of accurate weight declarations and notation on export documentation.
- Ocean freight rates continue to march higher around the world with shipping lines reporting and endless stream of record profit results. Various global shipping line regulatory bodies are investigating the shipping line methodologies with a view to potential cartel conduct charges being laid. Whilst it is unlikely that charges or action will be brought against the shipping lines, it is crucial that this sort of scrutiny expands to assist keeping shipping lines reasonably in check.
- BMSB season is here! The dreaded Brown Marmorated Stink Bug season kicked off on 1st September. Please read the important article in the newsletter to stay abreast of all the updated information on this issue.



# LATEST NEWS



## QANTAS PREPARES FOR INTERNATIONAL FLIGHTS TO RESUME THIS DECEMBER

**Q**antas has stated that preparations are underway to resume international flights to North America, the UK and some Asian destinations from December, signifying that Australia's rapidly progressing vaccination rate will enable borders to reopen by then.

The airline will also be bringing 5 of its A380s back into service from mid-2022 which will fly between Sydney and LA, and then from Sydney to London from November. Alan Joyce, C.E.O., says he expects an increase in domestic travel demand and a gradual return of international travel when critical vaccination targets are reached.

"Despite the uncertainty that's still in front of us, we're in a far better position to manage it than this time last year," Mr Joyce said, "we're able to move quickly when borders open and close. We're a leaner and more efficient organisation. And our requirement for all employees to be vaccinated will create a safer environment for our people and customers."

Alan's statement reflected well in the company's share price, with the Qantas stock now up more than 30% in the last 12 months and being among the most traded stocks on the ASX on Thursday.

Despite Qantas suffering a revenue loss of \$16 billion so far, because of extensive disruption to domestic and international travel, the airline has managed to reduce its total debt from \$6.4 billion to \$5.9 billion in June. Their restructuring program resulted in their total liquidity being \$3.8 billion at June-end, with the airline achieving savings of \$650 million.

Mehra, P. (2021). Why is the Qantas share price flying higher? Retrieved from <https://www.finder.com.au/qantas-share-price-flying-higher> on 31st August, 2021.

# PORTS AUSTRALIA PUSHES FOR GREATER ACTION ON SEAFARER VACCINATIONS

**P**orts Australia has requested for Australian governments to “consider how they can contribute to increasing vaccination rates of international seafarers”.

Ports Australia referred to Maritime Safety Queensland and QLD Health’s announcement that they would commence a trial program to vaccinate seafarers in the upcoming weeks.

Ports Australia released a statement to highlight that hundreds of thousands of seafarers have remained stranded onboard ships during the entirety of the COVID-19 pandemic due to the significantly hindered ability to conduct crew changeovers or take shore leave.

The organisation said, “while the situation is gradually improving locally and internationally, there are still vessels arriving in Australia with COVID-19 onboard meaning vaccination of seafarers must be a top priority to ensure their safety, the public’s safety, and continuity of trade.”

Ports Australia acknowledges the significant logistical challenges to vaccinating masses of seafarers visiting Australian ports, although critical steps can be made to progress this effort including:

- Identifying vessels which are regular visitors to Australian ports and are therefore easy targets for vaccinating crew onboard. This approach has already seen success at Port Botany where NSW Ports and NSW Health collaborated to identify a number of frequently visiting gas carrier vessels before vaccinating the crew onboard over a series of weeks and months.
- Prioritising portions of the shipping industry which are critical to Australian livelihood (fuel supply for example). This action will highlight where government must look first when building our roadmap to vaccinating seafarers visiting Australia.
- Building a database which collates vaccinations of seafarers visiting Australian ports. This can be achieved by the Federal



- Government liaising with shipping lines and gathering data on where and when seafarers have been vaccinated, and what vaccine they were administered. This action will provide transparency for state and territory jurisdictions so they can identify opportunities for vaccinating seafarers prior to their arrival.

Ports Australia CEO Mike Gallacher supports the approach taken by Queensland and urged governments around Australia to act immediately. “Importing and exporting goods across Australian borders is impossible without international seafarers. The nature of a seafarer’s work exposes them to parts of the world currently overwhelmed by the virus, meaning we will continue to have vessels turning up at Australian ports with COVID-19 cases on board,” Mr Gallacher said, “according to media reports, scores of vaccines are being wasted after not ending up in Australians’ arms for myriad reasons, so why can’t they start going to our critical seafarers? The Queensland approach is commendable and a worthwhile template for adaptation across Australia. Ports Australia does not suggest this is a simple feat but does believe that all levels of government and industry have a role to play in raising the vaccination rates of international seafarers who service our nation.”

Ackerman, I. (2021). Ports Aus urges more action on seafarer vaccinations. Retrieved from <https://www.thedcn.com.au/news/staffing-crewing-and-training/ports-aus-urges-more-action-on-seafarer-vaccinations/> on 2nd September, 2021.



# FREIGHTER FLIGHTS RESUMING AT SHANGHAI, BUT REDUCED CAPACITY PUSHES RATES HIGHER

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**F**reighter flights are slowly resuming at Shanghai Pudong Airport (PVG), but a reduced workforce means week-long cargo delays and fast-moving freight rates.

Last Friday, China's drastic Covid policies caused widespread cargo disruption at PVG, after a positive Covid test at ramp handler Shanghai International Airport Services, resulting in hundreds of staff sent for testing or quarantine and mass flight cancellations.

According to various air charter companies space is still scarce. Cargo capacity from PVG is down by a third and ramp handling capacity down 80%.

Some industry players have noted that only smaller shipments get prioritised by airlines. The transit time ex-Shanghai will be extended by up to five-to-seven days for some trade-lanes.

Cathay Pacific said it had resumed "most" of its freighter services to and from PVG, after having suspending flights until 23 August.

Sources reported that Shanghai cargo terminals PACTL and EAL were operating, albeit with a reduced workforce. Therefore the airport's reduced manpower – already stretched to the limit by extreme quarantine rules – had resulted in cancelled 'freighter' flights and a 50% loss of capacity.

An airline industry worker stated that, "Only small percentage of freighters have been cancelled, but perhaps not because of Friday's Covid disruption, but affected by the airline crew quarantine requirement already in place – for example, some airlines, like China Southern, need to bring crew from Guangzhou to fly its freighters out of PVG. We expect most freighters will be back to schedule soon, while all passenger-freighters will remain cancelled until 5 September." He added that a lot of cargo was being diverted to Beijing, meaning the backlog at PVG was not as serious as before. The present booking window with airlines is about 7-9 days in advance.

Furthermore, with capacity from PVG down 30%-50%, rates are continuing the upward spiral experienced since the start of the year.

"Rates have increased a lot since Friday," the industry worker explained. "One scheduled charterer increased rates by \$1.50-\$2 per kg within the past two days."

Industry pundits have estimated that rates from PVG could reach \$12 to \$15 per kg by next week on some flight routes.



# BROWN MARMORATED STINK BUG (BMSB) SEASONAL MEASURES UPDATE

**F**urther to the announcement of the 2021-2022 BMSB seasonal measures, the following notification was received from the Department of Agriculture, Water and the Environment of a limited reduction in goods subject to BMSB measures for the upcoming season commencing 1 September 2021.

What's New:

- 23 July 2021 - addition of Poland as target risk country.
- 23 July 2021 - emerging risk countries identified as Belarus, Malta, Sweden, United Kingdom and Chile.
- 26 August 2021 - removal of tariff chapters 36 and 93 from target high risk goods list.
- 26 August 2021 - removal of tariff chapters 25, 26, 31, 46 and 47 from target risk goods list.

The department held a number of information sessions for the upcoming BMSB season and closed with the following key messages which serve as a valuable reminder:

- BMSB season remains unchanged for the 2021-22 BMSB season.
- Poland has been added to the target high country list.
- Removed Ch36 Explosives and Ch93 Ammunition from target high risk goods list.

- All onshore treatments will be at the container level. Deconsolidation or removal of goods is not permitted prior to treatment.
- Ensure all break bulk, open tops (including in-hauge) and flat racks are treated prior to arrival into Australia,
- To prevent any onshore delays, treat offshore where possible or pack containers as per the suggestions of the consignment suitability fact sheet.
- Goods treated by registered offshore treatment providers receive reduced intervention on arrival in Australia.

# OPINION

## SHIPPING LINES MAKING HUGE PROFITS - WILL IT LAST?

**D**reywy's Container Forecaster report is predicting that annual profits for the industry could exceed US\$100 billion. Maersk, the world's biggest container shipping line, is forecast to make about US\$14.5 billion this year.

Compared to land-based companies, shipping lines are often taxed based on their tonnage rather than income or profit. Tonnage tax creates a predictable, consistent and usually low tax expense. In a year where profits are low, or losses are high, the corporate tax bill remains the same as in the good years when profits are high. For instance, Maersk's effective tax rate was less than 5% during the most recent six-month period according to Bloomberg. This probably means that of the US\$100 billion, very little will end up in government's coffers.

There is currently a push for the introduction of a global minimum effective tax rate (15% is being mooted) that would apply to groups with annual gross revenues in excess of US\$750 million and seeks to have companies pay their taxes in jurisdiction where their customers are based. This would include shipping lines but so far, they have managed to avoid becoming subject to this tax regime.

The latest profits, which come after many years of negative or very little returns, should set the shipping lines up for years to come and has spurred on investment in an extensive new shipbuilding program. The orderbook currently stands at 5.3 million TEU, with 16,000-TEU ships being the most popular, according to the Baltic and International Marine Council (BIMCO) with the majority scheduled for delivery in 2023.

There is currently a shortage of container vessels as well as containers. The shortage is due to a number of factors, the main one being the COVID pandemic, which caused

imported goods to surge, compounded by port closures and queues of container ships waiting to unload at some of the major ports in the world.

There's even talk about converting open-hatch vessels so they can carry containers. For older DCN readers, this brings back memories of the infamous ABC Container Line round the world service, which used to call at several Australian ports, that went into receivership in 1996 leaving many creditors, including stevedoring companies, out of pocket. The line used a type of vessel that could carry containers as well as breakbulk. Container stowage in the forward hold was a nightmare, as a heavy forklift had to be used below in order to stow the containers athwartships five high in the wings causing all sorts of difficulties and safety issues.

The shipping industry is used to a boom or bust scenario and is sometimes its own worst enemy by flooding the market with additional capacity that causes a price war to fill the ships. In view of the new shipbuilding program being undertaken at the moment, the question is will that happen again? Industry experts expect not, as consolidation in the industry (80% of global container shipping capacity is controlled by 10 operators) and retiring of older ships in the fleet will keep the market balanced, certainly for the next few years. For shippers this will most likely mean a continuation of high prices for container bookings.

Time will tell if we have another black swan event such as the COVID pandemic, or will it be more plain sailing and calmer waters for the shipping and logistics industries in the years ahead.

Duyn, P. (2021). OPINION: SHIPPING LINES ARE MAKING HUGE PROFITS - BUT WILL IT LAST? Retrieved from <https://www.thedcn.com.au/news/containers-and-container-shipping/opinion-shipping-lines-are-making-huge-profits-but-will-it-last/> on 2nd September, 2021.

# STAFF SPOTLIGHT



## MEET JACOBI CHANDLER

Vice President - Operations  
TOMAX LOGISTICS SEATTLE

### YOUR ROLE AT TOMAX?

Imports & Exports.

### ANY HOBBIES?

Basketball & Family trips.

### COOL THINGS TO DO IN SEATTLE?

Hiking @ Snohomish falls or the Casino!

### DO YOU FOLLOW ANY SPORTS?

Football and Basketball.

Teams: Cowboys & Lakers/Brooklyn Nets.

### IF YOU COULD TRANSFORM INTO ANIMAL, WHAT WOULD IT BE?

I'd be a lion, so I can be King!

### FAVOURITE CHILDHOOD MEMORY?

Going to a Seattle Supersonics Game.

### FAVOURITE SONG?

Jay Z - Cant Knock the Hustle.



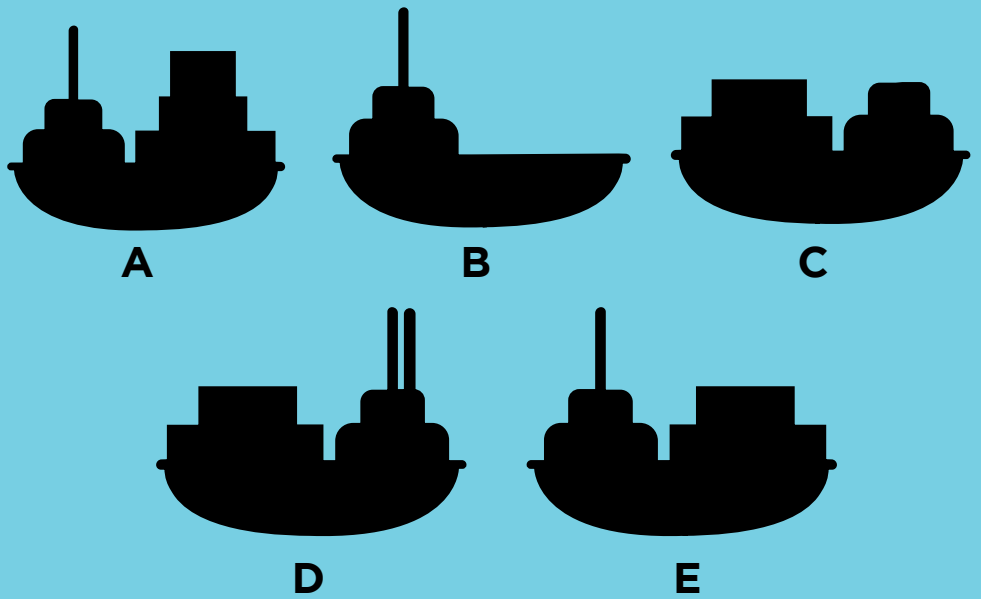
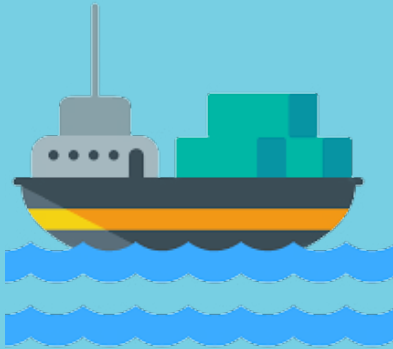
*Jacobi's adorable children!*





# QUICK BRAIN TEASERS

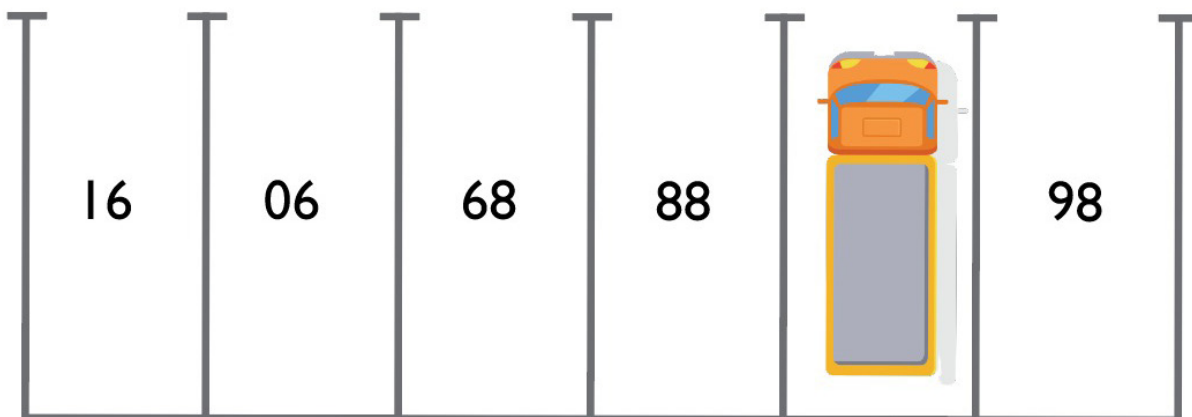
**Q1:** Match the correct shadow to the ship below.



**Q2:** How many Shipping Containers are in this picture? (Assuming all are 40 ft containers)



**Q3:** Which parking spot number is the truck parked at?



Answers Q1: E Q2: 51 Q3: 87 (flip upside down)



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