



TOMAX
NEWS

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PLUS:

MARKET SUMMARY

- Industrial warehousing space shortages are causing large issues for cargo owners seeking to store their excess stock brought in early to safeguard against transit delays and supplier production issues. Sydney is feeling the worst of the crisis with availability being less than 0.8%, with the shortages driving up prices and leaving companies scrambling for any available options.
 - Aircraft charters and general air cargo services are in high demand currently as many governments around the world race to bring in pandemic related goods in response to the latest Omicron outbreak. Pricing is moving higher at an alarming rate as demand far outstrips supply in the current market.
 - Shipping lines have warned of rate increases to be applied on the China-Australia trade-lane in response to increasing demand over the Christmas and pre-Chinese New Year periods.
- Seemingly not satisfied with already alarmingly high freight revenues, lines look set to make further moves to bolster their bottom lines by taking advantage of desperate importers left with little option but to pay the exorbitant rates being set by lines laughing all the way to the bank. Industry associations and government bodies continue to apply pressure to lines over their tactics involving collusion, unfair pricing, and service restrictions.
- Delays are being felt across the entire transport network with processing times taking up to 6 times longer than usual in relation to all modes of freight and transport. Container vessel processing is taking 3-4 days (or longer) instead of 1-2, air cargo processing at airline terminals is taking 3-4 days instead of 6-10 hours, and small parcel and pallet deliveries are taking considerably longer than usual.



GAZETTE TARIFF CONCESSIONS (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.

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LATEST NEWS

SHIPPING CONTAINER SHORTAGE NIGHTMARE

Despite being in a beachside suburb in the same neck of the woods as Bondi, you won't find any cheery postcards featuring Port Botany. This scrubby corner of Sydney is alive with industry rather than activewear. Trucks, each laden with a single container, endlessly scurry to and from the scores of ships. But they can't move fast enough to keep up with demand. The vast skyscrapers of shipping containers, piled high at ports worldwide, are a sign that all is not well in global supply chains. Far too many of these steel shells are sitting idle, filled with nothing but air. And there are far too few ships to put them on.

Yet at the same time, retailers are desperate for more overseas deliveries to fill gaps on shelves in the run up to Christmas. The latest product to be affected by this worldwide wrinkle is booze. Retailers are warning customers that supplies of some imported spirits and Champagne could be affected, given the huge demand during the festive period. However, this is considered minor compared to the Britain, who have been warned to expect gaps on shelves until 2023. In a recent report, the Australian Consumer and Competition Commission (ACCC) said a literal "logistic nightmare" was underway, stating, "the supply chain has been kept in a continuous state of disarray, unable to cope with increased container demand."

Shipping containers are the defining feature of Port Botany. Behind barbed wire fences, walls of containers – technically known as twenty-foot equivalent units or TEUs – rise up to the sky. On one side of the street a barrier of identical white TEUs from huge Danish hauler Maersk is easily higher than any local apartment block. Nearby, a collection of more than 200 rust-hued TEUs are piled neatly together, reminiscent of a brooding beached boat. Some towers rise as high as seven containers. Secretary of the Australian Peak Shippers Association (APSA) Paul Zalai told news.com.au the sheer amount of spare containers at Australian ports "caught

everyone off guard" during the height of the pandemic, but the issue had been diminishing. But not so elsewhere. In the UK, spare containers were recently being stored on disused airfields east of London. In Los Angeles, local residents complained when the trucks carrying the enormous steel boxes began cropping up on local streets as they looked for temporary places to store them. "The bottom line is an efficient supply of containers and vessels to serve a booming need," said Mr Zalai.

Ideally, full containers would come into Australia, be emptied and then filled with Australian produce to ship overseas.

"In a perfect world you would have 50 per cent imports and 50 per cent exports," says Peter Van Duyn, an expert in maritime logistics at Deakin University's Centre of Supply Chains and Logistics, "but that's not the case here. Australia has done away with much of its manufacturing so already a quarter of TEUs are sent back empty."

Transporting empty containers increases costs for shipping lines at the best of times. But Covid-19 made everything a lot worse. In October, the ACCC summed up the issue: "There is an abundance of empty containers, but they are stuck in the wrong places. "Shipping lines are finding it easier to build new containers rather than to evacuate the existing ones," the government body said in its container stevedore monitoring report.

Lockdowns and border closures had led to a surge in demand of household goods that were typically transported in containers. Things like TVs, sneakers and gaming consoles. "At the same time, the pandemic set off a cascade effect, with intermittent and ongoing shocks across the supply chain, draining spare shipping and port capacity. The supply chain has been kept in a continuous state of disarray, unable to cope with

increased container demand. This represents a logistic nightmare for the industry.” Shipping line schedules that once “worked like clockwork” were seizing up, the ACCC said.

One of the biggest continuing issues is at the ports of Los Angeles and Long Beach in California which handles 40 per cent of US container traffic. Despite the ports’ huge size, stevedores can’t cope with the huge demand to unload and load ships. “About 70 or 80 ships are currently out waiting to get into California ... and that reverberates through the whole supply chain.” said Deakin’s Mr Van Duyn. In many cases, shipping lines have been so frantic to unload their cargo in ports and head back to get more, they have left without taking on any containers – leaving the TEUs stranded on the wrong side of the ocean.

Another issue has been China’s Covid-zero stance, which has led to the closure of entire ports because of a single COVID case, further impacting container supply. However, it’s not just Covid-19 causing problems. The “Ever Given” ship blocking the Suez Canal, one of the world’s busiest shipping lanes, was an additional obstacle as well as the industrial action by stevedores in Sydney. At one point earlier in the year it was estimated 30,000 more containers had arrived in Sydney than had left. These thousands of containers simply piled up in container parks and transport depots waiting to be returned.

The lack of containers has led to an “astronomical” jump in shipping costs which in turn feeds into prices for consumers and so inflation. For retailers that’s led to delays in getting products shipped to them and gaps on shelves. Henrik Pedersen, CEO of Associated British Ports, stated that he would

be “positively surprised” if the issue was resolved next year meaning the chaos could last until 2023. Referring to a post-Brexit shortage of truck drivers in the UK, Henrik said, “when you have congested container ports around the world, it takes a very long time to turn it around.” Retailers including Marks & Spencer have witnessed empty shelves for some of their items. In Australia, imported booze is now under threat in the logistic crosshairs. Endeavour Group, which owns retailers Dan Murphy’s and BWS, has blamed “supply chain constraints” for a 12 bottle per person limit of French Champagne brands including Mumm, Pol Roger and Moet. Coles, which owns Liquorland and First Choice, has also implemented some buying limits but has insisted it was standard practice around busy periods.

APSA’s Mr Zalai believes that a lack of ship capacity was now a bigger issue than containers with not enough vessels, for instance, plying key routes from Australia to the Middle East and South Asia which is crucial for agriculture exports. He said, “we’re thrilled the government has heard our cries and that there will be a Productivity Commission review into this because there is no easy answer and there needs to be thorough and independent research.”

If domestic restrictions returned, it could ramp up the problem, he said, as Australians spent more money on products to entertain themselves at home. “If that doesn’t happen though, there is a way out of the supply chain woes. Once the holidays are over and people are buying less stuff then there won’t be as much pressure on supply chains. So it’s reasonably hopeful that things will go back a bit more like normal and the astronomical prices currently being charged for containers will come down, “ said Mr Van Duyn.



MODERN SLAVERY Q&A

WHAT IS MODERN SLAVERY?

It's something that a lot of people think only happened hundreds of years ago. But it's more prevalent today than it was yesterday and it will be more prevalent tomorrow than today. To put it simply, modern slavery is forcing someone to do something they do not want to do. The technical definition involves slavery, servitude, human trafficking, forced labour, debt bondage, forced marriage, child labour and the sale or exploitation of children.

WHY IS THE PROBLEM GETTING WORSE?

There's a lot of money to be had in it, which is the biggest problem. Slave labour is the second highest grossing criminal activity behind the drug trade. The COVID-19 pandemic has also pushed vulnerable people into more desperate situations - when people are desperate, they'll take on labour they typically wouldn't.

WHAT IS THE MODERN SLAVERY ACT?

The Modern Slavery Act requires entities based, or operating, in Australia, which have an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chains, and actions to address those risks. These organisations are required to submit modern slavery statements, describing the risks of modern slavery in the operations and supply chains. The statements must also include information about actions taken to address those risks.

WHAT ARE THE PENALTIES FOR MODERN SLAVERY BEING A PART OF A COMPANY'S SUPPLY CHAIN?

With the current legislation, there are no penalties for anyone who does not submit, puts false data into or makes up a statement. As there are no penalties, some statements end up looking like fancy marketing brochures! Penalties for non-conformance would help drive positive change.

HOW DOES AUSTRALIA COMPARE TO THE REST OF THE WORLD?

According to the Global Slavery Index, there were approximately 15,000 people living in "conditions of modern slavery" in Australia five years ago. Globally there is an estimated 40 million people engaged in modern slavery. About two thirds of the global slave trade occurs in the Asia-Pacific. Some of Australia's biggest trading partners, including China, Malaysia, Indonesia and Thailand are host to some of the most egregious crimes. Modern slavery is usually found in deeper tiers of suppliers.

HOW CAN BUSINESSES BE BETTER?

Half of the battle is awareness and allowing people to know there is a problem. No one is perfect - even the tech equipment we commonly use probably has components that are based on slavery. Businesses will go a long way by simply addressing it. Internal training is important to pair with talking to suppliers to improve the visibility of a supply chain.

CHINA'S PPE BOOM RETURNS!

Airfreight rates are on a steep rise after a boom in personal protective equipment (PPE) exports from China has returned. Rates from China to North America have increased higher than during Q2 20, during a time when COVID outbreaks in Europe triggered consumers to scramble for PPE. Currently, with some major European economies under lockdown again and others predicted to follow accordingly, PPE shipments are again filling freights ex-China amongst an already frantic peak season.

A forwarder in Shanghai said, “there are massive amounts of cargo for the antigen rapid test kits. It started in Germany and gradually spread everywhere in the EU. I’ve also heard there are huge test-kit orders for the UK coming next week.” Additionally, the forwarder stated that rates had surged tremendously this week, with prices soaring “day by day”. For instance, shipments from Shanghai PVG to Europe are between \$14 to \$15.50 per kilogram and to the US east coast from \$18 to \$20 per kilogram. The forwarder continued, “there’s also severe airport congestion throughout the EU. “Everyone is looking around for capacity, but there is little chance to move anything through commercial flights, which means there are many charters coming up. But it’s more than difficult to get available aircraft, even narrowbody passenger freighters, which are the most expensive charters. We are expecting an even worse situation over the next few weeks.”

One industry insider, said, “we carried 30 charters of rapid tests in 30 days for various governments in November, and we heard other freight forwarders also carried a fair bit of PPE to Europe, with full freighter charter

rates reaching all-time high records, in excess of \$1.8m a voyage. But it’s not only PPE pushing up the rates, there’s also the crucial global Covax distribution and the traditional consumer products fighting for the same scarce space during this super peak. Global ocean disruption is also playing a role in the imbalance of supply and demand.”

Furthermore, he believes getting approvals for new arrival and departure slots from China’s civil aviation authority is a “more cumbersome process” than pre-Covid. However, he predicted a brief cooling off for the market in the new year stating, “December has not yet slowed down and I don’t think it will, but first, and maybe second, week of January I believe we will get some breathing space, before airfreight market again ramps up towards Chinese New Year.”

Whelan, S. (2021). Scramble for capacity as China's airfreight PPE boom returns mid-peak. Retrieved from <https://theloadstar.com/scramble-for-capacity-as-chinas-airfreight-ppe-boom-returns-mid-peak/> on 10th December, 2021.



STAFF SPOTLIGHT



MEET DAVID GARNER

VIC FCL CARTAGE COORDINATOR
TOMAX LOGISTICS AUSTRALIA

1. What do you do at Tomax?

I am the Victorian FCL Coordinator.

2. How do you spend your weekends?

Recovering from the busy week by reading, watching a movie or documentary and spending time with my Grandchildren.

3. What is something that instantly brightens your day?

People who use initiative.

4. Favourite place to dine at in Melbourne and why?

I have forgotten after the past 2 years in lockdown! Although, I enjoy a good Steakhouse as it is delicious when cooked well.

5. Any goals you'd like to achieve?

Create an Education Fund for my Grandsons.

6. If you could transform into an animal or object, what would it be?

Time Machine - to get the right Lottery numbers!



SPOT THE DIFFERENCES

Can you spot the 5 differences between each photo?



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