



SCI Australia

Pty Ltd

In This Edition

Triple-E “Wake Up Call”

A Reminder of Freight Priority

Tasmanian Freight Equalisation Scheme

Plus

Staff Spotlight on Sushma Nagpal

December 2015 Newsletter



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Welcome Message

Welcome to the December Newsletter for the clients and friends of SCI Australia. This newsletter is designed to be an informative source about the company and the general industry and includes news, forthcoming events and the lighter side of the people who work for SCI.

We hope that you find this newsletter beneficial and the information provided of great value and interest. We appreciate your suggestions and input for future issues.



Maersk Decision to Lay-Up a Triple-E is 'A Wake-Up Call' Says Drewry

Maersk Line's decision last week to lay-up one of its 18,000 teu flagships is "good news for the industry", Drewry Maritime Advisors said earlier this week.

Other ocean carriers are likely to follow the market leader and mothball more surplus ships. The move to idle the Triple-E vessel followed a profit warning from the Maersk group which lowered its full-year profit forecast for the container division by \$600m to "around \$1.6bn. It blamed freight rates which "significantly deteriorated", especially on its main Asia-Europe route in the latter part of September and into October.

The dramatic turnaround from the Danish carrier was confirmation that, despite its ability in recent years to outperform its peers in terms of operating margins, it is not immune to the toxic mix of too much capacity chasing dwindling cargo demand.

Drewry said Maersk Line's woes were a "wake up call" for the industry – it might have superior economies of scale, but there is no extra 'silver bullet' to protect it from the worsening trading conditions. Without taking steps to mitigate the impact of the downturn, Maersk will bleed like other carriers, said Drewry, adding that it was only four years ago that it posted two consecutive quarterly losses of \$600m.

These losses prompted a radical restructure at Maersk Line and there is speculation that at the group's third quarter results presentation, scheduled for this Friday, there could be announcements of further cuts to services, a cancellation of newbuilding options and, possibly, redundancies.

At the profit warning on October 23, Maersk Group chief executive Nils Andersen would not comment on possible remedies, but confirmed that the container division's chief executive, Soren Skou, would also be present for the third-quarter results presentation.

Elsewhere in the industry, Q3 results posted so far – the \$96m net loss reported by NOL on Friday and combined \$426m loss from Chinese carriers Cosco and CSCL – illustrate the damage to the carriers' bottom lines by the sub-economic freight environment.

Drewry said: "Carriers have thus far been able to stay in the black, despite rapidly decreasing freight rates, because they have managed to cut costs even harder, but the extent of the pricing decline seen recently will exceed any cost savings and tip many carriers towards the red zone, some quicker than others."

One possible light at the end of the tunnel for carriers plying the Asia-Europe lanes arrived on Friday when container spot rates within the SCFI reflected the latest round of general rate increases, implemented yesterday, leaping just over \$750 per teu on the week before.

Meanwhile, the industry malaise has seriously dented Hapag-Lloyd's IPO prospects, obliging the German carrier to discount the price range of its offer and sell additional shares to ensure there will be a full take-up when the extended subscription period ends tomorrow

Source: **The Loadstar**
November 4th, 2015



Tasmanian Freight Equalisation Scheme Extended

New guidelines for the operation of the extended Tasmanian Freight Equalisation Scheme (TFES) have been publicly released. The new laws take effect from 1 January next year and enable Tasmanian companies sending their goods to the mainland to make claims regardless of the goods' final destination.

Acting Prime Minister and infrastructure minister Warren Truss released the new guidelines today, saying the decision was in line with the government's response to the Productivity Commission Inquiry Report on Tasmanian Shipping and Freight earlier in the year.

"With our fresh injection of \$202.9 million, which extends the TFES to include shipments of goods via the mainland to markets not currently covered by the Scheme, we will level the playing field for more Tasmanian businesses," Mr Truss said.

"The new ministerial directions I released today will facilitate the extension of the Scheme and implement administrative changes to improve its effectiveness and efficiency."

Member for Bass Andrew Nikolic said from 1 January, Tasmanian companies shipping goods via the mainland would be able to claim \$700 per TEU via the TFES. "In recognition of their relatively greater shipping freight cost disadvantage and limited shipping service options, shippers from King Island and the Furneaux Group of islands in Bass Strait will be eligible for an additional 15 per cent loading," Mr Nikolic said.

Federal Member for Lyons Eric Hutchinson said the TFES extension would ensure all Tasmanian goods incurring a sea freight disadvantage across Bass Strait received equal treatment when shipped to the mainland. "This will mean more growth and jobs for Tasmania," Mr Hutchinson said.

Source: **Lloyds List Australia**
<http://bit.ly/1kzvHPK>



A Reminder of Freight Priority

Australian Logistics Council managing director Michael Kilgariff said transport congestion in cities which the government predicts could reach \$37.3bn by 2030, affects both passenger vehicles and heavy vehicles stifling efficiency and adding to costs.

“With the logistics industry estimated to add around \$131.6 billion a year or 8.6% to GDP, it is vital that all levels of government give equal consideration to the movement of freight as they do to the movement of people,” Mr Kilgariff said.

“This particularly relates to infrastructure projects which improve the efficiency of our export supply chains, including those to and from our major city ports.

“Addressing congestion in our cities requires a multi-faceted approach from all levels of government, and the fact that the Commonwealth has strongly committed to investing in our cities is a welcome development, particularly in light of these new congestion cost figures.

“However, any new federal approach to moving people should not be at the expense of supporting supply chain projects to move freight more efficiently. “

He said failure to fund key logistics projects would not make economic sense, especially when one considered a 1% improvement in supply chain efficiency would yield a \$2bn-a-year national economic benefit.

“With Australia’s freight task predicted to double between 2010 and 2030 and triple by 2050, it is crucial that policy makers give equal priority to freight in their investment and policy decision,” he said.

Source: **Lloyds List Australia**
<http://bit.ly/1QFYBtx>



Regulations for Live Export to Save \$1.2m

New regulations to assist Australian exporters in preparing live animal consignments to meet animal welfare standards are expected to cut red tape by \$1.2m per year. The regulations will also assist exporters in meeting the requirements of importing countries.

Federal Minister for Agriculture and Water Resources Barnaby Joyce said that the new arrangements will allow the government to focus its resources on areas of the highest risk while ensuring the highest standards of animal welfare are maintained through the supply chain.

He said the arrangements will encourage continual improvement by rewarding compliant exporter performance. And that, under the approved arrangements, compliant exporters would be subject to streamlined verification processes.

“Instead of continually approving mountains of documents, the department will be able to focus on exporters’ business systems, identifying areas of risk and ensuring exporters address any deficiencies before they escalate,” said Minister Joyce.

Mr Joyce said an increased focus on exporters’ business systems will include a stronger emphasis on auditing and will ensure exporters consistently prepare consignments that meet all regulatory consignments.

Approved arrangements will only apply to on-shore activities conducted within Australia and do not change existing Export Supply Chain Assurance System requirements.

Source: **Lloyds List Australia**
<http://bit.ly/1kYoKqY>



Mega Boxship Extension in Felixstowe

The UK port of Felixstowe officially opened its 190 m Berth 9 extension late last week, which will allow it to handle two containerships of more than 18,000 teu at the same time.

The port also purchased three new ship-to-shore gantry cranes capable of handling vessels with containers stacked 10 high and 24 wide on deck for the upgraded terminal, which now has a quay length of approximately 920 m. With the new cranes added, there are now a total of 10 cranes on Berth 8 and Berth 9 and 36 in the port as a whole.

Felixstowe, in Suffolk, is the largest container port in the UK, handling 44% of all UK container traffic. It is part of the government's national infrastructure plan to improve road and rail connections. The port is operated by the Hutchison Port Holdings Group.

Berth 8 and Berth 9, which opened in 2011, were the first in the UK to handle mega containerships. The extension is part of the port's plan to allow the docking and handling of multiple mega boxships simultaneously. When finished, Berths 8 and 9 will provide 1,285 m of quay with a depth of water alongside of 18 m below chart datum.

Port of Felixstowe chief executive and Hutchison Port Holdings Europe managing director Clemence Cheng said: "The Berth 9 extension represents the latest phase of development at the Port of Felixstowe. Our programme of continued investment has ensured that the UK remains a destination for direct calls by the latest generation of megaships."

The member of parliament for Suffolk Coastal, the UK House of Commons deputy leader Therese Coffey, said: "An ever increasing proportion of UK trade is moving on these huge container ships and UK ports need to provide the facilities they require."

Source: **Lloyds List Australia**
<http://bit.ly/1Svshl0>



Slow Glow of Transpacific Traffic

The transpacific trade has enjoyed healthy levels of volume growth in months gone by but there were signs in September that this momentum is finally starting to slow.

According to the latest figures published by Container Trades Statistics, box numbers on the trade were up 4.1% to 1.5m teu over last year, representing the lowest level of comparative growth on routes from Asia to North America since April, when volumes actually fell in the fallout from the much-documented issues at ports on the US west coast.

This slowdown in transpacific trade ties in with data published by the US Commerce Department at the end of October, which showed that growth in US gross domestic product braked sharply during the third quarter compared with the previous three months, from 3.9% to 1.5%. The Commerce Department said that a number of businesses cut back on re-stocking warehouses to work off an inventory glut.

Year-to-date volumes nevertheless remain strong at 12.1m teu, representing a 3.9% rise over last year, and Maersk Line chief executive Søren Skou also highlighted the US as one of the bright spots in the world, with poor demand conditions elsewhere likely to persist.

This recent slowdown in demand will surely mean that analysts will have to revise their full-year growth projections for the trade. For example, Clarksons Platou is currently projecting a 7.4% increase in volumes to 15.8m teu.

The split of transpacific traffic between the respective Pacific and Atlantic seaboard in September, meanwhile, swung further in favour of the former — helped largely by a surge in traffic to ports located in Canada's Pacific Northwest, where traffic to the region continues to grow exponentially by some 31.8% over last year.

Despite a 3.6% drop in volumes to the US west coast from Asia in September, Pacific ports still managed to increase their share of transpacific traffic to 65.5%, but the figures suggest that the trend of cargo entering the US via Canadian ports, particularly Prince Rupert which reported a 30.1% upswing in traffic through to the end of July, is on the up.

The share of transpacific traffic to the US east and Gulf coasts dropped in September, as a result of Canada's gains, to around 28.6%, according to CTS data.

Volumes to the Atlantic seaboard did however remain healthy at 417,751 teu, representing an 8.7% jump over last year, with US east coast ports performing particularly well. Indeed, the South Carolina Port Authority reported a 9.5% increase in Charleston's traffic and the Virginia Port Authority noted a 7.2% rise in volumes handled at its box terminals.

Source: **Lloyds List Australia**
<http://bit.ly/1X1yflp>



Troubled Waters for Coastal Shipping Laws (Page 1)

Commonwealth moves to overhaul coastal shipping laws face a massive challenge, with the legislation likely to go down to the wire in the Senate. The Shipping Legislation Amendment Bill (2015) passed the Lower House some time ago and is expected to go to the Senate at the next sittings, probably Monday November 23 at the earliest.

The current law provides for four classes of coastal shipping licence along with a pre-set procedure – involving decisions by government bodies – as to how freight business will be allocated. The Amending Bill would remove the licensing system and replace it with one coastal shipping permit allowing unlimited freight carriage for 12 months.

In the 76-seat chamber, the Coalition government has 33 seats against the Labor Opposition which has 25. The Australian Greens have a further ten seats and a spokesman said they were opposed to the legislation, having recently talked of the government imposing “unnecessary changes on a vital local industry that will cost Australian jobs”.

“The Turnbull government’s changes will give an unfair competitive advantage to foreign-flagged vessels employing low-waged crews,” Greens transport spokesman Janet Rice told Lloyd’s List Australia recently. “Stripping the current regulatory system will also disadvantage local operators who have not been considered in the economic impact statement prepared for the legislation.”

That means the government must obtain the support of six of the remaining eight independent or minor/micro party Senators in order to reach the 39 required votes to secure passage of the legislation. Of those eight, Family First’s Bob Day and the Liberal Democrats’ David Leyonhjelm are most likely to come on board with the government, being traditionally in favour of libertarian free markets and a minimum of state economic involvement.

This would take the number of those supporting the legislation to 35 – still four votes short. That’s when it gets tricky. Though at times critical of the government, South Australia’s Nick Xenophon might be supportive, given his Liberal heritage.

But he faces a tough choice, with South Australia under pressure to maintain its manufacturing base.

Adelaide is a city with strong shipbuilding links – it would be a brave move by Senator Xenophon to vote to change the 2012 laws, given a theme of those laws was to rebuild Australian shipping, with flow-on effects for domestic shipbuilding.

Independent Tasmanian Senator Jacqui Lambie, formerly of the Palmer United Party, has made known her outright hostility to the changes, even as DP World Australia has said an enhanced Burnie container terminal development is conditional upon the legislation being passed.

“It’s not going to come as a shock to you when I say that the Government can go to hell – I will never vote for their Coast Shipping legislation,” Senator Lambie said in a recent statement. “It’s a recipe to kill off the rest of Australian maritime workers’ jobs.”

“And I’m not going to stand by and watch silently, as Australian jobs are taken by overseas workers.”

This will grieve some in the maritime industry who might argue a new Burnie terminal could see a substantial increase in shipping into the apple isle. Current PUP Senator, Dio Wang, had not responded to requests for comment on this issue at the time of publication.



Troubled Waters for Coastal Shipping Laws (Page 2)

Independent Senator John Madigan of Victoria is one unlikely to support the government, given his former connections with the Democratic Labor Party, an entity that while opposed to the ALP, also has its roots in protectionism and workers' rights.

Back in September, (albeit before Prime Minister Abbott was axed) Senator Madigan expressed his concern about the legislation. "Coastal shipping goes to the very heart of our national security. I'm very concerned that the Government seems hell bent on doing to the coastal shipping industry, our seafarers, the same that they did to our automotive industry," Senator Madigan said.

Senator Ricky Muir of the Australian Motoring Enthusiast Party from Victoria and former PUP-turned independent Senator Glenn Lazarus from Queensland were approached for comment but were still to respond at the time of publication. They will be ones to watch.

Senator Lazarus has been particularly critical of the federal government, but the September leadership change may have sufficiently thawed relations in order to off the government hope of securing his support. Back in September Senator Muir expressed concerns about the changes suggesting deregulating the system and flooding the market with overseas workers and foreign ships.

Supporting the changes

A Senate committee recently criticised the current laws, but their report was largely made up of government senators while the Labor Party, in any case, produced a dissenting report. Shipping Australia has made plain its support for change.

"The Shipping Legislation Amendment Bill will allow international ships to provide competitive services in the domestic shipping market, this will unlock economic growth and deliver clear benefits to Australian primary producers, manufacturers and consumers," SAL chief executive Rod Nairn told Lloyd's List Australia recently.

"The Bill opens the way for more environmentally efficient domestic cargo movement, and will ease the load on our existing road and rail infrastructure, giving it the breathing space needed for it to develop to meet the growing landslide logistics demands of the future."

But although much can happen between now and the day of the vote, indications suggest the government may have insufficient support on the day. Any delay in passing the legislation is also likely to prove a blow to plans for an expanded Burnie container terminal, with DPW Australia chief corporate development officer Brian Gillespie conceding it was "pretty significant".

"Quite clearly we can only build a terminal if we think there's going to be customers and our customers are the shipping lines," Mr Gillespie said recently. "At the moment they're not really able to go into Tasmania due to the current legislation. "We took a view about two years ago that the gravity was shifting toward that legislation changing."

Source: **Lloyds List Australia**
<http://bit.ly/1OowgWd>



How Good is Your Trivia Knowledge

1. Which Australian Singer Joined Mel Gibson in the Mad Max movie “Beyond Thunderdome”?
 - a) Kylie Minogue
 - b) Olivia Newton-John
 - c) John Farnham
 - d) Tina Turner

2. In what year was the track “Beds Are Burning” released by political rock band Midnight Oil
 - a) 1986
 - b) 1987
 - c) 1988
 - d) 1991

3. What is an infant whale commonly called?
 - a) Calf
 - b) Cub
 - c) Pup

4. What is another name for a wildebeest?
 - a) Gnu
 - b) Cavort
 - c) Savage de bete

5. The longest printed word in the english language has how many letters
 - a) 45
 - b) 183
 - c) 1,909
 - d) 2,001

1) d 2) b 3) a 4) a 5) c



Staff Spotlight

December Edition

Staff Spotlight

Our Staff Spotlight this month is Accounts Manager, **Sushma Nagpal**

Favourite Sports Team: Australian Cricket Team

Ideal Holiday: USA with my partner

Hobbies: Cricket

What is Playing in Your Car Right Now: FM Radio 101.1

Where Have You Travelled To: Germany, France, India, Malaysia, Singapore

If A Genie Gave You A Wish What Would You Wish For:

My older son to be a Neuro Surgeon and Younger son to be a successful businessman

Best Advice Anyone Has Ever Given You?

Intentions must be right always

What Would You Like People To Know About You: I

am not as serious as people can see



(Sushma Nagpal)



Feedback

Should you wish to discuss any of the issues contained in this newsletter please contact your CSO or any of the people listed below:

Mile' Jurcic' (Melbourne)

Mark Hingston (Brisbane)

Thank you for continued support.
SCI Australia Pty Ltd

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