



INTERNATIONAL FREIGHT MANAGEMENT SERVICES

SCI AUSTRALIA

PTY LTD

In This Edition

Tonnage Fall for Cathay

July Maritime History

Cruising Millions

Plus

Biosecurity Act

JULY 2016 NEWSLETTER



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Welcome Message

Welcome to the July 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.



Container Weight Verification (SOLAS)

On the 1st of July, 2016, Container Weight Verification requirements as outlined by SOLAS (Safety of Life at Sea Convention) will begin to be enforced.

Shippers will be responsible for verifying the total gross weight of any container they load or run the risk of missing their booked vessel if the Verified Gross Mass (VGM) documentation is ignored. The VGM document will be required prior to loading cargo onto ships.

Due to major incidents and accidents caused by overweight containers, The International Maritime Organization (IMO) in collaboration with industry representatives has adopted new weight verification rules as part of the SOLAS Convention.

The main purpose of the VGM document regulation is to obtain an accurate gross weight of packed containers so that vessel's and terminal operators can put together vessel loading and stowage plans BEFORE loading cargo containers on ships. This requirement will protect vessel and terminal operators' people and equipment as well as the shippers' cargo.

Here are the shippers' responsibilities:

- The shipper (that is the party listed on the Bill of Lading or sea waybill) is RESPONSIBLE for providing the VGM document to us BEFORE vessel loading date (as stated on booking information provided to you).
- The VGM document will include container number, seal number, number of pieces loaded, tare weight of container (this is stenciled on every container!) and total weight of all material loaded – including any dunnage (securing) materials (such as skids, bracing etc). The weight amounts are to be totaled as the Gross Mass of the container.
- This rule applies to ALL Containers, tank containers, flat racks and bulk containers.
- The scale used for weighing your cargo has to be calibrated/certified in accordance with local/national rules (and must be verifiable by you if weight is brought into question by carrier).
- There are two ways of calculating the VGM:
 - Weigh the packed/loaded container after cargo is loaded.
 - Weigh all packages, packing and dunnage material and add the tare weight of the container.

This policy goes into effect on July 1, 2016.

If you have any questions regarding this change of requirement please do not hesitate to contact your local SCI Australia contact.



Cruising Millions

Australia has for the first time ever reached over 1 million passengers on cruisers. The Cruise Line International Association Australasia (CLIA) recorded 1,058,781 Australian passengers took cruisers in 2015, a 15% rise from 2014.

According to the statistics one in four Australians took a domestic cruise (attributed to the range of new shorter coastal cruises), though the clear preference was the South Pacific attracting 36.3% of Australian passengers. Asia made considerable grounds in the market, with a 75% increase of Australian passengers cruising round Asia.

New South Wales took gold for the state passenger cruising, attributing for 39.9% of the total cruising population, followed by Victoria and Queensland. Over 28% of the passengers were under 40 years old, while over 17% were aged over 70 years old. 40% of cruisers were booked their journey 6 months to a year in advance, while almost 25% booked just days before. This surge in Australian cruising has put smiles on many liners faces with several cruise ships and a mega cruise shipping adding more voyages to Australia.

Source: SCI Australia Feed (<http://www.sciaustralia.com/feed/id=16>)

NOL CEO Named

In Singapore on the 14th of June 2016, Nicholas Sartini was named CEO and Serge Corbel as CFO of the newly restructured, CMA-CGM acquired, NOL.

Mr Sartini, previously Group Senior Vice President of CMA CGM, replaced NOL CEO (since 2011) Mr Ng Yat Chung. Mr Saade (Vice Chairman of CMA CGM who announced Sartini & Corbel's positions) was made successor of NOL Board Chairman replacing 5 year running Mr Kwa Chong Seng. The restructuring comes only a week after the announcement of NOL's acceptance of CMA CGM's offer of SGD 1.30 per NOL share (in cash). The hope of the acquisition was to apparently to reinforce CMA CGM's position as one of the world's largest container transportation companies in the world.

Currently, the company is ranked as third largest, trailing behind Maersk and MSC, both which have capacities upwards of 2.7m TEU. Before the acquisition CMA CGM was ranked at a capacity of 1.79m TEU. This number is estimated to increase greater than half a million TEU.

Source: SCI Australia Feed (<http://www.sciaustralia.com/feed/id=18>)





OOCL Rate Restoration

OOCL would like to advise that in order to maintain a high standard of service to customers, there will be a Rate Restoration of US\$300/20' and US \$600/40' from the 1st of July 2016, for both dry and refrigerated cargoes in the base ocean freight for cargoes from North East Asia (including China, Hong Kong, Korea and Taiwan) to ports and points in Australia.

This increase will be applied in full on top of existing ongoing market rates to all import shipments based on the actual departure date of the vessel named in the bill of lading from the 1st of July 2016, and will be subject to ancillary surcharges applicable at the time of shipment.

Should you have any questions, please do not hesitate to ask your local SCI Australia Contact.

OOCL Rate Restoration

Mediterranean Shipping Company S.A. (MSC) wishes to announce to Southbound Asia clients a Rate Restoration (RR) programme that is to apply to all vessels sailing ex Korea, China, Hong Kong and Taiwan to Australia.

The announced increase is to be effective from 1st July, 2016 (pro-forma sailing date)

The increase is as follows:

USD \$300.00 per TEU

Please be guided accordingly.

Should you have any questions, please do not hesitate to ask your local SCI Australia Contact.



Box Rates Rise as Market Share Ends (Part 1)

ALTHOUGH there is still some way to go before container freight rates reach stable, sustainable levels, the rapid erosion in rates that occurred during the first half of this year could be set to end.

By looking at the published results of carriers during the first quarter, Drewry ascertained that an intense rate war between lines pushed rates down, as each sought to maintain or grow market share.

Drewry said Maersk Line was at the forefront of the battle, with a 26% fall in revenue, which helped lead to a 7% increase in volumes.

These volumes had to come from someone, however, and other lines lost out. Drewry pointed to APL, Hanjin and K Line as lines that had lost volumes despite lowering rates, hence taking a double hit on revenues.

“The predatory commercial strategies of the first quarter meant the rate decreases were more severe than they might otherwise have been,” Drewry said.

“The basic supply and demand fundamentals were actually better for carriers in the first quarter than in both the previous three months and the same period in 2015, as headhaul ship utilisation in the east-west trades averaged close to 90%, aided by void sailings.”

But following the heavy depreciation of spot rates in the first quarter, there was some evidence that carriers had called off the market share-driven rate war for now, with Asia-Europe freight rates trending upwards since April, while transpacific rates have stabilised, Drewry noted.

Ahead of the third-quarter peak season, carriers had announced some capacity reductions in both lanes to give a push to their next GRIs, some of which are as requesting as much as another \$1,500 per teu, Drewry added.

“While carriers might be shooting for the stars, they will probably land somewhere in between, if recent history is a guide,” Drewry said. “There is a long way to go before we can truly call a recovery in spot freight rates.”

(Cont.)



Box Rates Rise as Market Share Ends (Part 2)

Rate increases pushed through by lines this year have seldom lasted for more than a couple of weeks before falling back to previous, or lower levels.

Meanwhile, the recent June GRI did not provide carriers with the return to healthy rate levels that many of them were hoping for, according to SeaIntel.

“While any increase in rate levels would be welcomed by the carriers, the combined spot rate increase across the nine SCFI deepsea trade lanes amounted to just \$940 per teu, making it the weakest GRI since November last year,” it said.

But while not a harbinger of a “certain peak season of full vessels and strong carrier returns”, the June GRI did show the speed of freight rate erosions had slowed down, SeaIntel said.

“If carriers can maintain the current slow freight rate erosion over the peak season, a series of rapid but modest GRIs may be able to lift freight rates to sustainable levels, even if the magnitude of the individual GRIs should be weak,” SeaIntel said.

Source: Lloyds List Australia
<http://bit.ly/1Uj9JAI>



Inland Rail Purpose Question

INFRASTRUCTURE Victoria chief executive Michel Masson has questioned the point of the proposed Inland Railway aimed at linking the ports of Melbourne and Brisbane.

Mr Masson was part of a panel discussion on the theme of economic growth and funding infrastructure, other speakers including CEDA national chair Paul McClintock, Productivity Commission chair Peter Harris and IFM Investors chief executive Brett Himbury.

Responding to a question about links between Infrastructure Victoria and Infrastructure Australia, Mr Masson said there were no formal links but they were worked closely together.

He then moved on to the topic of the lack of a cohesive national infrastructure plan, using as an example the proposed Inland Railway.

“To illustrate the lack of national framework, the Inland Rail for instance is the typical example of a solution to which it is difficult to answer the question, what problem are we solving?”

“Infrastructure Australia rightly identified the lack of national freight strategy and we are helping Infrastructure Australia in putting together a recommendation to government,” he said.

“But this is typical of a solution that is looking for a problem and there is absolutely no identification of what problem we are trying to solve at the level of this train.”

The Inland Railway also came up for discussion at the recent Victorian Transport Association conference in Lorne, where it was suggested that New South Wales politics was conspiring against supporters of the railway in Victoria and Queensland.

Source: Lloyds List Australia
<http://bit.ly/1UFtSz0>



July Maritime History (Part 1)

New build on its way to NZ

THE first of two new multi-purpose ships specifically built for the New Zealand-based shipping line Tasman Express began its maiden delivery voyage 20 years ago in June 1996. Wellington Express had not long left Germany and was heading toward to the Suez Canal. It was due to call to Sumatra and Singapore before starting in the Aus/New Zealand trade.

Built in Germany by the Detlef Hegemann Group, the Wellington Express achieved a top speed of 18.5 knots and were designed to have a service speed of 16kts across the Tasman Sea. The vessels had a capacity of 400 TEU each including 60 reefer plugs. The vessel was also fitted with equipment to maximise cargo handling including 40 foot cell guides, 40-tonne cranes and an automatic heeling system to keep the ship upright during loading and unloading operations.

New trans-Bass Strait subsidy

Back in June 1996, the sea highway committees of Victoria and Tasmania called for a radical re-structure of TT Line's Bass Strait fares in line with full implementation of the national sea highway principal. The chairman of the Committee for Bass Strait Transport Equality, Peter Brohier, said that the Federal government's proposal to provide a subsidy for the transport of vehicles across the strait was generous.

"In fact, it was the six or seven times the cost of the Keating proposal (to provide around \$40m to establish a ferry service on the route) and we are not looking for any further taxpayer support for either the Commonwealth or State governments," Mr Brohier said. "But, our fear is that the profound economic and social benefits that would flow from a fully implemented national sea highway will be largely lost if it is not accompanied by a total re-think of how we get people across the Bass Strait."

Coastal Express Line... but bigger!

Coastal Express Line began its long-awaited Tasmanian shipping services out of Devonport in late May/early June in 1996 following re-delivery of the lengthened ro-ro vessel, Searoad Mersey. CEL CEO Lance Williams said that the vessel had been extended by 27 metres at Pan United's yard in Singapore. The jumbo-isation increased the vessel's capacity by 12 cassettes (units of four containers) and ten trailers or by an increase of 68 TEU. The vessel was also modified to incorporate a car deck that could accommodate 32 cars in a voyage. The car deck replaced bulk fuel tanks built for the King Island trades but never used.

New Noble and Goonzaran collision

A government watchdog said there were a number of factors that led to a collision between the Philippines-flagged ship New Noble and the Panama-flagged bulker Goonzaran off Newcastle. These included a failure of the holding power of anchors in bad weather; that the New Noble's master failed to plan or think through his intended action when weighting anchor after realising the ship was dragging anchor; and, finally, inadequate communications between the ships. Although the Goonzaran suffered significant damage as a result of the collision, the damage to the New Noble was relatively minor, the report said.

(cont.)



July Maritime History (Part 2)

Industry concern over green appointment

Industry executives were concerned over the appointment of Dr Meryl Williams, the director general of the International Centre for Living Aquatic Resources, as the inaugural chairman of the Australian Ballast Water Management Advisory Council.

That council was set up in about 1994 to establish and progress the ballast water management strategy and research program.

Concern was centred around the perception that the council's diverse makeup would require a strong, even-handed leadership by a chairman available to address issues as they arose.

But, industry executives queried, would that even be possible as Dr Williams was based in Manila, in the Philippines? While 1996 wasn't that long ago, it was only six or seven years after the creation of the Web by Sir Tim Berners-Lee in Switzerland (although the internet itself grew out of the 1950s work of the US Defence Advanced Research Projects Agency). So there was no Google, VOIP phone calls and certainly no Skype back then.

A spokesman for the Australian Quarantine and Inspection Service, which administered the Council, confirmed that although Dr Williams made several visits to Australia a year, the Council's schedule of three meetings a year had been devised to coincide with her visits.

Executives were also worried that the appointment of a scientist could mean that the council's consideration of issues to the problems associated with ballast water management could be compromised due to an over-zealous reliance on the "scientific method" as a means of resolving would be a number of complex issues affecting a wide range of different interests.

New pilotage service in Mackay

A new pilot service, Hydro Pilots, started work in the Mackay area. Local company Whitsunday Helicopters combined with three marine pilots stationed in Mackay to provide a service for ships using Hydrographers Passage. A spokesman for the company said the pilots would be using aircraft stationed at Mackay Airport.

(cont.)



July Maritime History (Part 3)

Australia “could be big food supplier”

Woolworths’ then managing director Reg Clairs said that Australia had the chance to become a significant global supplier of food within 25 years.

The main opportunity would be in the Asian region owing to increasing population with greater wealth and education than previously. “The combination of these three criteria (has) caused major shifts in culture, in lifestyle and in diet,” Mr Clairs said.

“There is an increasing demand for more protein, more fibre and more fresh food to satisfy this changing population. It is abundantly clear that the opportunity exists for Australia to become a significant global supplier of food by the year 2020.”

“In the year 2000... just to feed the chicken population of China, to provide meat and eggs, would take more feed grain than Australia produces in a year... But this example in China is but one story; similar experiences are occurring in Indonesia and throughout the entire Asian region,” Mr Clairs said, adding that demand would continue to grow in agriculture, horticulture, aquaculture and forestry.

Source: Lloyds List Australia
<http://bit.ly/266JLpx>



Biosecurity Act Takes Effect

IMPORTERS, brokers, port operators and those involved in transport or logistics have been told to ensure they understand the 2015 Biosecurity Act.

The Act came into effect on June 16 and replaces the old Quarantine Act, as the primary Commonwealth biosecurity law in Australia.

According to a statement from the Commonwealth Department of Agriculture, the Biosecurity Act was developed in consultation with industry and farming stakeholders, along with state and territory governments, environmental groups and international trading partners to name a few.

“In some defined areas, the legislation makes provision for a transition period to allow businesses time to become compliant with new requirements,” the statement read.

“Extensive updates have been made to the Department's website to reflect the Biosecurity Act 2015.”

Source: Lloyds List Australia
<http://bit.ly/266KAhZ>



May Tonnage Fall For Cathay

Cathay Pacific Airways has seen a fall in cargo and mail tonnage in May, while it says yields remain under “intense pressure”.

The carrier and its low-cost arm Dragonair combined, carried 145,102 tonnes of cargo and mail in the month, which was a decrease of 1.3 per cent compared to the same month last year.

The cargo and mail load factor rose by 0.1 percentage points to 62.2 per cent. Capacity, measured in available cargo/mail tonne kilometres, fell by 4.8 per cent while cargo and mail revenue tonne kilometres (RTKs) fell by 4.6%. In the first five months of 2016, the tonnage carried fell by 1.7 per cent against a 0.3 per cent increase in capacity and a 3.7% drop in RTKs.

Cathay Pacific general manager for cargo sales and marketing, Mark Sutch explains: “May saw a further stabilisation in the tonnage being shipped out of some of our key markets, in particular Mainland China, Northeast Asia and the Southwest Pacific.

“As per the previous number of months, demand into India remained robust and we have increased capacity into the region to cater for this accordingly. The freightage yield, however, has continued to remain under intense pressure in what continues to be a challenging and capacity rich air cargo environment.”

Source: Air Cargo Week
<http://bit.ly/26ctVWY>



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SCI AUSTRALIA

SLEDGING YOUR BETS

22. Sledging Your Bets

20th June, 2016

After Animals Australia released footage of livestock being inhumanely killed with a sledgehammer at an Abattoir in Vietnam, exports from Australia to several Vietnamese Abattoirs and feedlots have been suspended. Investigations are pending by the Australian Livestock Exporter's Council who have responded to the footage frustrated with the lack of evidence provided by Animals Australia. The ALEC have stated that in discussion with the Vietnamese Government that concluded that they are too focused on changing animal welfare practices, as can be seen from their Animal Welfare Law commencing on the 1st of July, 2016. However action is still the question, with many reports referring to the appalling approval rates of the ALEC, with less than half of the approved abattoirs being investigated every year. One thing for certain is that the images released by Animal Australia have and will cause many structures in live exporting to be shaken.

Will business still continue regardless on the investigation?

Source: ICS Consulting

COMMENTS

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The SCI Australia Feed features articles written by the SCI Australia staff regarding international business, logistics, freight forwarding, carrier & shipping and e-commerce news.

Articles are published several times a week featuring the latest in Logistics news.



How Good is Your Trivia Knowledge

1. What year was Nelson Mandela released from prison?
 - a) 1980
 - b) 1983
 - c) 1984
 - d) 1990
2. How many teams are there in the American National Football League?
 - a) 16
 - b) 18
 - c) 20
 - d) 32
3. In Russia, a Woman's last name usually ends with what letter?
 - a) A
 - b) B
 - c) K
 - d) Z
4. Who played the fictional antihero in the 2016 superhero movie, Deadpool?
 - a) Ryan Reynolds
 - b) Hugh Jackman
 - c) Robert Downey Jr.
 - d) Live Schreiber

1) d 2) d 3) a 4) a



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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