SCI Australia

INTERNATIONAL FREIGHT MANAGEMENT SERVICES

SCI AUSTRALIA

PTY LTD

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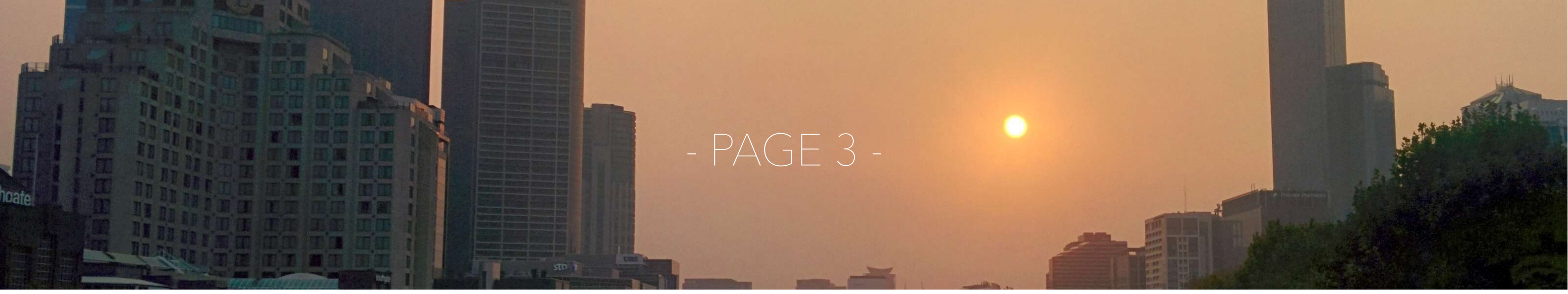
Welcome Message

Welcome to the ***April*** 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.



DP World Blames Rents, Council Rates for Port Access Fee Hikes (Part 1)

STEVEDORING giant DP World Australia has announced substantial hikes in port access fees at its Sydney and Melbourne terminals. At Sydney, the surcharge is to be $21.16 per container, up from zero and apply to all full containers received or delivered via road or rail.

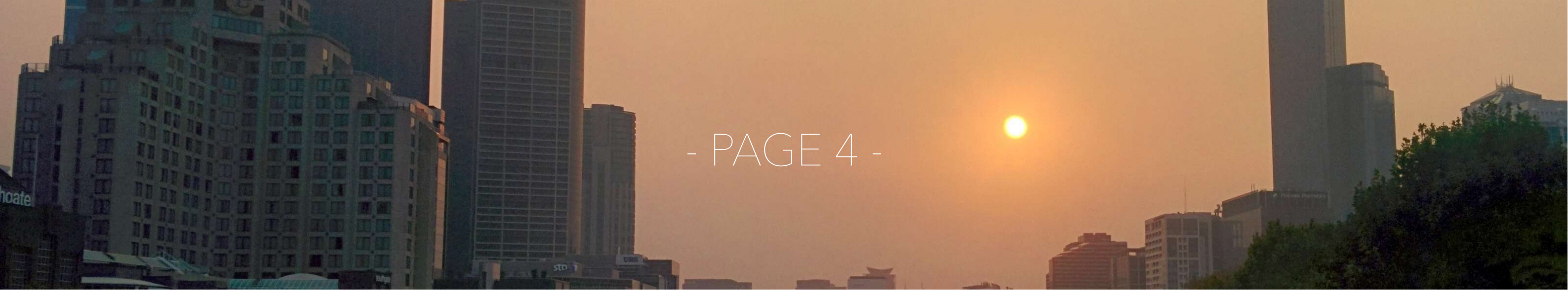
In Melbourne the Infrastructure Surcharge has increased to $32.50 from $3.45 per container. The new charges take effect from April 3 but are already the subject of challenge by industry bodies including the Freight and Trade Alliance and the Australian Peak Shippers. According to a statement to customers from DPWA chief commercial officer Brian Gillespie, property costs at Sydney have risen considerably in recent years and the industry had been through an unprecedented amount of change with the introduction of competition, privatisation and shipping industry consolidation. "Since 2013, DPWA has incurred material increases in the costs of occupancy of more than 30%, including the cost of council rates, land tax, rent and terminal infrastructure maintenance," he wrote.

DPWA had avoided passing costs onto the supply chain, by changing the way Sydney Terminal operated and delivering a 35% improvement in road efficiency for carriers and 37% improvement in rail productivity. The stevedore, he said, had incurred material increases in occupancy costs at Melbourne of more than 60% since 2016. "Despite DPWA's continue efforts to offset higher fixed costs through efficiency improvements, these material step changes in costs cannot be offset," Mr Gillespie wrote.

"It is important to note that a substantial part of our Melbourne terminal, including our dedicated truck marshalling area, is devoted to servicing road transport, and that the cost of providing this specialist infrastructure has, like Melbourne terminal as a whole, been subject to the cost increases." Shipping Australia chief executive Rod Nairn said every increase in charges impacting the logistics chain reduced the competitiveness of Australian exports and increased the costs of imports. "In the end the charges are born by the importer or exporter. But the result is to reduce the viability of trade and therefore reduce shipping volumes – everybody loses," Mr Nairn said. "The container stevedoring industry in Australia is very competitive, and its performance is monitored by the ACCC."

Mr Nairn said the ACCC had been vocal in warning privatisation of monopoly ports, without sufficient regulation, would lead to unconstrained increases in costs."Shipping Australia supports this view and clearly the ACCC were right," Mr Nairn said.

(cont.)



DP World Blames Rents, Council Rates for Port Access Fee Hikes (Part 2)

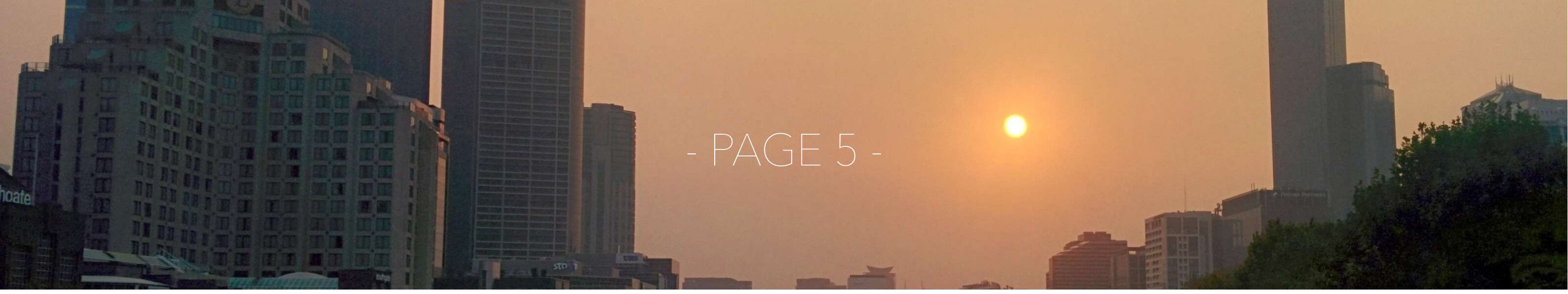
“We are very disappointed to see such large increases passed on to users. If the infrastructure investment it to improve performance, and I accept that we have seen productivity increases in recent years, then DP World will recover their investment through increased productivity going forward. But they shouldn’t be charging customers now for something they haven’t yet delivered.” The fee hikes have prompted much comment from other sectors with Container Transport Alliance Australia director Neil Chambers arguing it was the shipping lines who should be asked to pay more.

“They (DPWA) are running a business and their customers are the shipping lines,” Mr Chambers said. The FTA and APSA, meanwhile, are among entities seeking to challenge the charges saying they plan on “raising the matter” with NSW Ports, the Port of Melbourne and government stakeholders. “Surcharges such as these significantly add to the cost of international trade and directly affect the competitiveness of our commodity exports,” FTA/APSA secretary Travis Brooks-Garrett wrote.

“APSA and FTA maintain the position that costs should be absorbed by the stevedore or passed on to their commercial client being the shipping line. Shipping lines can then negotiate with shippers and freight forwarders as they see fit.” Victorian Transport Association chief executive Peter Anderson said the increase to the Infrastructure Surcharge was yet another example of how transport operators were under massive pressure to maintain and protect razor-thin margins.

“Coming off the back of the up to 125% increase to tolls announced by CityLink operator Transurban, this increase will put additional pressure on operators to remain competitive,” he said. “Operators will have no choice but to pass on the increase to their customers.” Fellow stevedore Patrick has an infrastructure charge of $3.50 per container in Melbourne and zero in Sydney and a charge of $32 in Brisbane. While Patrick has a rent deal locked in at Sydney into the next decade, a deal at Melbourne is overdue and one in Brisbane is due this year.

Source: Lloyds List Australia
URL: http://bit.ly/2nki5Jc



MSC 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 April, 2017 (proforma sailing date)

The increase is as follows:
USD $300.00 per TEU.

Please be guided accordingly.

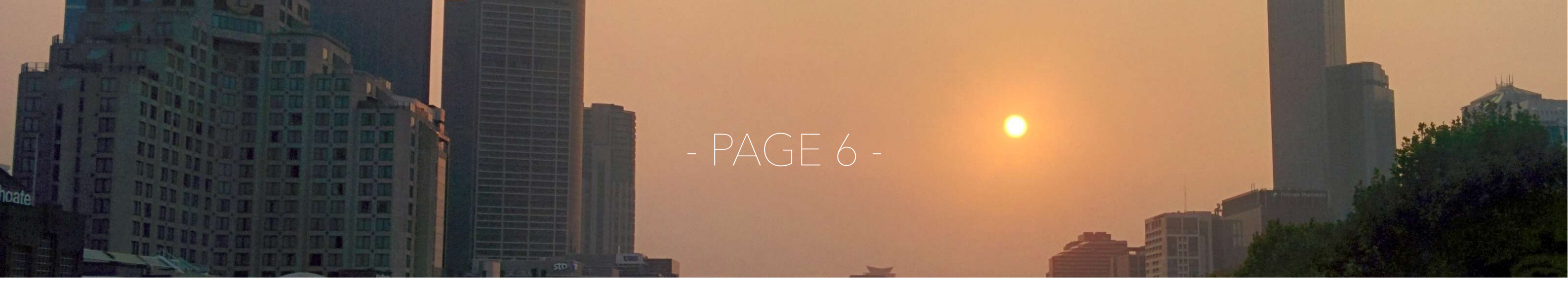
Kind regards,

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 1st May 2017, 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 shipments based on the actual departure date of the vessel named in the bill of lading from 1st May 2017, and will be subject to ancillary surcharges applicable at the time of shipment.

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



DP World Increase in Infrastructure Surcharge

6 March 2017

NOTICE TO DP WORLD AUSTRALIA CUSTOMERS:
INCREASE IN INFRASTRUCTURE SURCHARGE DP WORLD AUSTRALIA'S MELBOURNE TERMINAL FROM 3 APRIL 2017

Customers are advised that effective 3 April 2017, DP World Australia (DPWA) will be increasing our infrastructure surcharge at our Melbourne Terminal, as part of the basis for which access to the terminal is granted for both road and rail operators.

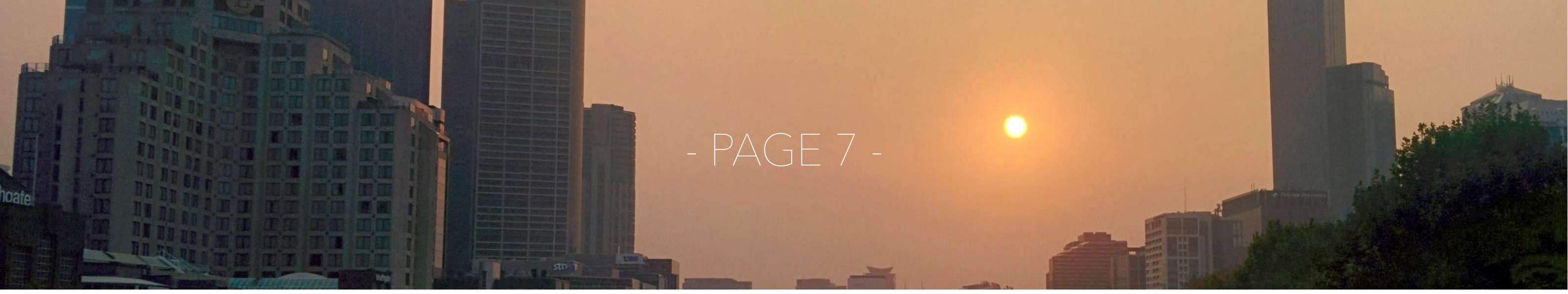
DPWA has incurred material increases in the costs of occupancy of more than 60% since 2016, including higher rent, land tax and council rates. DPWA is also investing in critical infrastructure to keep pace with expected growth, and greater peaks and troughs in cargo arrival patterns. This investment also includes increases in costs of terminal upkeep driven by higher use of the site by road and rail operators. Despite DPWA's continue efforts to offset higher fixed costs through efficiency improvements, these material step changes in costs cannot be offset.

The surcharge will be $32.50 per container and will apply to all full containers received or delivered via road or rail at Melbourne Terminal. Full containers received or delivered via road will be charged to the road carrier through the 1-Stop Vehicle Booking System. Full containers received or delivered via rail will be charged to the rail operator as a separate item on the rail invoices produced.

Ongoing access to Melbourne Terminal will be conditional on payment of the charges as per our conditions. It is important to note that a substantial part of our Melbourne Terminal, including our dedicated truck marshalling area, is devoted to servicing road transport, and that the cost of providing this specialist infrastructure has, like Melbourne Terminal as a whole, been subject to the cost increases indicated above.

Yours sincerely,

Brian Gillespie
Chief Commercial Officer
DP World Australia



Data in the Details

A DATA analytics system is in the works that would automate security risk assessment of cargo and travellers at sea, land and air borders. The system is being developed in collaboration between US information technology firm Unisys Corporation and CISIRO's Data61.

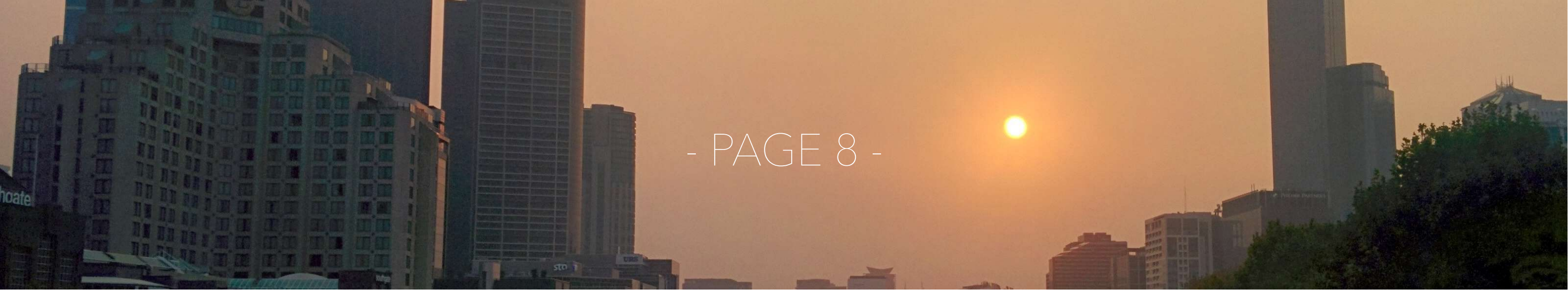
In developing the system, the two organisations plan to assess anonymised data sets from airlines using analytics and machine learning to identify patters that indicate potential risks of both traveller intent and cargo contents. Unisys and Data61 plan to conduct a proof-of-concept at a major Asian hub with the intention to develop the technology into a product to be made available to governments.

Unisys global border security director John Kendall said most border agencies today rely on human-designed rules to identify suspicious cargo or people. "Working with Data61, we are incorporating machine learning and real-time data analytics to reveal the actual intent of travellers and shippers," he said. "This will allow border agencies to automate the processing of low risk people and cargo while reserving specialised border security resources for the small percentage of travellers and cargo that present a higher risk profile."

Unisys global head and VP for the public sector Mark Forman said the two organisation's capabilities were complementary. "Unisys' deep domain expertise and global reach combined with Data61's analytics and machine learning capabilities provides a unique opportunity to advance border security technology around the world during a time of increasingly sophisticated threats and greater dependence on international travel and cargo shipments," he said.

Data61 chief executive Adrian Turner said the end goal of the international collaboration was to make border security processes more efficient, cost effective and safer for countries around the world. "It's one of the ways Data61 is working with industry to translate data-science – in this case deep analytics and machine learning into a viable product to help deliver economic and societal impact," he said.

Source: Lloyds List Australia
URL: http://bit.ly/2nKOp8q



New Infrastructure Charge Presents An Opportunity

Recently, there have been many comments written on the proposed increase in infrastructure charges for the delivery and receival of full containers at the DP World container terminals in Melbourne and Sydney, from $3.50 to $32.50 and from no charge to $21.16 respectively.

Importers, exporters and industry associations representing transport companies have all protested as they will bear the brunt of the increased charges and will need to recoup the costs from their clients. A number of stakeholders affected by the change have asked the Australian Competition and Consumer Commission (ACCC) to instigate a formal investigation.

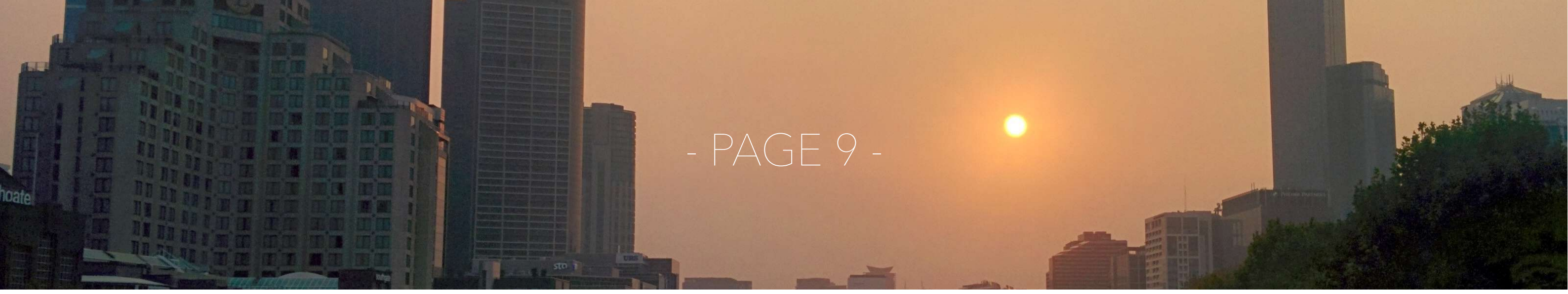
The ACCC chairman Rod Sims seemed to be on the importers and exporters side, stating at a recent conference in Melbourne that the charges were connected to the ports being "privatised monopolies". Rather than just bemoan the extra charges, let's for once think outside the square.

Governments around the country have been talking for many years about wanting to increase the percentage of rail being transported to and from the container terminals. Rail transport, as we know, is less of a burden on the environment and replaces heavy trucks on an already congested road network. Currently the Port of Melbourne moves a paltry 5% of containers by rail and Port Botany a healthier 15%.

Is it possible that these charges could be used as an incentive to move more freight by rail? Perhaps instead of increasing the charge on *all* full containers, maybe full containers arriving and leaving the terminals by rail could be exempt. But here comes the rub; who will bear the financial consequences? The container terminal operators who will receive less revenue, the private port owners who, according to DP World have increased their rent necessitating the increase in infrastructure charges in the first place or could governments step in and provide a subsidy for rail containers?

It's time for somebody to step up to the plate and get realistic about getting trucks off the road and start moving more freight on rail. In the meantime, the industry is waiting with abated breath on whether the other stevedores are game enough to follow suit and increase their charges as well.

Source: Lloyds List Australia
URL:http://bit.ly/2nXG0T7



Maersk Offers Concessions Over Hamburg Süd Deal

MAERSK Line has offered concessions to the European Commission in a bid to gain approval for its proposed takeover of Hamburg Süd. Although details of the commitments have not been disclosed, they almost certainly involve the South American trades where the two lines have considerable overlap. The prospect of having to reduce its presence on certain routes was apparent to Maersk when its offer for Hamburg Süd was accepted.

The commission has postponed a decision on the merger from March 25 to April 10 while it considers the proposals from Maersk. A spokesman for the Danish carrier told Lloyd's List that the group's actions follow standard procedure for cases under the European Union merger regulation, and as such remains confident of gaining clearance from EU regulators by April 10, when information about any agreed commitments will also be communicated.

"Since the commission's market testing of the offered remedies is pending, at this stage we cannot comment any further," said the spokesman. The EU recently granted approval to Hapag-Lloyd to acquire Middle Eastern carrier United Arab Shipping Co after the German carrier bowed to a number of conditions from competition regulators.

To ensure the merged entity did not fall foul of European competition law, UASC for example was forced to withdraw from a consortium on the transatlantic trade. When Maersk bought P&O Nedlloyd in 2005, it had to sell some of its southern Africa activities in order to satisfy competition regulators. Had CMA CGM been successful in its offer for Hamburg Süd, there would have been far less duplication of services.

Despite news of a postponed decision from Brussels, Maersk's planned takeover of Hamburg Süd took a major step forward last week when the sale and purchase agreement was signed between Maersk Line and Dr August Oetker. The Danish group is thought to be paying just over $4bn for the German line, although the price has not yet been disclosed by either side.

Maersk announced plans to buy Hamburg Süd from the Oetker group last December, in a deal that will create a carrier with combined container capacity of approximately 3.8m teu. As previously communicated, Maersk Line, subject to regulatory approval, still expects to close the transaction by the end of 2017.

Source: Lloyds List Australia
URL: http://bit.ly/2mF0lqL

Chinese Provincial Delegation Promotes Ties with Australia

A DELEGATION of officials from China's Shaanxi province arrived in Sydney this week to promote trade and co-operation between the province and Australia.

Shaanxi governor Hu Heping delivered the opening remarks, calling for greater co-operation. "Our goal is to build a hub in terms of logistics in the province, connected with the Belt and Road scheme, and we hope that our Australian friends can help us achieve the goal," he said.

The governor also noted that with direct flights between the province and Sydney, the distance between the two places had shortened. The remainder of the afternoon session included addresses from several Australian governmental figures, including former MP Bob Baldwin and NSW parliamentary secretary to the cabinet Joh Sidoti, lauding the connections between the two countries.

Source: Lloyds List Australia
URL: http://bit.ly/2nXMbXe

Positive Signs for Aussie Cotton Exports

MARKETS for Australian cotton are becoming increasingly diverse, according to latest Rabobank research. According to the analysts, Chinese reserve auctions are dispersing around 30,000 tonnes of 2012-13 stocks a day for the next six months. "The low quality of this offering will require blending – most likely with high-quality US and/or Australian fibre," the report stated.

"Meanwhile, India is shipping less cotton onto the international market. "This should aid the absorption of Australia's expected four million-plus bale crop." According to Rabobank, January export figures signalled the "continued diversification" of export destinations for Australian cotton. "China retains its dominance, but Vietnam, Thailand and Bangladesh have imported significant volumes of Australian fibre so far in 2017," the report stated.

Source: Lloyds List Australia
URL: http://bit.ly/2nlkhkU

Growth Slow in 2016 But Then Some Improvement

Australia's LNG production grew significantly in the year to March 2016, and was expected to rise into the near future, making it the world's top liquefied gas exporter by 2019, according to a report by Wood Mackenzie.

LNG exports from Australia grew by 6.5m tonnes in the previous year as major projects began producing, boosting output to 31m tonnes in 2015 from 24m tonnes the previous year. In 2015 two major LNG facilities on Australia's east coast came online – QC LNG and GLNG – and in March 2016 Chevron's Gorgon LNG shipped its first cargo of liquefied gas. However, further growth in Australian production in 2016 was expected to be small according to the report. It predicted significant LNG growth beyond 2016 in Australia and globally.

Wood Mackenzie research director for global gas and LNG supply Giles Farrer said the start-up of key coal seam gas projects in Australia in 2015/16 with a combined capacity of 26.5m tonnes per year, marked the start of the country's ascent to become the world's largest supplier of LNG by 2019.

Interest in Melbourne Port Lease

The Victorian government announced the April 18 deadline for expressions of interest in the Port of Melbourne lease. Lloyds List Australia reported in March that there were interesting times ahead as the private sector was keen, but it may find Australia's scrutiny of foreign investment a tough hurdle to jump. State treasurer Tim Pallas said, "We're moving to market quickly because of the strong bidder interest in the Port of Melbourne and we're confident the lease will deliver significant, long-term economic benefit to Victorians". Speculation on the lease figure ranged from $5bn and $7bn and Drewry Shipping port economist David Bayne told Lloyd's List Australia the market for leases was "extremely attractive". "For example, in the privatization of PNG (Ports), we had over 13 respondents of which six were major international players.

"The demand is coming not only from China but enquiries are already being made by Canada, the Middle East and other pension funds including the usual Australian players," said Mr Bayne. "But an intriguing aside is the national security element, with the federal government expected to scrutinise any deal heavily, especially after it was criticised in some quarters for approving the Port of Darwin lease by a Chinese entity."

Source: Lloyds List Australia
URL: http://bit.ly/2nXMbXe

Staff Spotlight

The staff spotlight allows our customers to get an insight into the unique and fun personalities of our staff members, this month we are focusing on:

Andrew Grosso (CSO Assistant)

What was your nickname in high school?
Grosso

Who is your favourite actor/actress?
Johnny Depp

Sweet or Savoury?
Both.

What movie or TV show does your life best match?
16 & Pregnant

What's your mum's best meal?
Basil Pesto Gnocchi

Favourite Simpsons Quote?
"He Card Read Good!" (Season 5, Episode 18)

Funniest experience in freight forwarding?
Raimonda.

Andrew Grosso (Right)
with Moustache

How Good Is Your Trivia Knowledge? (April)

1. How many acres are in a square mile?
2. When referring to computers, the acronym RAM stands for?
3. In 1980, Peter Sellers played the role of Fu Manchu in what film?
4. In Mathematics the German letter Zahlen, stands for what?
5. How old must a person be to run for President of the United States?
6. Artful Dodger is a character in which novel?
7. In 1997, Robin Williams won best supporting actor in which film?
8. French Guiana exists on which continent?
9. What comes next? Million, Billion, Trillion, Quadrillion?
10. Fish are part of which kingdom?
11. When was famous Greek philosopher Aristotle born?
12. What year was website wikipedia launched?

1) 640
2) Random Access Memory
3) The Fiendish Plot of Dr Fu Manchu
4) Integers (1,2,3 etc)
5) 35
6) Oliver Twist
7) Good Will Hunting
8) South America
9) Quintillion
10) Animalia
11) 384 B.C.
12) 2001

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

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SCI Australia Pty Ltd

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