

Australian Freight Logistics

*Insights into the
International Freight
situation
short and medium term*

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- **Freight & Trade Alliance (FTA)** is the peak body for the international trade sector with a vision to establish a global benchmark of efficiency in Australian border related security, compliance, and logistics activities. FTA represents more than 500 businesses including Australia's largest logistics service providers and major importers.
- On 1 January 2017, FTA was appointed the Secretariat role for the Australian Peak Shippers Association (APSA). APSA is the peak body for Australia's containerised exporters and importers under Part X of the Competition and Consumer Act 2010 as designated by the Federal Minister of Infrastructure and Transport.
- APSA is also a member and has board representation on the Global Shippers Forum (GSF) that represents shippers' interests and that of their national and regional organizations in Asia, Europe, North and South America, Africa and Australasia.
- A list of all members and further information about FTA / APSA is available at www.FTAlliance.com.au

Overview

- Freight rates have increased by over 75% since the beginning of the pandemic. Quarter 2 is likely to see further rises with several GRI's being implemented.
- Approximately 28% increase in IMOBAF / FUEL effective 1 April. Further review likely in coming months.
- Winter weather conditions likely to impact vessel schedules.
- Suez Canal incident has had downstream impacts across global supply chains.

Overview

- Shortages in shipping containers is likely to continue for several months.
- Port congestion issues still a major concern - New Zealand, USA, Canada, South Korea, Singapore, the UK, and China.
- Coastal services being impacted due to vessel schedule integrity - no improvement until at least Quarter 3.
- Grain / Cotton exports impacted by vessel deadweight issues.
- Terminal access and Infrastructure fees - ongoing increases.

Sea Freight rates – *where are we heading?*

- Quarter 2 will see carriers implement GRI's of USD \$300.00 per TEU from North-East Asia (China/Japan/Taiwan/Korea)
- Similar freight rate increases from Asia to New Zealand - New Zealand to Australia are expected
- Carriers to impose more GRI's as demand continues to outstrip vessel capacity and equipment availability

Bunker Adjustment – *will it increase again?*

- Bunker increase of 28% was implemented by the carriers on 1 April 2021
- Some carriers will continue to review this on a month-to-month basis while others will review again around July 2021

Vessel Reliability: Schedules - *will we see continued delays?*

- Australian Port Terminals - vessels are continuing to encounter delays of 7-12 days on average.
- Trade has yet to fully recover from the recent adverse weather conditions both in Australia and overseas.
- Port omissions to continue whilst congestion still a factor in Sydney, Brisbane, and Melbourne.
- Carriers are struggling to meet berthing windows.

Suez Canal - *has the trickle down impacted our supply chains?*

- Incident created unanticipated congestion
- Increased port congestion, equipment shortage, increased spot freight rates for air/ocean transport modes
- Cargo owners are holding containers longer than normal creating added pressure to overall equipment availability
- High number of vessels arriving at European ports has prompted carriers to “cut and run”



Equipment Shortage - *will there be any improvement?*

Main problem is that equipment is either tied up on vessels waiting outside ports to berth or simply not where they need to be.

Current market dynamics indicate that there is no easing of peak volumes with unrelenting demand on transpacific trade adding to equipment shortages in Asia.

Ports of Shanghai and Ningbo are facing the greatest challenge with insufficient available equipment to meet overwhelming demand forecasts.

The Indian Sub-Continent continues to face considerable challenges due to soaring COVID-19 cases affecting port productivity, critical shortage of equipment.

Port Congestion: Industrial Actions

*- What area is
most effected?*

- Patricks are yet to conclude EBA negotiations with the MUA
- VICT (currently working based on a Fair Work Commission intervention) – this is a looming threat and may impact on Tasmanians
- Port/Terminal congestion continues to be an issue in New Zealand, USA, Canada, South Korea, Singapore, UK, China, Netherlands, and Belgium



Coastal Shipping – *where to from here?*

- Australian port terminals restricting vessel exchanges due to berthing delays and ongoing interruptions with vessel schedules
- Currently only one shipping line offering coastal trade with minimal allocation per week

Export from Australia – plenty of containers, so *where is the problem?*

- Export shipments from Australia are severely impacted by peak commodity season
- Cargo capacity constraints on all trades pushing booking lead times to 4-6 weeks
- Cargo off loads more prevalent
- Global equipment shortage has increased export rates from Australia

Air Freight – *what are airlines doing to improve cargo capacity?*

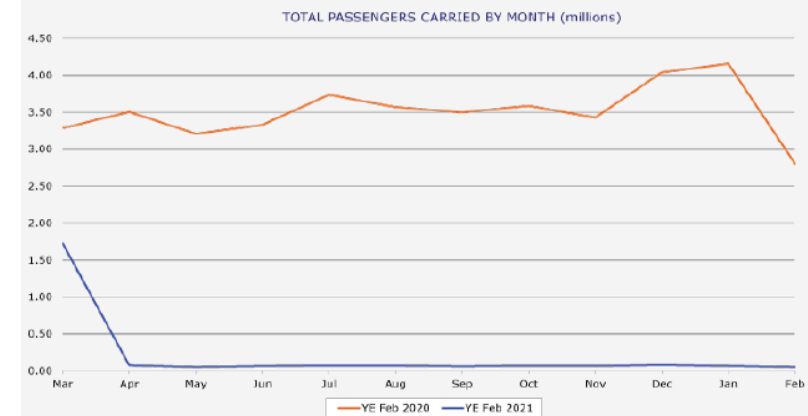
- Increasing utilization of freighter flights
- Bringing old aircraft out of retirement
- Using more passenger aircraft as cargo aircraft
- Air freight cargo demand is relatively strong
- Ongoing support for International Freight Assistance (IFAM) and/or similar financial relief measures to support the air cargo supply chain sector until passenger flights return to “normal”

Summary of year on year activity

	Year ended February 2020	Year ended February 2021	Change
Total passenger movements (million)	42.138	2.462	-94.2%

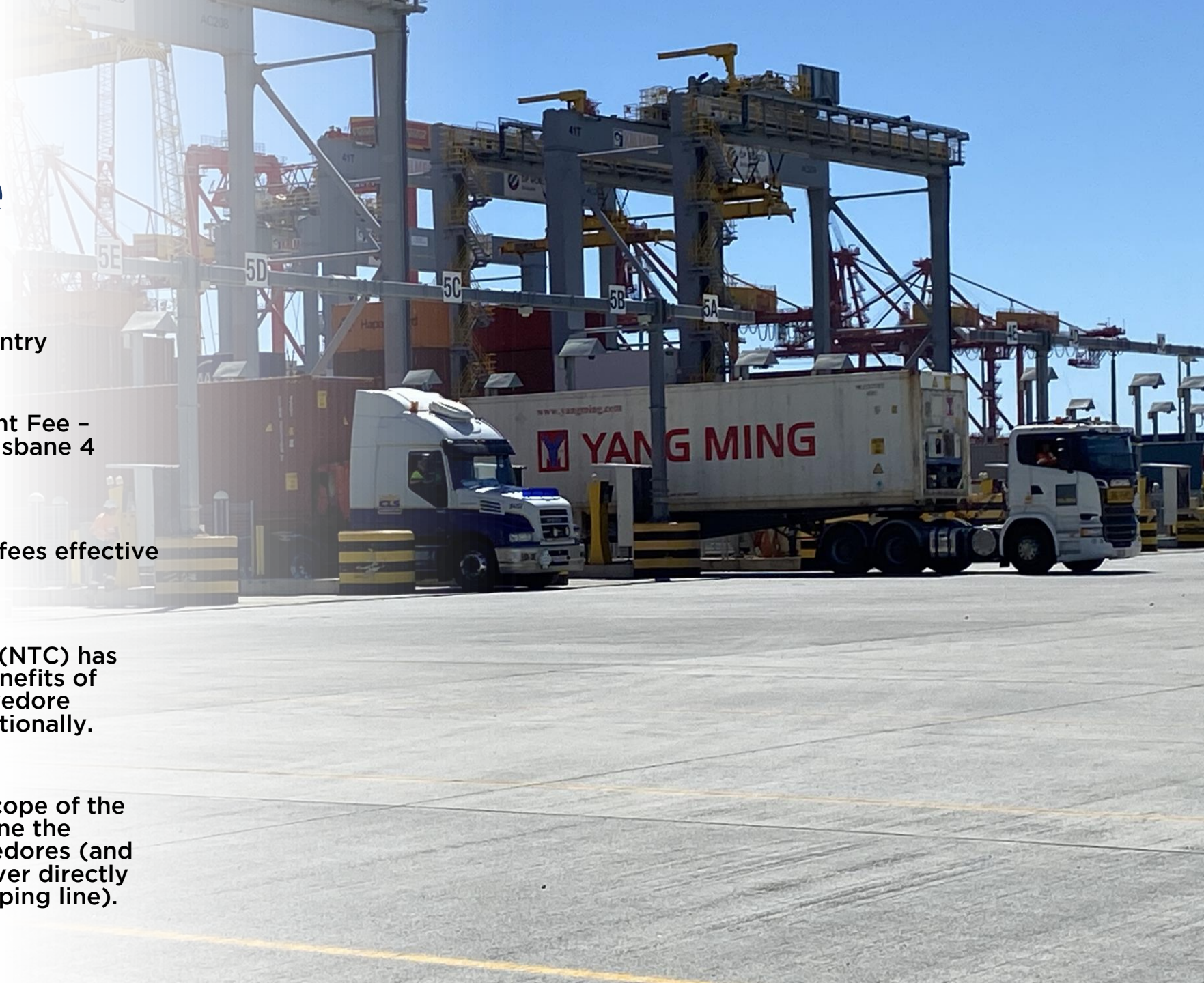
Summary of month on month activity

	February 2020	February 2021	Change
Passengers carried (million)	2.805	0.052	-98.2%
Freight (tonnes)	82 771	62 507	-24.5%
Mail (tonnes)	2 777	1 309	-52.9%
Available Seats (million)	4.016	0.401	-90.0%
Flights	15 400	3 100	-79.9%
Aircraft Movements	15 726	3 332	-78.8%



Terminal Access Fee Increases

- TACs continue to rise across the country
- Patrick Terminals Weight Amendment Fee – PONDUS fee was implemented in Brisbane 4 January 2021.
- VICT to increase their infrastructure fees effective 1 July 2021.
- The National Transport Commission (NTC) has been commissioned to assess the benefits of voluntary guidelines to apply to stevedore infrastructure and access charges nationally.
- FTA / APSA recommends that the scope of the (NTC) review be expanded to examine the potential of regulation to force stevedores (and empty container parks) to cost recover directly against their commercial client (shipping line).



What does the future look like moving forward stuff!!!!

crystal ball

Imports – Sustained strong volumes. Continued congestion in ports such as Antwerp-Rotterdam.

Exports – Strong demand and bookings. Equipment shortages especially 20FT FQ containers.

Booking Windows – Exports currently + 5 weeks. Exporters looking to book 7-8 weeks in advance.

Empty Containers – Empties priority return to Shanghai, Taiwan, Port Klang and Singapore.

Off Windows Berthing – On window is within 24 hours - 71%. Issues are vessel bunching and equipment flows.

Vessel Reliability – Schedules – West Coast USA continues to be an issue. Blank sailings continue and vessel chartering facing lack of stock and expense.

What does the future look like moving forward

crystal ball stuff!!!!

Transshipment port congestion – Shipments ex Europe around 14-21 days waiting for feeder vessel. Connection to China around 7-10 days.

Congestion NZ – Constant port rotations by shipping lines to manage congestion issues and service levels (AKL).

Vessel Capacity – Strong demand for vessel space on all trade sectors.

Freight Rates – PSS levels in the mid \$300.00-\$350.00 USD per TEU. Export rates increased due to rate restoration.

Suez Canal – Trickle-down effect still yet to hit. A further 6- 8 week impact on vessel schedules, space capacity, equipment, and congestion in European ports such as Antwerp, Rotterdam, Hamburg, London Gateway, and Southampton.

Challenges moving forward for the line – Client management – demand, as we are already in peak season.

Questions?