INTERNATIONAL FREIGHT MANAGEMENT SERVICES

SCI AUSTRALIA

PTY LTD

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MARCH 2016 NEWSLETTER

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MARCH EDITION

Welcome Message

Welcome to the March 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.

An Introduction To

Please welcome the following new staff to the SCI family:

- Client Service Manager **Angie Vogel** (AngieV@sciaustralia.com)
- Client Services Support **Katherine Pastuovic** (KatherineP@sciaustralia.com)

On behalf of the company, we sincerely look forward to working with you and wish you all a most pleasant start to your position at SCI Australia.

APL GRI (General Rate Increase) Notification

Dear Valued Customer,

APL wish to advise that a General Rate Increase (GRI) will be implemented for dry containers shipped from China, Taiwan & Korea to Australia effective from 01st March 2016.

Rate restorations quantum for all dry cargo into Australia shall be

20’ containers: USD 300.00
40’ containers: USD 600.00

We thank you for your continued support.

Kind Regards,
APL Lines (Australia)

OOCL Rate Restoration

25th February, 2016

OOCL would like to advisee 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 April, 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 April, 2016, 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 SCI Client Service

MSC Rate Restoration

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

The announced increase is to be effective from 1st April, 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 contact your SCI Client Service

Not Best, But Less for Singapore Port

Singapore's port handled 10.5% fewer containers in January from a year earlier and 1.2% from December 2015, preliminary estimates released by the Maritime and Port Authority of Singapore showed. Port container throughput dropped to 2.49m teu last month from 2.78m teu in January 2015. In December, the Singapore port handled 2.52m teu containers. In 2015, the island-city state handled a total throughput of 30.92m teu, down 8.7% from the 33.87m teu recorded in 2014.

The overall slump in Asia-Europe volumes, exacerbated by the rebalancing of volumes across shipping alliances agreements and an increase in direct sailings due to lower bunker prices, brought about the drop in 2015 container and cargo throughput, the MPA said last month.

Starting January 15, Singapore introduced an additional 10% concession on port dues for container vessels calling at its ports to help shipping lines cope with the difficult environment. The MPA said the concession on port dues will be in place for a year and are granted on top of existing port dues concessions.

Source: **Lloyds List Australia**
http://bit.ly/1SLfzZL

Human Error Fuels Marine Insurance Claims

HUMAN error and the breakdown of communications on the bridge remains a major contributing factor in shipping claims, a joint study by UK P&I Club and Solis Marine Consultants has found. The study recommends that bridge teams must be conversant with transit to and from the berth, including the route agreed, speed and timing, local traffic regulations and emergency anchorage areas.

They should also be aware of details of the tugs used, including their type and power, time of arrival, and whether the ship's or the tug's line is to be used. Also they will need information on the berth, such as limitations on vessel size, turning areas, mooring plans, and berthing speed limits. Stuart Edmonston, loss prevention director at the International Group affiliate, said that while the cost of claims resulting from human error is falling, good communication between masters and their bridge teams during pilot operations remains critical to avoid unnecessary accidents.

"Even with the development of onboard sailing directions and port guides, together with what may have been provided by the local agent, there will still be areas where further detail is required by the bridge team. "A master can be familiar with a port after frequent visits, but there will be many aspects that can only be properly completed when the pilot actually boards," he said. That will provide an opportunity for the master to seek the information and advice that will fill in the missing gaps for the transit, manoeuvre, berth and tugs.

Source: **Lloyds List Australia**
http://bit.ly/1QuQYYI

The Looming Challenge of the Mega Alliance (Part 1)

A NEW shipping mega alliance may be in the pipeline. Carriers led by France's CMA CGM and China Cosco are holding discussions to form a group that will challenge the dominance of the 2M partnership between Maersk Line and Mediterranean Shipping Co and revamp the existing four major groups covering the east-west trades.

CMA CGM and Cosco led the mergers and acquisition activities in the container shipping sector last year with the French carrier's acquisition of Singapore's APL and the merger between Cosco and China Shipping Container Line. CMA CGM, the world's third-largest container shipping line, is part of the Ocean Three alliance that includes United Arab Shipping Co and CSCL. Cosco, however, is part of the CKYHE alliance.

The new alliance may bring in Evergreen and Orient Overseas Container Line to establish a four carrier "CCEO" grouping, Alphaliner said. At present, Evergreen is part of the CKYHE alliance while OOCL belongs to the G6 grouping.

Evergreen and OOCL declined to comment on the matter. "While there has been much rumour and speculation in the news about the future alliance landscape and on individual carrier activities, we are in no position to comment on them," an OOCL spokesman said. Alphaliner said in its weekly review: "Discussions are believed to be still ongoing and the carriers involved have not yet publicly announced their plans.

"If successful, the initiative would radically alter the current liner shipping landscape and leave the eight remaining carriers of the Ocean Three, CKYHE and G6 alliances in the lurch." CMA CGM on December 7 announced it offered to acquire NOL for S$3.4bn ($2.4bn) in cash. Vice-chairman Rodolphe Saadй said he expected NOL's liner brand APL, a member of the G6 alliance, to join Ocean Three.

APL said it will likely exit G6 when CMA CGM secures all the regulatory approvals for the purchase and after APL has served the notice period required prior to withdrawing from the alliance.

The G6 alliance in December said it expects to operate as aligned throughout 2016. Cosco has not revealed its alliance plans following its acquisition of CSCL's container shipping operations due to be finalised by the end of February, Alphaliner said.

(cont.)

The Looming Challenge of the Mega Alliance (Part 2)

Aside from APL and OOCL, the G6 alliance includes Hapag-Lloyd, Hyundai Merchant Marine, Mitsui OSK Lines and NYK Line. The CKYHE alliance counts K Line, Yang Ming and Hanjin Shipping as members aside from Cosco and Evergreen.

Alphaliner said that OOCL is reviewing its options with regards to the alliances after a high-level meeting with CMA CGM and Cosco in late January.

Evergreen, however, is unlikely to make any announcements soon as it is in a mourning period following the death of its founder Chang Yung-Fa on January 20. Any announcement may come after the month-long silent period ends, according to Alphaliner.

WEAKER PARTNERS

Aside from challenging the 2M group’s dominance in the east-west trades, the new alliance may also be seeking to “distance the CCEO from some of the weaker partners within the current alliances, which could be facing financial distress,” Alphaliner says.

For one, there is heavily indebted Hyundai Merchant Marine, which has unveiled measures to improve its liquidity. HMM’s bigger rival Hanjin Shipping is also in a precarious financial situation following a fourth-quarter loss and debts due this year, Alphaliner said.

“The potential insolvency of two Korean carriers and any potential restructuring arising from a Hanjin-Hyundai merger could undermine the service networks of the CKYHE andn G6,” Alphaliner said.

HMM, however, recently said it has no plans to seek court receivership and neither does it seek to merge with Hanjin.

“The situation is further complicated by uncertainties regarding the aftermath of the Cosco-CSCL and CMA CGM-APL mergers,” according to Alphaliner.

Source: **Lloyds List Australia**
http://bit.ly/1Q3JHtm

Panal Canal Lock Repairs Pass the Test

THE Panama Canal Authority (ACP) has confirmed that works to repair seeping sills in the waterway's new third set of locks have been completed and tests on the reinforced structure have proved successful.

A team of specialists from the multi-billion-dollar project's contractors, Grupo Unidos por el Canal, monitored the testing process in which water was gradually raised behind the Cocolн lock gate, located at the Pacific entrance to the canal, to the middle and lower chambers, where the leak was first detected last year.

The ACP said that following positive results from GUPC the locks were then inspected by independent experts and engineers from the Technological University of Panama (UTP).

"Following the completion of this work, GUPC will proceed to test the electromechanical components necessary for the expanded canal to operate," said the canal authority.

News that the sills had failed in the new locks was confirmed by the ACP in August last year, which raised fresh fears that the timetable for the already delayed project was set to be pushed back even further. The ACP played down these claims at the time stating that it was still confident of opening its third locks for business in April this year.

These concerns however have since proved to be legitimate.

Instead, this April the ACP will use a chartered vessel for transit trial tests in the Atlantic locks, after which, depending on their success, a date for the expansion's inauguration will be announced.

With the cracked sills repaired, the ACP said that the overall project is now 96% complete and, rather more cautiously than in previous statements, added that it expects to welcome the first vessel through its new locks later this year.

Source: **Lloyds List Australia**
http://bit.ly/1oVPwm4

Carriers Tap Alternative Route for Asia-US East Coast Backhaul Leg

CONTAINER lines are tapping a longer alternative route for the backhaul leg of their Asia-US east coast and Asia-north Europe services on the back of lower fuel prices, cutting costs by avoiding charges they have to pay if they sail through either the Panama or Suez Canal, Copenhagen-based SeaIntel Maritime Analysis said. Despite the longer distance, the move is economically viable due to the drop in bunker fuel prices, the research group said. Carriers are able to speed up on the backhaul journey and keep the number of vessels and the round-trip length unchanged. "In what seems to be a major deployment change largely unnoticed by industry followers, carriers have started rerouting the backhaul legs of most Asia to US east coast services around the south of Africa, as opposed to the traditional routing through either the Panama or Suez canals," SeaIntel said.

"While a major blow to the two canals, the economics behind this model is quite sound," SeaIntel added. Among the Asia-North Europe services, the NE5 and NE6 operated by the CKYHE alliance and the FAL8/AEX1/AEC1 operated by the Ocean Three alliance recently used the south of Africa route on the backhaul leg, according to SeaIntel. Since the end of October 2015, 115 vessels deployed on Asia-USEC and Asia-north Europe services made the trip back to Asia by sailing south of Africa rather than through the Suez and Panama canals, which they sailed through on the headhaul leg, SeaIntel said.

SeaIntel said that the drop in the number of containerships transiting the Suez Canal in 2015 can be partly attributed to carriers sailing south of Africa on the backhaul. The number of laden container vessels passing through the Suez Canal in 2015 dropped 2.8% from the previous year to 5,894, based on data posted on the Suez Canal Authority website. SeaIntel identified 14 USEC-Asia services that could potentially save money by using the south of Africa route while keeping the same transit time and rotation of the original service. Of the 14, eight currently sail through the Panama Canal and six through the Suez Canal on the headhaul.

Of the six USEC-Asia services sailing through the Suez Canal on the headhaul, using the south of Africa route on the backhaul can mean savings on average of about $380,000 per voyage. The savings assumed the bunker fuel price of $150 per tonne, an additional 1,500 nm sailing distance on average and a faster speed of 15.7 knots on average using the south of Africa route instead of the average 13.7 knots using the Suez Canal. The cost reduction will amount to $19m per service annually assuming that these Suez services sail 50 out of the 52 weeks of a year, SeaIntel estimated.

Carriers on average pay $465,000 for the passage through the Suez Canal of vessels deployed on the Asia-USEC services, according to SeaIntel citing sources. Hence, the Suez Canal would need to cut toll prices roughly in half to offset the cost reduction. SeaIntel said that there are eight north Europe-Asia services that can incur savings using the south of Africa route. The services will incur an average extra fuel cost of $328,000 for going south of Africa but it will still be more economical compared to the average Suez Canal bill of roughly $730,000 per voyage for the vessels used.

While carriers are currently using the south of Africa route for the backhaul legs and retaining the transit time, SeaIntel said that switching to the said route on the headhaul "is going to look alluring for some carriers" given their current financial situation and the ease of implementing slow steaming. "Not only would the carriers save the canal charges on the headhaul — slowing down the services by a week in each direction to go around Africa would soak up a potential 60-80 vessels, of which half would be mega vessels," SeaIntel said, pointing out that the move will address the current overcapacity.

SeaIntel added that if the longer-term bunker prices are expected to remain low, carriers may adopt the route change even on the headhaul, keeping fuel consumption and service speeds low by adding one to two weeks to the round trip. Tapping the south of Africa routing on the backhaul leg of the Asia-USEC and Asia-north Europe services, however, comes with a cost to the environment. A vessel on USEC-Asia normally using the Panama Canal would emit an additional 5,100 tonnes of CO_2 by sailing south of Africa while a ship sailing through the Suez Canal would emit an additional 1,700 tonnes of CO_2. For the north Europe-Asia services where it is economically viable to switch to the south of Africa route, an additional 6,800 tonnes of CO_2 on average would be emitted per voyage, SeaIntel added.

Source: **Lloyds List Australia**
http://bit.ly/1Tz4bjz

Box Lines Agree with Brussels to New Pricing Practices (Part 1)

CONTAINER lines caught up in a lengthy probe into their pricing practices have in effect been cleared of any anti-competitive behaviour but have agreed with the European Commission to change the way in which they publish their freight rates. In a statement on Tuesday morning, the European Commission noted that while the parties under investigation have agreed to change certain practices, ocean carriers emphasised that “this should not be interpreted as an acknowledgement that they have infringed the [European Union] competition rules, or as an admission of liability”.

The case involves 15 global lines that have been in legal limbo for almost five years after a series of dawn raids in 2011. Formal proceedings were initiated in November 2011 against China Shipping, CMA CGM, Cosco, Evergreen, Hamburg Sud, Hanjin Shipping, Hapag-Lloyd, Hyundai Merchant Marine, Maersk Line, MOL, Mediterranean Shipping Co, NYK, OOCL, UASC and Zim.

“The parties to these proceedings have regularly announced their intended (future) increases of prices for containerised shipping services by sea, at least on routes from Far East Asia to Northern Europe and the Mediterranean (westbound), on their websites, via the press, or in other ways,” the commission statement said.

“These announcements indicate the amount of the increase in US dollars per transported teu, the affected trade route and the date of implementation. Such announcements are widely known in the industry as ‘General Rate Increase Announcements’ or ‘GRI Announcements’. They generally concern sizable rate increases of several hundred US dollars per teu.”

Brussels said it had been concerned that these GRI announcements may be of very little value for customers; stating only the amount of an intended increase may not inform customers of the new full price they will be asked to pay in the future. In addition, the commission has concerns that GRI announcements may have only limited committal value and thus, customers may not be able to rely on them for their purchasing decisions.

In addition, there were suspicions that this practice may allow the parties to explore each other’s pricing intentions and to co-ordinate their behaviour. “The commission is concerned that the practice may enable the parties to ‘test’, without incurring the risk of losing customers, whether they can reasonably implement a price increase and thereby may reduce strategic uncertainty for the parties and diminish the incentives to compete,” the statement said.
Under the agreement between the two sides, carriers have offered to stop publishing and communicating GRI announcements — in other words changes to prices expressed solely as the amount or percentage of the change.

They will not be obliged to publish or communicate their prices, “but should they choose to do so, the announcements must enable purchasers to understand and rely on them”. For that purpose the parties offer that price announcements will contain at least the amount of the base rate, bunker charges, security charges, terminal handling charges and peak season charges; which other charges may apply; the services to which they apply; the period to which they relate (which can be either expressed as a fixed period or open ended, in which case prices are valid until further notice).

(cont.)

Box Lines Agree with Brussels to New Pricing Practices (Part 2)

Announcements will not be made more than 31 days before implementation day. The parties shall be bound by their price announcements during their validity period as maximum prices, but will be free to offer lower prices. Subject to market testing, the European Commission intends to adopt a decision under Article 9(1) of Regulation No 1/2003 declaring binding the commitments.

DORMANT, BUT NOT DEAD

Maersk Line said it and the other shipping companies have throughout declared that they have not engaged in any practices that may give rise to any concerns relating to EU/EEA competition law. However, they have agreed to offer the proposed commitments.

“Following a successful market testing of the proposed commitments, Maersk Line will have to formally adopt the commitments before the EU Commission can conclude the case,” the Danish line said. “Maersk Line will do so on the understanding that the EU Commission confirms that there are no grounds for further action, and that the Commission will close its proceedings opened on 21 November 2013 without finding an infringement of EU/EEA competition law.”

Nevertheless, the threat of further action by Brussels has not been completely removed, according to Freight Transport Association global and European policy director Chris Welsh. "The commission has not exonerated the lines; it has only said that the lines themselves say they have not fallen foul of competition laws.

"The investigation may be dormant but it is not dead. The commission has agreed not to continue its investigation in return for a commitment from the shipping lines to significantly change their pricing behaviour in the future.”

If the proposed commitments are adopted, Maersk Line and the other shipping lines will change the way they make price announcements to customers. Notably, there will be changes to the current industry practice of announcing GRIs.

Maersk Line will continue to announce price increases 30 days in advance of implementation to its customers by the usual communication channels. However, instead of solely announcing the “increased” amount, the new price will include further elements to increase transparency for customers.

Source: **Lloyds List Australia**
http://bit.ly/1WC3Yua

Maritime Amendment Bill Gets Royal Assent and has a Serious Purpose

MESSAGES were received in the House of Representatives from the Governor-General last week informing the House on February 2 that the Maritime Legislation Amendment Bill 2015 had received the Royal Assent.

Accordingly, the Bill is due to become law. The purpose of the Bill was to tidy up some loopholes, errors and some generally unintended consequences from earlier maritime legislation.
That lead to some rather colourful language from Senator Leyonhjelm (New South Wales) during the Bill's second reading speech in the Senate late in November last year.

"The ceaseless churn of new legislation means that we end up with sloppy law. Bills go through this place that no-one reads. Consider the Bill before us today, the Maritime Legislation Amendment Bill 2015. I assert that no-one representing the government here has actually read it… I have scanned the Maritime Legislation Amendment Bill 2015… the bill removes supposedly unintended changes to maritime law made in 2012.

"This begs the question: how did unintended changes make their way into maritime law in 2012? The answer, of course, is that no one read the changes before they were waved through the parliament… I believe that we should keep these unintended features of maritime law as a monument to all that is wrong with Canberra. Preserving these unintended and sometimes nonsensical features of maritime law for posterity will do no real harm but will serve as a reminder, like a corpse left hanging in a village square, of the consequences of lax drafting, absent oversight and excessive regulation," asserted Senator Leyonhjelm.

Amusing though that may be as a thought-experiment and as a piece of political rhetoric, the legislation amendment bill did / does have a serious purpose. The new law amends the Navigation Act 2012, aligning the definition of "dangerous goods" with the current definition in the International Convention for Safety of Life at Sea (SOLAS).

It also amends the definition of "sea near a state" in the Protection of the Sea (Prevention of Pollution from Ships) Act 1983 to enable the full implementation of the Marine Pollution Convention (MARPOL). The new law will also prevent vessels from carrying in Australian-Antarctic waters of heavy fuel oil as ballast and for later use as fuel – which was a violation in spirit of earlier regulations designed to minimise the carriage of heavy fuel oil in those waters. And, finally, the law will enable the Australian Maritime Safety Authority to take enforcement action against vessel operators that do not carry appropriate insurance certificates.

Source: **Lloyds List Australia**
http://bit.ly/1LBod5s

How Good is Your Trivia Knowledge

1. Which River forms the Eastern Section of the Border between England and Scotland
a) Maine
b) Loire
c) Tweed
d) Seine

2. Characters Charlie Allnut and Roise Sayer appeared in which 1951 classic?

3. What are the Two Families in Romeo + Julliet?
a) Montaro & Jerosis
b) Montague & Capulet
c) Oedipus & Socrates
d) Lannister & Stark

4. Which 17th Century Explorer was Buried with a Pipe & a Box of Tobacco?

5. In English, the French saying **“Petit a petit, l’oiseau fait son nid” is closest translated to what?**
a) Little by Little, The Bird Makes it’s Nest
b) Little by Little, The Bird Grows it’s Nest
c) Little to Little, The Bird Grows it's Nest
d) Little to Little, The Bird Grows his Nest

1) c 2) The African Queen 3) b 4) Sir Walter Raleigh 5) 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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