# NIPPON EXPRESS

Airgate Business Park
291 Coward Street
Mascot N.S.W 2020
Tel: (02) 9313 3500
Fax: (02) 9667 5223

Unit 1
112-116 Lambeck Drive
Tullamarine Victoria 3043
Tel: (03) 9330 3033
Fax: (03) 9338 4215

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## WEIGHBRIDGE UPDATE

In recent times, the port supply chain has been faced with an increasing challenge to manage overweight import containers entering the road network via Australian ports. The challenge impacts not only infrastructure with increased maintenance and upgrade costs but is a real safety concern to all road network users with vehicles loaded in excess of their approved safe carrying capacity. The New South Wales (NSW) Roads and Maritime Services (previously, the NSW Roads and Traffic Authority) regularly conduct enforcement campaigns to identify overweight containers entering the road network via Port Botany. Three such enforcement campaigns were undertaken between August 2010 and March 2011, which returned an average of 12% mass breaches from the sample of vehicles weighed. These mass breaches were either axle mass, gross vehicle mass or both. These results were more than twice the state average recorded at major weighing stations positioned along highways throughout NSW. The majority of the breaches identified were in the substantial range with *(Continued on Page 2)*

## OCEAN CARRIERS HAVE IDLED 5 PERCENT OF FLEET

Container shipping lines have idled about 5 percent of global fleet capacity, or 800,000 20-foot equivalent units, as demand for container shipping space slows, according to Maersk Line CEO, Soren Skou. That figure could soon increase to more than 1 million TEUs, a level not seen since 2009, when trade was severely hit by the financial crisis, Skou said in Singapore on his first overseas trip as CEO. He forecast container demand growth will slow to between 5 and 8 percent in the next few years compared to an average of 10 to 11 percent over the past 25 years as Western economies weaken, manufacturing activity in Asia slows, and products become smaller in size. “Demand growth will be less than what it was in the past,” Skou said in a report by Reuters. “We do not have any lay up ships at this point. But we are certainly not ruling out laying up ships if the market is growing less than what we expected.” Maersk has already removed 9.5 percent of its Asia-Europe capacity and has decided against ordering ten more Triple-E vessels, the world’s largest container ships, to add to its current fleet of 20. Despite the cuts, Maersk Line maintains its dominant 15.5 percent share of the container market. Maersk has the flexibility to reduce its global capacity by a further 9 percent as the contracts for 20 percent of its chartered vessels are due to expire this year, Skou said. The container shipping industry, which lost an estimated $5.2 billion last year, according to Drewry Shipping Consultants, is starting to lay ships up in an effort to support the increase in freight rates it has been announcing on the major east-west trade lanes since the beginning of the year. The overcapacity of containerships and weak demand have led container lines to slash rates in an effort to fill those ships and gain more market share, but this has led to substantial losses. Last year, overall freight rates were 8 percent lower than 2010 while bunker prices rose some 35 percent, Maersk said.

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*(Continued from Page 1)* around 2% being severe. The current accepted industry solution for this task at Port Botany will see both stevedores install Weigh-In-Motion (WIM) scales inside their terminal to facilitate the early detection of over laden vehicles. It is anticipated that the process of weighing import containers will add very little additional time to the existing truck turnaround time experienced at Port Botany. Minor and substantial breaches will be allowed to travel beyond the stevedore gate to a select number of Container Freight Stations (CFS) in the immediate port precinct on an RMS approved route to be staged for an appropriate vehicle or unpacked. All severe breaches will need to be catered for inside the stevedore gate, trucks will be stripped of the overweight containers and then:

1. Staged for an appropriate vehicle; or
2. Moved by rail to an Intermodal Terminal for further staging or unpack; or
3. Handled via another commercial arrangement between the stevedore and carrier/ cargo owner.

However, DP World is still currently in negotiations with RMS for consideration to have their severe breaches catered for beyond the gate, due to their terminal operations and geographic positioning relative to participating Port Botany CFS's. Both stevedores are currently working towards a "go live" date of 1 April, 2012 for operating their WIM scales. DP World will have three WIM scales and Patrick will have four, which will be set back from the terminal gate. The WIM process at the stevedore will be after "job complete" and therefore have no impact on current PBLIS performance standards. The RMS will be monitoring for compliance and will have access to all data from the stevedores' WIM scales together with the data from each CFS for all breached vehicles handled. The stevedores are finalising their costs and will shortly advise the recovery associated with the WIM infrastructure, ongoing maintenance and weighing of all import containers and the handling of severely breached vehicles.

## MINISTER PRAISES DP WORLD RAIL UPGRADE

"DP World's rail upgrade at Port Botany will help the state government move closer to its aim of moving 28% of all freight through the port by rail," New South Wales Ports Minister Duncan Gay says. Its rail work expansion had the potential to lift rail moves by 500 a week or 26,000 a year, Mr Gay said. If you equate that to truck movements, it means up to 20,000 trucks a year off the roads. That would have a big impact on traffic around the port. In turn, the rail upgrade will help the state government's aim of reducing truck traffic through the port, he said. When you consider that 85% of containers originate from, or are bound for, a destination within 40km of Port Botany, it is imperative that new rail freight infrastructure is built to reduce the impact on local roads. The creation of a dual-rail entry-exit point into the terminal and the new third operational rail siding will provide greater productivity in the terminal as multiple trains can be worked with equipment from both sides at the same time. Also helping the government reach its goal of doubling the volume of cargo moved by rail by 2021 is the $300m rail Intermodal Logistics Centre at Enfield. On completion next year, ILC has the potential to handle 300,000 containers a year, Mr Gay said.

## US RETAIL SALES UP 1.1 PERCENT IN FEBRUARY

Mild winter weather and pent-up demand for autos helped U.S. retail sales rise 1.1 percent from the previous month and 6.5 percent from February 2011, the Commerce Department said. Building suppliers saw a 13.8 percent jump in sales from January as home-improvement retailers enjoyed earlier-than-usual sales of lawn furniture, landscaping supplies and other goods. Automobile sales also continued their recovery, rising 1.6 percent from January. Excluding autos, retail sales rose 0.9 percent, following January's upwardly revised 1.1 percent gain. Sales at gasoline stations jumped 3.3 percent after rising 1.9 percent in January. Excluding autos and gasoline, sales rose 0.6 percent in February after increasing 1.0 percent in January. Gasoline accounted for 11.5 percent of retail sales in February.

## DP WORLD UNIONS, WHARFIES BANNED FROM INDUSTRIAL ACTION

Fair Work Australia has banned DP World wharfies from carrying out industrial action at the stevedoring company's New South Wales and Victoria terminals. The 'DP World Industrial Action Order 2012' requires that there be no industrial action including, but not limited to; bans, limitations and restrictions on work by the MUA and its officers, employees, agents and delegates. It applies to employees of DP World at its Port Botany and Melbourne terminals. According to the DPW spokesman, MUA members and staff engaged in industrial action outside Port Botany in support of 300 sacked Port of Auckland, NZ, workers.

## AGREEMENT A WIN FOR EXPORTERS

Eligible Australian SMEs will have the help to better manage their exposure to volatile currency markets following announcement of an agreement between online foreign exchange company, OzForex and the Australian Government's Export Credit Agency, Export Finance and Insurance Corporation (EFIC). With the benefit of EFIC's guarantee, OzForex will be able to provide exporters with higher limits of foreign exchange hedging, one of the most common ways to protect their profits against sudden shifts in currency's exchange rates. EFIC will offer a guarantee of up to $250,000 per eligible exporting customer enabling OzForex to increase the exporting customer's hedging facility by the same amount. The guarantee comes with no additional charge to exporters, and companies do not need to provide additional security for it, giving exporters the tranquillity of mind to focus on growing strategies, and help them to move into global markets. The application process for this service is also quite direct, and it can be done following a simple few steps online. Once the exporter has approval for a FX facility from OzForex, they can request an EFIC FX facility guarantee to increase the trading limit on their facility. OzForex CEO, Neil Helm, said the EFIC guaranteed foreign exchange facility represents an excellent tool for exporters managing their profits margins in times of economic uncertainty.

## MAERSK LINE TO LIFT CHARGES TO COVER MELBOURNE PORT FEE

Maersk Line has confirmed it will impose a container charge to cover the cost of its ships paying the Port of Melbourne Licence Fee (PLF) in Victoria. Imposed on ships visiting the port of Melbourne, the PLF is to take effect from July 1 and replaces the previous Labor Government's Freight Infrastructure Charge which was levied on trucks. In a customer advisory notice, Maersk Line said it was important to be transparent with customers. "In order to maintain transparency for our customers Maersk Line intend to invoice this tax as a separate charge line, similar to what we do already with GST," the company advisory stated. "The cost will be levied per teu (twenty foot equivalent unit) for all full containers loading and discharging in Melbourne. At this stage the exact level of the charge being passed to shipping lines has not been confirmed and as such we are unable to yet advise what the cost per teu will be. We expect to be able to communicate the amount by June 2012." The PLF has attracted opposition from shipping lines, shippers and from Tasmanian interests that rely heavily on Melbourne for their international trade.

## AUSTRALIA RECORDS ITS FIRST MONTHLY TRADE DEFICIT IN 11 MONTHS

Australia recorded a seasonally-adjusted trade deficit of $673 million in January 2012, the first monthly deficit since February 2011, according to figures released by the Australian Bureau of Statistics. The $2 billion turnaround on the December trade surplus reflected a 10 per cent fall in exports of goods and a 2 per cent fall in imports of goods in January. The decrease was partly explained by one-off factors. Exports of metal ores and minerals fell 15 per cent, or $1.1 billion. This was in part caused by cyclone Heidi, which prevented companies like Rio Tinto and Fortescue Metals loading ships in Port Hedland in Western Australia. Non-monetary gold, exports of which fell 56 per cent, or another $1.1 billion, is a volatile item whose shipment mostly depends on the Perth Mint. It imports, refines and exports large quantities of gold, often in different months.

Services trade, however, contributed positively to January's trade balance. Services exports rose 3 per cent for the month, with travel up 4 per cent and other services — mainly business — up 3 per cent. Services imports rose 2 per cent. Manufacturing exports were also up, by 5 per cent, with transport equipment shipments ahead 29 per cent. Trade and Competitiveness Minister, Craig Emerson, said the January deficit should not detract from the overall strength of Australia's export industries. For the 12 months to the end of January, total goods and services exports were up nearly 10 per cent, to $314.8bn. Weaker demand in Asia was reflected by a 17 per cent drop in exports to Japan, and a 28 per cent decrease in exports to ASEAN economies. Exports to China fell 23 per cent to $5.2 billion, in part reflecting lower economic activity during the Lunar New Year holiday in January. However, there was continuing growth in exports to India, up 7 per cent in January. Imports of intermediate and other merchandise goods fell 5 per cent, while capital goods dropped 1 per cent. There was an increase in imports of consumption goods — up 3 per cent — and non-monetary gold, up 6 per cent.

## GROWTH IN US ECONOMY

The U.S. economy expanded at a 3 percent annual rate in the last quarter of 2011, topping the previous estimate of 2.8 percent, as consumer spending and incomes rose. The increase compared with 1.8 percent annual growth in the third quarter, the Commerce Department said. The Commerce Department said inflation-adjusted, after-tax incomes rose 1.4 percent in the fourth quarter, nearly double the previous estimate. Increased consumer spending power bolsters estimates of continued expansion in the months ahead. Economists surveyed by the National Association of Business Economics predict GDP growth of 2 percent in the first quarter and 2.4 percent for the full year; GDP rose 1.7 percent last year. The Commerce Department raised its estimate of third quarter income growth to 0.7 percent from a previously estimated 1.9 percent decline. The personal savings rate was also revised upward to 4.5 percent from 3.7 percent. Consumer spending rose 2.1 percent in the fourth quarter, as Americans purchased more autos and other long-lasting goods. Inventory restocking, meanwhile, helped support business spending. The GDP report was one of several that have left economists more positive about this year, although concerns remain about rising gasoline prices and an unemployment rate that appears to have peaked but remains high at 8.3 percent.

## BUNKER PRICES HIT NEW HIGHS

Crude oil price hikes by members of the Organisation of Petroleum Exporting Countries has sent the cost of bunker fuel through the roof. Heavy fuel oil (aka "bunkers") prices are linked to the price of crude as HFO is the residual product derived from crude oil after distillation. A barrel of OPEC crude oil currently stands at US$122.34. Ten years ago, the average price per barrel was US$24.36. Current prices for heavy fuel oil stand at US$732.20 per tonne based on an average of the prices recorded at the five key trading locations of Singapore, Rotterdam, Houston, Fujairah and Los Angeles as calculated from Bunkerworld data. The all time record was set recently at US$763.50 per tonne.

## CONTAINERSHIP FLEET SLOWS SPEEDS

Box carriers' current preference for slow-steaming has caused the average speed of the global containership fleet to fall by 13% over the last year, according to a survey carried out by RS Platou Economic Research. After surveying 2,119 box ships, the researchers concluded that box ships sailed an average speed of 14.9 knots compared to 17.1 knots in February 2011. "The container fleet is leading the charge in slow-steaming to minimise the effects of spiralling bunker prices and to absorb industry overcapacity," RS Platou Markets said in its daily shipping research note. "Fuel is the largest operating cost component for containers and any increase in bunker costs hits the container carriers much more severely than for dry bulk or tanker segments." Most dramatic is the extreme drop in sailing speeds in just a couple of months - Platou's analysis showed that container ships were averaging a sailing speed of 16.6 knots in November 2011. This was 10% more than last month's figure as lines turned to extra slow-steaming as "depressed fourth quarter 2011 freight rates and a massive run up in bunker prices hit earnings severely", RS Platou said. It added that the trend would continue as the fleet continues to grow and bunker prices stay close to record levels.

## CHINESE MANUFACTURING EXPANDS

Chinese manufacturing in February expanded at the fastest pace in five months, as export orders surged after a production lull caused by Lunar New Year celebrations. China's official purchasing managers' index, published by the China Federation of Logistics and Purchasing, rose to 51.0, up from than 50.5 in January and the strongest reading since June, 2011. A PMI below 50 indicates contraction while above means expansion. The new export orders sub-index increased to 51.1 in February, its best performance since May last year and a major recovery from the 46.9 reported in January.

## PORT BOTANY CRACKS 1M TEU MARK

Container volumes through Port Botany in January helped lift total throughput so far this financial year to over 1m teu. Port Botany, one of Australia's largest container ports, handled 176,099 teu in January, up 2% on the previous corresponding year. Year to date, box volumes have risen to 1.23m teu from 1.22m teu in 2010/11. Full containerised exports reached 33,869 teu, taking volumes so far this year to over 266,770 teu thanks to cereals, machinery and transport equipment and chemicals which made up a combined 31% of containerised exports. Meat exports made up 3%, or 1,006 teu and iron & steel contributed 2.7% or 907 teu. The bulk of box exports from the port went to East Asia (39%) with 35,645 teu, followed by Oceania (28.1%) and south-east Asia (22.4%). Port Botany imported almost 85,700 teu full containers in January. Year to date, full containerised imports climbed 2% on a year ago to over 621,000 teu. Miscellaneous manufactures, machinery and transport equipment and chemicals accounted for over half of total full containerised imports. Containerised imports came mainly from east Asia, Europe and south-east Asia.

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