



**Famous Pacific Shipping
(WA) Pty Ltd.**

NEWSLETTER

OCTOBER 2010

73 North Lake Road, Myaree WA 6154
Telephone: (08) 9330 0000 Facsimile: (08) 9330 0011
E-mail: sales@famous.com.au www.famous.com.au

ACCC APPROVES 'DUAL RUNS' AT FREMANTLE

1 October 2010

The competition watchdog has agreed to allow DP World Australia and Patrick Stevedores to give preferential treatment to trucks engaging in dual runs in an effort to improve efficiency at the Port of Fremantle. A dual run is where a truck both delivers and collects a container in a single trip.

In a statement the Australian Competition and Consumer Commission said the arrangement does not allow DP World and Patrick to agree on the price or the number of slots they make available at their terminals for booking by truck carriers.

DP World and Patrick operate the only two container terminals at the port. The proposed arrangement is intended to address road congestion at the Port and improve operational efficiency.

"The ACCC accepts that the proposed arrangement is likely to result in an increase in the efficiency of the Port of Fremantle and a reduction in the number of trucks moving to and from the port, to the benefit of the surrounding community and the environment," ACCC chairman Graeme Samuel said.

The decision has been welcomed by the Transport Forum WA. Manager of freight operations Tom Maughan said it will take some time before the decision has an impact on efficiency and congestion at the Port. "It can't have an impact yet as it now paves the way for a rewrite of the booking system software," he said.

He also said the stevedores will also have serious logistical issues to address. "In the early stages as to how it can operate on the Port of Fremantle whereby carriers can arrive at one terminal and yet have the ability to go out of that door and go into another door on the same booking number," said Mr Maughan.

He said the changes could take anywhere from six months to a year.

ACCC statement:

The Australian Competition and Consumer Commission proposes to allow DP World Australia Limited and Patrick Stevedores Operations Pty Ltd to give preferential treatment to truck carriers engaging in dual runs (where a truck both delivers and collects a container in a single trip) at the Port of Fremantle.

DP World and Patrick operate the only two container terminals at the port and provide stevedoring services at their respective terminals. The arrangement does not allow DP World and Patrick to agree on the price or the number of slots they make available at their terminals for booking by truck carriers.

The proposed arrangement is a government and industry initiative, intended to address the problem of road congestion at the Port of Fremantle and its effect both on the efficiency of the port's operations and on the surrounding community. "The ACCC accepts that the proposed arrangement is likely to result in an increase in the efficiency of the Port of Fremantle and a reduction in the number of trucks moving to and from the port, to the benefit of the surrounding community and the environment," ACCC chairman Graeme Samuel said.

The ACCC considers that there are limited public detriments that may arise from the proposed arrangement. The applicants will continue to individually decide on truck carrier access pricing, the total number of slots available and the level of service offered to truck carriers. The ACCC proposes to grant authorisation for five years

TURNING CONTAINERS

Effective 1 October 2010, DP World Fremantle will no longer turn containers to doors rear or doors forward. Turning containers removes key pieces of operating equipment from primary operating tasks thus impacting both Ship and Road programs. DP World realises that this change may impact some carriers however it is necessary to allocate their operating equipment in critical areas.

They have indicated that there are a number of on port logistics providers that can offer this service at a cost.

PATRICKS COUNT SATURDAYS AS ONE OF THE 3 X FREE DAYS

Please be aware that Patrick's have also hit Industry hard by increasing their storage and handling fees and most importantly - are about to commence with Saturday R & D's. This means that customers wishing to avoid incurring storage charges now being levied on a Saturday (Saturday is one of the 3 x Free Days), Carriers and their Customers are now fully expected to open on Saturdays to receive their containers.

If Importers are unable to open on Saturdays, then the costs get passed back onto the Carrier for opening at weekends and then for the extra 'Via Depot Re-Direction Fees' and the extra 'Handling and Storage Fees' and 'Re-Delivery Fees' until the importers can receive on the following working day. This is going to have a huge effect on Perth Commercial trading.

TRANSPORT CARTAGE PRICES TO RISE

With the above changes of DP World no longer turning containers to satisfy Importers' requirements and Patrick's Stevedores commencing to nominate Saturdays as a Receiving and Delivery day (R & D), it will no doubt see increased costs from Road Transport Carriers.

A number of Carriers have indicated that cartage rates will rise somewhere between the A\$20-25 per container as a result of these changes.

FPS WA have voiced their concerns to the Minister of Transport and the Transport Forum WA Corp with very little success or interest.

GST ON LOCAL SHIPPING COMPANY CHARGES

The GST law was changed with effect from 1 July to ensure non-residents were not liable for GST on delivery charges in Australia. The changes have had some unintended consequences with the Australian Tax Office still considering at the time of publication whether or not GST should be charged by shipping companies for local services such as port charges, terminal handling fees and delivery order fees.

As a result, the GST treatment of these charges varies from one shipping company to another. The ATO is working towards a solution that is consistent and can be applied by all stakeholders. The solution will also need to take into account and apply the same principles to the roles played by various service providers in the air freight industry.

WTO REPORTS WORLD TRADE GROWING AT 29%

Whilst the condition of much of the global economy has been fragile, the logistics sector has been experiencing a robust return to growth, particularly in airfreight and containerised sea freight. This better performance has been, due to the recovery in world trade. The latest numbers from the World Trade Organisation (WTO) show growth in merchandise exports increasing by 7% in the second quarter, as compared with the first quarter of 2010.

However this disguised considerable volatility with actual declines in trade during April and May followed by what must have been a quite violent recovery in June. Combined with the growth seen in the first quarter of the year, overall trade increased by 25% for the first six months of 2010 if compared to the same period in 2009. In US Dollar terms the increases have been very marked. China for example saw a year-on-year increase in exports for the quarter of 41% and imports of 44%. The US saw a year-on-year increase in exports of 25% and imports of 32%. This is obviously a remarkably high degree of growth and hints at a consequent level of what might be called 'friction' in freight transport markets which have been struggling to keep-up. Previously the WTO had/predicted that world trade growth would grow by 9.5% in 2010.

CONTAINERSHIP FLEET HAS GROWN BY 19%

An increase in the size of the active containership fleet is starting to have an impact on freight rates, with average prices out of China falling for the last two months. According to analyst AXS Alphaliner, the active containership fleet has grown 19% over the last eight months, from 11.55 million TEU at the start of the year to 13.8 million TEU in August and the extra capacity is causing rates to decline. Alphaliner said: "The rapid increase in capacity deployed has finally started to have an impact on container freight levels, with average rates out of China sliding by 6% in the last two months.

The additional capacity comes in as a weaker-than-expected peak season has led to declining utilisation levels." All the major carriers, except for NYK, deployed additional tonnage during the period, with MSC leading the market in terms of TEU increases - it has brought in an extra 282,000 TEU - while CSA V's active fleet has grown the most in percentage terms - up 61%. MSC is expected to receive up to 13 vessels of the 14,000 TEU class this year, of which eight have already been delivered, based on Alphaliner records. "MSC has been very active in adding chartered tonnage, taking advantage of low charter levels during the early part of this year," Alphaliner said.

MAERSK SAYS SLOW STEAMING HERE TO STAY

Slow steaming by container ships, introduced during the recession to absorb capacity and cut costs, is here to stay, according to Maersk Line, the world's largest ocean carrier. Even as the global economy recovers slow steaming "remains a win-win-win situation," said Maersk Line CEO, Eivind Kolding. "It is better for our customers, better for the environment, and better for our business," Kolding said. Maersk's management liner board has agreed to continue slow steaming because it will improve scheduled reliability, cap fuel costs and reduce the carrier's carbon foot print.

"While some customers have complained about longer inventory time - in essence, with Maersk Line ships as floating warehouses - the analysis is that slow steaming helps prevent bottlenecks on terminals. "A ship that reduces its speed by 20 percent will use 40 percent less fuel, thereby reducing CO2 emissions, Maersk said in a briefing on slow steaming. To maintain the same service frequency and compensate for lower average speed, one to two extra vessels are added per route or string. Despite the extra ships, Maersk has cut its CO2 emissions by around 7 percent per container transported over the past 18 months. Maersk said its goal is to reduce CO2 emissions by 25 percent in 2020

ASIAN DEMAND STRONG FOR PORT'S RECORD CARGO

Container trade through Port Botany increased 8% in 2009/2010 financial year, reaching 1.928 million TEUs. A large part of the volume was driven by Asia. A strong import demand and a resilient export sector have pushed Port Botany's container numbers to unprecedented levels. There has been close to a decade's worth of growth records for the port - a clear indication of the strength of NSW's economy. Of special note is the fact that the Asia region accounts for 62% of all volume into and out of the port of Sydney. New shipping lines are entering the Asian trade to capitalise on this region's quicker rebound to the global financial crisis compared to elsewhere in the world.

ON THE HUNT FOR AIR CARGO "CARTEL" COMPENSATION

Australian shippers will again pursue compensation for alleged cartel pricing by some of the world's biggest airlines, after a judge overturned a decision halting the claim. The latest twist in the air cargo cartel saga came when the Full Court of the Federal Court of Australia overturned a decision that had ruled out a claim led by shipper Auskay International.

The claim is against Qantas, Lufthansa, Singapore Airlines, Singapore Airlines Cargo, Cathay Pacific, Air New Zealand, Air New Zealand (Australia), Japan Airlines International and British Airways (BA). The action is on behalf of a group defined simply as persons who spent over A\$20,000 (US\$17,700) on international airfreight during the period that cartel pricing on fuel surcharges was alleged to have taken place. Maurice Blackburn, the legal firm representing the shippers, said: "In broad terms, the Full Court was satisfied with the statement of claim and set aside the order striking it out." Fines of more than £1 billion (US\$1.5bn) have already been handed out regarding the alleged cartel that operated between around 2000 and 2006, leading the media to label it as "the world's biggest criminal conspiracy". Around 30 airlines are alleged to be involved with investigations continuing in Australia, New Zealand and South Korea.

OOCL HIKES RATES

OOCL plans to raise rates on Oct. 1 on its services in both directions on the trans-Atlantic and on its services from the Middle East, South and Southeast Asia to Australia. The Hong Kong-based liner company said it will impose a general rate increase on all types of containers moving in both directions on the trans-Atlantic trade starting Oct. 1. At the same time, OOCL said it will increase rates by \$300 per TEU on containers shipped from Southeast Asia (Singapore, Malaysia, Thailand, Indonesia, Vietnam, Cambodia, Philippines, Indian Subcontinent and Middle East) to Australia.



Famous Pacific Shipping (WA) Pty Ltd.

INTERNATIONAL FREIGHT FORWARDERS - CUSTOMS BROKERS

73 North Lake Road, Myaree, Western Australia 6154

Telephone: (08) 9330 0000 Facsimile: (08) 9330 0011 E-mail: gravlich@famous.com.au www.famous.com.au

The information in this newsletter is provided for general guidance only. It should not be used as a substitute for consultation with professional tax, legal or other advisers. No warranty is given to the correctness of the information contained in this newsletter and no liability is accepted by Famous Pacific Shipping (WA) Pty Ltd, for any statement or opinion, or for any error or omission.