



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

NEWSLETTER

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NEW INCOTERMS 2010 COME INTO EFFECT 1 JANUARY 2011

The International Chamber of Commerce (ICC) has announced that Incoterms® 2010 is scheduled to come into effect on January 1, 2011. To keep up with the rapid expansion of world trade and globalization, the Incoterms rules are revised about once a decade.

Since the last revision in 2000, much has changed in global trade and the current revision will take into account issues such as developments in cargo security and the need to replace paper documents with electronic ones.

The following terms from Incoterms 2000 have been deleted from the list: OAF, DES, DEQ and DDU. Two new terms have been added to the list: DAT and DAP. Incoterms 2010 has only two categories compared to four previously:

Rules for Any Mode of Transport:

CIP - Carriage and Insurance Paid
CPT - Carriage Paid To
DAP - Delivered At Place
DAT - Delivered At Terminal
DDP - Delivered Duty Paid
EXW - Ex Works
FCA - Free Carrier

Rules for Sea and Inland Waterway Transport Only:

CFR - Cost and Freight
CIF - Cost, Insurance and Freight
FAS - Free Alongside Ship
FOB - Free On Board

WORST OF BOX SHORTAGE IS OVER

The chronic shortage of containers that disrupted global supply chains this year is unlikely to be repeated in 2011, according to Brian Sondey, chief executive of container leasing firm TAL International. Presenting the company's third-quarter results recently, Mr Sondey said that as container manufacturing facilities in China had increased production capacity, orders for new boxes were more likely to be fulfilled than they had been earlier in the year.

"The extreme shortage that we saw earlier this year has to some extent already been mitigated and in 2011 we are not expecting to see the same level of production constraints.

This year, shipping lines and leasing companies could not get any new boxes, which drove prices up very quickly, but in 2011 we don't believe we will see factories not meeting the orders placed," he told analysts. He estimated annual box manufacturing capacity to be about 3m teu, but he added that the supply of boxes in the supply chain would remain "tight".

'MODERATION' IN BOX RATES PREDICTED

Container shipping is likely to see "moderation" in container freight and charter rates until at least 2013 as capacity rises faster than demand, Seaspan Corp. CEO Gerry Wang said: "recovery in 2013 will depend on whether demand holds up", Wang said as the company announced third-quarter results. He said "most ships on order will be delivered by the end of 2012 and 2013 would be an upturn year if our assumptions are proved to be correct.

Until then we expect the industry to be in moderation and relaxed." Seaspan, which owns container ships and charters them to container ship lines, reported adjusted net profit of \$26.1 million on revenue of \$111.4 million, compared with adjusted net profit of \$20.2 million on revenue of \$74.1 million a year earlier. Seaspan owns 55 ships and will add 14 new vessels during the next 18 months. All of the vessels to be delivered are on charters averaging 12 years. The company this month announced financing deals that Wang said have secured funding for the ships on order.

UNION CONFLICT ON THE HORIZON WITH AUTOMATION

Mark Rowsthorn, CEO of shipping and stevedoring giant Asciano foresees problems with the labour unions when the next wave of automation kicks in at Australian ports. This is forecast to be the adoption of automated straddle carriers controlled from a central location and one example of a terminal now working this way is Pasir Panjang in Singapore. Mr. Rowsthorn said automation "works where wages are expensive", which he indicated as being in the western world.

He also said executives at ports in other nations would want to see automation working well in a big, dynamic and chaotic environment before they would commit to it. Yet when a delegate commented that other nations were worried about union reaction to automation and who then asked whether Mr Rowsthorn foresaw problems with the unions, he paused and replied: "the short answer is ... yes". However, he said that where automation had been attempted previously, the relations with staff had been managed. Methods of management include hiring more casual and part time staff, by moving staff to other parts of the operation on the landside or retraining staff for other roles.

"It has been done very well without any hours being lost," Mr Rowsthorn said. Commenting on Asciano's views on the matter, and seeking to reassure ports and carriers that there will be no major interruptions to business, Mr Rowsthorn said: "I think we'll introduce it in stages so that we can pause and test. And we can retrain people over time. Going in with a nuclear bomb approach won't work."

GOVT LOSES \$600 MILLION IN GST FROM ONLINE SHOPPING

Peak retail industry body the Australian Retailers Association (ARA) said the Government could be losing up to \$600 million in revenue by allowing goods under \$1000 to be imported into Australia GST free. ARA Executive Director Russell Zimmerman said Australia's GST free threshold for imports created an unlevel playing field for all Australian retailers. "It is estimated that Australian consumers will spend in excess of \$12 billion dollars online this year and almost half of that will be spent offshore. That equates to approximately \$600 million in lost taxes but it also highlights a growing concern for Australian retailers who believe the GST free threshold is damaging trade for Australian retailers.

It's never been easier or more cost effective for consumers to purchase goods from overseas. We currently have a situation where there is no GST or import tax charged for overseas goods less than \$1000; the Aussie dollar is almost matching the US dollar; and many overseas online shopping sites offer free delivery and easy return options. Leading into Christmas, the most important retail trade period, the ARA is seriously looking into this issue and will consider the views of its members as well as import taxes in other countries before bringing this issue to policy makers and legislators," Zimmerman said.

COMPETITION WILL DRIVE CONTAINER PORT GROWTH: ACCC

Australia's competition watchdog says increased competition at Australia's major ports will encourage stevedores to invest in terminals and maximise the use of existing facilities. Australia faces the looming prospect of a huge increase in the volume of boxes. Demand at Australia's major ports is forecast to almost triple during the next two decades as trade booms, the Australian Competition and Consumer Commission's annual container stevedoring report said: "The challenge we face as a nation is to improve productivity and to underpin Australia's economic performance," ACCC chairman Graeme Samuel said. "Competition is important for driving the stevedoring industry to invest in new capacity and use existing infrastructure to move containers on and off ships faster and in ever-increasing numbers."

The report showed that while improved economic conditions boosted stevedore profits in 2009-10, some measures of capital productivity had not risen since June 2001. Decisions to allow a third stevedore to invest in additional capacity at the ports of Brisbane and Sydney will see Hutchison join those ports from next year. Shipping Australia hopes the ACCC findings will persuade the port of Melbourne to make a decision on its port infrastructure.

CHARTERERS RE-EMERGE TO BACK BOXSHIP NEWBUILDINGS

A surge of newbuildings underpinned by charterers is taking place, which may indicate confidence returning to the sector. Boxship charterers helped underpin newbuilding contracts for 64 vessels of nearly 400,000 teu signed in the third quarter of 2010, the highest quarterly level of newbuilding activity in 27 months. The ordering boost from July to September -10 times the combined capacity ordered in the first half of the year -reflected returning confidence in the containership sector. Growth in trade on major shipping lanes, combined with slow steaming, cancelled orders and high scrapping rates saw demand outstrip supply, even though a record 228 ships have been delivered to the global fleet so far this year.

However although most orders were contracted directly by container lines, the return of nonoperating owners to shipyards was viewed as one of the strongest positive signals for the global containership fleet turnaround, according to Clarkson Research Services."Of great importance is the re-emergence of charterers, who now appear to be more willing to consider offering forward period employment against orders," said the London broker's quarterly review and outlook. "This will potentially be a story that continues to develop over coming months, with liner companies looking to take in new vessels with upgraded designs, without contracting them all for their own account." Leading the trend is Mediterranean Shipping Co, which has backed a three-ship order contracted in October by Greece's Costamare with 10 year charters at a daily rate of US\$43,000, according to filings.

TRADE MINISTER WELCOMES AUSTRALIA-INDONESIA NEGOTIATIONS

Trade Minister Craig Emerson has welcomed the decision by Australia and Indonesia to commence negotiations on a Comprehensive Economic Partnership Agreement. The announcement was made by Prime Minister Julia Gillard and Indonesian President Susilo Bambang Yudhoyono in Jakarta. Dr Emerson said an agreement would help build on the economic, trade and investment links between Australia and Indonesia. "The decision to commence negotiations sends an important message about the strength of the economic relationship between our two countries," he said.

"Once finalised, this agreement would help unlock the untapped commercial potential between the two largest economies in the region." During a visit by President Yudhoyono to Canberra in March, Indonesia and Australia committed to a shared goal of increasing bilateral trade and investment. It followed the completion of the Australia-Indonesia Free Trade Agreement Joint Feasibility Study.

LEADING THE WORLD IN ELECTRONIC CERTIFICATION

Export certificates for eight commodities are now being sent electronically to China, fast tracking Australian exports and providing an unprecedented level of security. The electronic data exchange system, called eCert, is now in place for meat, fish, dairy, horticulture, grain, wool, skins and hides and inedible meat product exports.

Minister for Agriculture, Fisheries and Forestry, Senator Joe Ludwig, said "eCert ensured opportunities for fraudulent activity were significantly reduced due to the high level of system security, which is great news for exporters and the Australian government. eCert provides assurances to our trading partners, in a more timely and secure manner, that our farm produce meets their import requirements.

I am pleased to see industry, government and trading partners working side-by-side to deliver a stronger biosecurity system. Our goal is for more of Australia's trading partners to adopt eCert to maximise efficiencies for exporters and importing countries." eCert replaces the old paper-based system of providing export certificates, resulting in record transfer speeds.

For example, China can now receive a certificate for a shipment of beef within minutes of Australia authenticating it. eCert implementation is a key element of the Government's \$127.4 million Export Certification Reform Package.

Through this program, government and export industry representatives are working in partnership to reform export certification and inspection services. The Department of Agriculture, Fisheries and Forestry is also working to implement eCert with the United States, Japan and Hong Kong. It has already been implemented in Canada and Jordan.

SEASONS GREETINGS

George & all the staff at FPS wish you a safe, happy and prosperous 2011. We thank all of our clients for your continuing support in 2010 and look forward to working with you in the New Year.



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