Röhlig Australia Update – November 2022

November 2022

Dear Valued Customer,

Welcome to the Röhlig ANZ November 2022 Market Update. We will continue to be in contact with you, letting you know what is happening in the world of freight forwarding and logistics. If you have any questions and would like to address them, please send them to rohlig.australia@rohlig.com. We appreciate your suggestions and feedback.

AIR FREIGHT

Oceania is beginning to open up

Flight numbers are beginning to climb, with 60 to 80 flights into Sydney airport daily. These are not at pre-covid levels yet; however, we are beginning to see increases over the 50 flights per day average for much of the year.

Flight cancellations and re-bookings remain common globally, as capacity is carefully managed. We expect airfare and airfreight to remain correspondingly high through Christmas, with a market shift in January/February. (More information: Air New Zealand passengers face $1100 fares to Sydney one way)

The dreaded A380's continued to return to service. We discussed this in the last newsletter - lots of passengers and no space for cargo. We need to see continual additions of aircraft in order to offset this, which at the moment is happening, keeping the usual peak season limited for 2022.

No airline has A380s in order anymore, and it will soon be entirely discontinued by airbus, which cannot come soon enough.

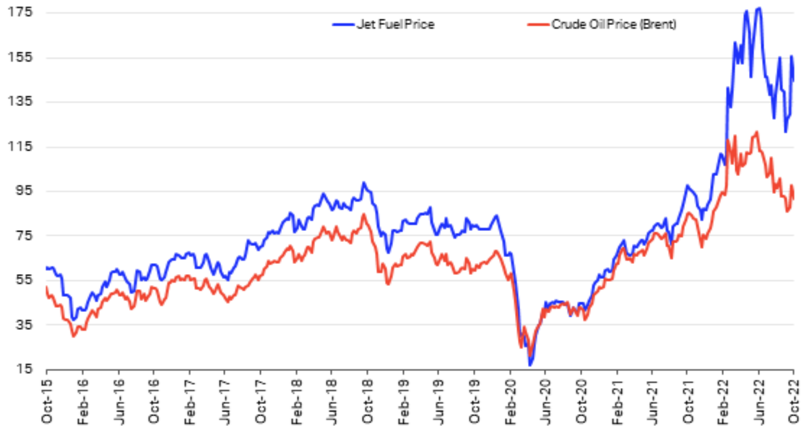
In Q1, 2023, we will likely see a capacity increase over demand and costs drop, at least at these oil prices.

Oil and Jet fuel prices

Oil futures are sitting at a now familiar level of 80 USD per barrel at the time of writing. At this point in time, if anyone says they know what the oil prices will do, then they have a 50% chance of being right because it's either going up or down. There is no clear way forward as OPEC tries to regain 100 USD and the market pushes back. Jet fuel prices are also relatively bouncing around at the 135 USD level, keeping those fuel surcharges historically high, as the production cost pushes the barrel price further away from oil.

(Source: https://www.tradingview.com/chart/?symbol=TVC%3AUSOIL)

Oil vs Jet fuel



(*Source*: https://www.iata.org/en/publications/economics/fuel-monitor/)

Australia

Passenger flights have grown approximately 25% in a month, with no additional freighter capacity. Flights are at capacity now, with perhaps some room. This situation indicates that while we are more or less full for now, January and February will be slow.

New Zealand

The Trans –Tasman route is frustratingly getting smaller, with many flights back to the narrow body as they send their wide bodies on other routes with better yield. Australia to New Zealand will be one of the routes heavily congested into Christmas, with other routes ex Asia/Europe/USA being stable.

We expect some freighter capacity to come online out of Dubai, with no ideal landing days of Tuesday PM and Thursday PM. This should offset the A380 problem NZ will feel in December.

Asia

Asia rates, while still volatile, have begun to ease. High-dense cargo is still favourable in China, with great spot rates on the heavy stuff. Contact us for any shipments you have, and we will provide the best options for you at the time.

Röhlig LOGISTICS

USA

US space remains per the status quo over the last few months with limited options. Nonetheless, we are managing well with mid-west and east coast shipments. The west coast can still be choppy, with passenger flights running across the long Pacific route not always managing to take belly loads.

Airline and terminals' staff shortages are ongoing and not dissimilar in Australia. In addition, ground handling continues to be a challenge US wide, pushing up airline operating costs which are not helping passenger or freight costs.

The US seems set to slow in 2023 - if passenger numbers keep rising, then we will see the Q1,2023 ease that we are looking for. We are having plausible options now ex JFK, contact us for more information.

Europe

Europe continues to be steady, with flights and costs full. Though, this year's peak season appears to be lower than last year's, with November looking more like August in terms of tonnage instead of being 50% higher. Critical inflation and energy costs are taking their toll on tonnages.

The A380 effect is strong ex Europe. Therefore we are working on new and creative ways to move cargo while 777 numbers are dropping off. We'll keep this up until such time as passenger demand adds more flights than there are A380s that can service ANZ.

For more information about our Air Freight services, please click Rohlig Air Freight.

SEA FREIGHT

Oceania

Trans-Tasman on both East bound and West bound is still very congested with space being at a premium. Shipping lines are forced to roll cargoes as they deal with port berthing issues and ongoing schedule irregularities.

Port of Newcastle

Positive news for Newcastle Port as the Australian government passed a bill to unlock restrictions on the development of a container terminal at the Port of Newcastle. The port, which mainly transports coal, has long planned to build a container terminal to increase container cargo throughput.

However, since 2013, the New South Wales (NSW) State Government has imposed a TEU cap on the Port of Newcastle in favour of containerised cargo travelling via the Ports of Botany and Kembla, owned by NSW Ports.

Port Botany and Port Kembla were privatised in 2013 under 99-year leases from the State of NSW Ports. A 50-year Port Commitment Deed, implemented as part of the 2013 privatisation, required the State of NSW to compensate the ports if container traffic at Newcastle exceeded a 50,000 TEU cap. (More information: Port of Newcastle bill 'unshackles' restrictions over container terminal)

ARTC announces re-opening of derailed freight line

The Australian Rail Track Corporation (ARTC) says the Melbourne-Adelaide freight rail line has been re-opened.

The rail line was closed due to the derailment at Inverleigh last week but has now opened again to freight companies.

The ARTC says it has worked with its dedicated team of contractors around the clock over the last week to clear the track and restore the rail line to full service.

ARTC rail recovery experts and contractors have worked to re-open the line and allow the nation's east-west freight and passenger rail services to recommence in the busy pre-Christmas period. Increased rail traffic is expected in the area over the coming days and residents are advised to take care at local level crossings. (More here: The ARTC has released details of a positive update following last week's freight derailment)

Asia

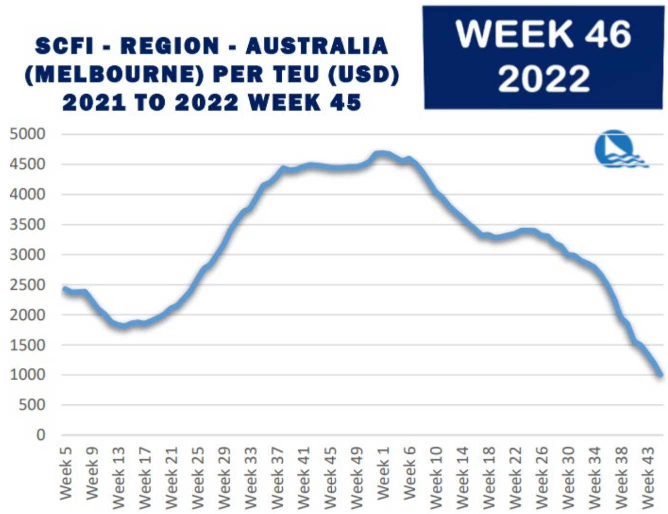
Rates ex. Asia, particularly ex. China, continue to fall at a fast pace since the hopes of an increase in orders for Golden Week did not materialise. Carriers have started to implement a blank sailing strategy which will continue through to the end of the year in a bid to put the breaks on the freight rate declines.

It is yet to be seen if restricting capacity will induce stronger bookings per sailing, with the view to implement a GRI this side of Christmas.

Carriers do not always announce blank sailing and they are often last minute operational decisions, so it can be hard to track the impact of this on the market.

In addition, Covid control restrictions tighten in China as their COVID 19 cases surge, forcing lock down of certain regions with increased number of cases. This will continue to cause uncertainty to the Asia SB market. Space is still open and for now there are not issues having bookings accepted. Contact us if you require any support , and we will provide the best options for you.

SCFI index



Europe

Europe continues to see stronger demand with transhipment services popular since the Asian transhipment hubs are not experiencing significant congestion, perhaps 2 weeks wait time on average. Europe rates have dropped for December, but vessels are still sailing relatively full. We expect to see further reductions on this trade in Q1.

USA

New York's winning streak continues as the West Coast Labour situation remains uncertain

For the third consecutive month The Port of New York and New Jersey has topped California's two main ports Los Angeles and Long Beach. The Port of New York has seen a 19% increase in volume over the numbers seen pre-covid back in 2019. Many have attributed this to the labour situation on the West Coast remaining uncertain and we are seeing record imports to the East Coast out of Europe. As the talks between the International Longshore Warehouse Union & the Pacific Maritime Association are set to resume it does not appear much traction has been made since the talks began in May 2022. Los Angeles and Long Beach are not the only ones in the spotlight as The Port of Oakland has experienced two walkouts since the beginning of November. It will be interesting to see how the situation on the West Coast unravels in the coming weeks.

Port Houston to implement container dwell fee

Effective December 1, Port Houston will implement a "sustained import dwell fee" to incentivize cargo movement at the Barbours Cut Terminal and Bayport Container Terminal. Long-dwelling loaded import containers have been contributing to congestion at the terminals and a shortage of chassis. The fee will be assessed directly to BCOs on the eighth day after the expiration of free time. The Port Commission also authorized on October 27, the use of an "excessive import dwell fee," should it be needed. The port's press release did not provide details related to fee amounts.

Threat of U.S. rail strikes still looms over U.S. economy before the holidays

Due to recent rejections by the largest U.S. rail union voting against a tentative contract the threat of a strike remains possible. The strike could hit the U.S. economy before the holidays as early as December 5, 2022. This could threaten many industries including everything from food to fuel as currently 30% of the countries' freight is moved via the railroad. There are 12 unions who need to vote to approve their contracts. To date seven of the twelve unions have approved their contracts. The deadline to approve remains December 8th, 2022, the other unions have just a few short weeks to reach an agreement prior to the deadline.

Customs

The Department of Agriculture, Fisheries and Forestry intends to increase the Import Declaration charge

The Department advised its intent to cost recover for its increased efforts to manage hitchhiker risks through the 2021–22 Biosecurity Cost Recovery Statement (CRIS), published on 25 March 2022. It has also been raised at various industry forums such as the Department's Cargo Consultative Committee.

The department intends to increase the Full Import Declaration charge for sea cargo (Sea FID) for each declared consignment arriving by sea from **$49** to **$58**, commencing **16 January 2023**.

Billing arrangements will remain the same with the proposed increase applied to Sea FIDs lodged on or after 16 January 2023.

A draft Biosecurity (Hitchhiker) CRIS 2022-23 sets out the details of this proposed change to the Sea FID and is available on the department's website.

Please contact the department at: BioCRIS@agriculture.gov.au if you have concerns or need support managing the transition to the new price.

Thank you for your ongoing support of Röhlig Australia and New Zealand. We will continue to keep you updated, however should you have any questions relating please do not hesitate to **contact** your Röhlig Account Manager or Customer Service Representative.

The Team at Rohlig Australia and New Zealand

Please follow Rohlig Australia and New Zealand on LinkedIn and YouTube or get to know more about our products and services on our Website

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