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September 2020

Sydney Port Congestion overflows...

The Maritime Union of Australia (MUA) has suspended all industrial action at Patrick Terminals.

However, the build-up of 100,000 containers at four ports could still take up to three months to clear, and with no new labour agreement reached, there's no guarantee work stoppages won't resume as peak season continues to build.

The dispute was under increased public scrutiny this week after Prime Minister Scott Morrison accused the MUA of "engaging in a campaign of extortion" against the Australian people".

In addition to congestion surcharges, at least three shipping lines have suspended bookings, and reduced services, to Australia, following schedule delays of up to three weeks at Botany and knock-on delays at Melbourne and Brisbane.

Not only are there quayside issues in Port Botany, there is also massive congestion at all empty container parks.

Port Botany is Australia's second-largest container port, serving the nation's largest metropolitan population centre and biggest state economy. The escalating industrial conflict and extended delays on the Sydney waterfront will inflict significant damage and additional costs, uncertainty, and supply constraints on an already virus-hit economy and vulnerable businesses, by holding up the flow of imports, including critical supplies, and preventing exports from reaching overseas markets.



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COVID—Victoria's Economic woes

The implementation of all the restrictions in Victoria, including a nightly curfew and unprecedented curtailment of economic activity, has created a major and long-lasting impact on both the Victorian and national economies.

The economic impact in Victoria

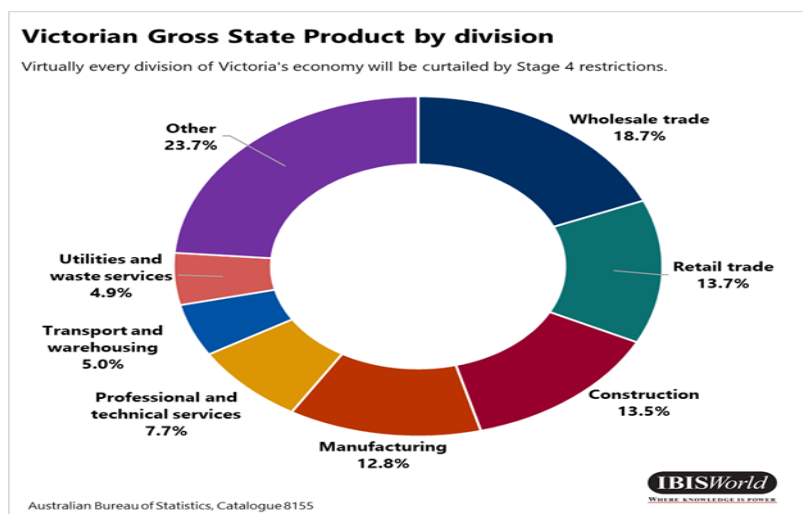
In Victoria, 250,000 employees are expected to be stood down early September. This figure is in addition to the roughly 250,000 Victorians who have already lost employment since the emergence of COVID-19 in February 2020.

While the original loss of employment was primarily concentrated in hospitality and tourism industries, the latest job losses are far more widespread.

The job losses to date have been concentrated in the retail, wholesale, construction and manufacturing divisions, which accounted for 58.7% of Victoria's Gross State Product (GSP) in 2018-19—with more still to come.

Over 500,000 Victorians are already working from home, and 1 million teachers and students have not been attending school throughout the lockdown period.

An economic update provided by the Victorian Government outlined an expected budget deficit of \$7.5 billion in 2019-20, down from a \$618 million surplus originally anticipated for the year. The update also predicted a 5.25% GSP decline for 2020, and a 6.25% recovery in 2021. However, these predictions were predicated on a six-week Stage 3 lockdown through to 20 August 2020. The implementation of the far-reaching Stage 4 restrictions through to mid-September is expected to cost Victoria between \$20 and \$25 billion. Victoria's GSP is estimated to be about 14% lower in the June and September quarters relative to forecasts in the 2019-20 state budget, dropping \$55 billion over an 18-month period.



Online Shopping Sky Rockets

Online shopping order volume has increased 49% according to Rakuten Advertising's affiliate network year-to-date data.

The company has applied online shopping data drawn from its affiliate network of over 200 Australian retailers to reveal new insights into local online retail trends.

The research tracks the impact that the coronavirus pandemic and the subsequent stay at home restrictions have had on the lives of millions of Australians.

Looking at recent months, there has been a 28% month-on-month increase from February to March and a further 29% month-on-month increase from March to April.

Insights drawn from Rakuten Advertising's vertical-specific data also highlights exactly where Australians have chosen to spend their online dollars during lockdown.

Despite fears over health being top of many people's minds, Australians have used time away from colleagues, friends and family to focus on looking and feeling good. Order volume in the sporting goods category has seen a 600% month-on-month increase from February to March as Australians started isolation measures.

Sales of lingerie and intimates saw a 459% week-on-week increase during the week Australia was placed in lockdown on March 25, and a 38% month-on-month increase from March to April.

March also saw a 60% month-on-month increase in orders in the beauty and personal care category, followed by a further 45% month-on-month increase in orders April. With more time at home than ever before, Australians have turned their focus to odd jobs, repairs and renovations.

Year-on-year same store data shows home improvement orders increased 76% month-on-month from March to April.

The data also reveals a 51% increase in orders in the consumer electronics category from February to March, and a further 108% increase from March to April.



Inventory Management

Now more than ever highlights the importance in managing Stock and Inventory Control.

As a part of your supply chain, inventory management includes aspects such as controlling and overseeing purchases — from suppliers as well as customers — maintaining the storage of stock, controlling the amount of product for sale, and order fulfillment.

Naturally, your company's precise inventory management meaning will vary based on the types of products you sell and the channels you sell them through. But as long as those basic ingredients are present, you'll have a solid foundation to build upon.

From a product perspective, the importance of inventory management lies in understanding what stock you have on hand, where it is in your warehouse(s), and how it's coming in and out.

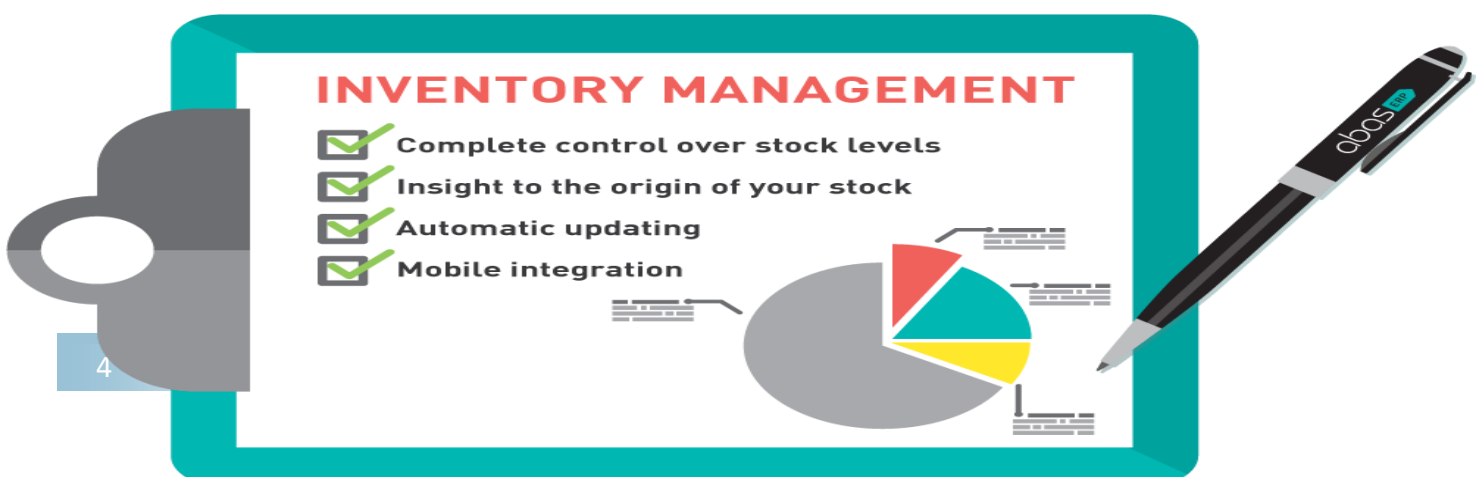
It is critical to have a clear visibility of all your inventory.

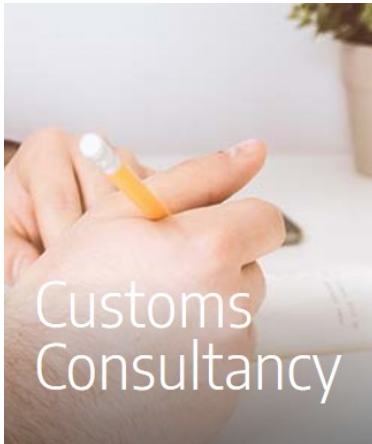
Clear visibility helps you:

- Reduce costs
- Optimize fulfillment
- Provide better customer service
- Prevent loss from theft, spoilage, and returns

In a broader context, inventory management also provides insights into your financial standing, customer behaviours and preferences, product and business opportunities, future trends, and more.

For any goods-based businesses, the value of inventory cannot be overstated, which is why inventory management benefits your operational efficiency and longevity.





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- Export Freight
- Customs
- Quarantine
- Warehouse Storage
- Documentation
- Logistics Plans



CNI Customer Updates

On the 30th September we held an industry forum pertaining to the current Port congestions.

We secured the services of Mr Zoran Kostadinovski who is Head of Border & Biosecurity for the IFCBAA (IFCBAA is the peak industry body for the Freight and Transport sector) to participate in this Industry forum.

Daniel Duignan and myself, spoke over and above Zoran's specific topic and focussed on the flow on effects.

Key Notes:

Backwards -

2-3 weeks delay in obtaining Vessel bookings
significant backlogs are being incurred on Asian hubs
Asian Ports suffering lack of containers

Forwards –

Vessels are bypassing Sydney Port
Change in schedules results in missing connections
CTRS from Melbourne taking up to 2-3 weeks back to Brisbane
Major Shipping Lines refusing to take bookings for Australia throughout October
Empty container Parks reaching capacity with some Yards refusing to accept empty containers
Shipping Lines are still charging fees for late empty container returns

CNI POINTS:

1. Expect increases in Freight Pricing
2. Expect the Port Surcharge fees to remain until the issues are resolved and the Port Congestions are eased
3. Bring current re-ordering process forward 3 weeks to allow for potential/expected delays.
4. Be very vigilant in monitoring/maintaining inventory and distribution control – e.g. increase communication/reporting process

If you would like to catch up personally, face to face OR via virtual platform, please don't hesitate to contact us.