

# DIRECTIONS

News Update

December 2008

## A CHINA UPDATE

I have just returned from a quick trip to China and it was noticeable that an air of pessimism exists.

Whilst this is bad news it does on the flip side mean that for viable importers, weakening demand should result in ocean rates that continue to be low throughout 2009.

It also seems that FOB prices for garments etc will be very competitive and may counteract the low Aussie dollar to some degree.

For Dean/Wako we will be offering our usual high service including the best shipping rates we can get through our favoured carriers.

## FREIGHT MARKET COMMENTS

Further to weakening demand, oil prices dropped last week to the lowest level in five years so we should see sea freight rates react accordingly.

It is likely that there will be rationalisation of some lines and consortiums globally which will no doubt affect the China Australia run and this is why we will continue to work with our regular carriers who are all stable and well funded.

## BACK TO BASICS FOR SEA FREIGHT RATES

Shipping Lines are now quoting all-in prices which includes the: Base Rate, Bunker Surcharge (BAF) and Peak Season Surcharge as an all-inclusive price.

This is obviously a way the lines can try to keep the base rate up by rolling the PSS into the overall rate.

If supply/demand continues its downward trend then some lines will drop out of the market and it may close the gap and prices could stabilise or even rise.

No doubt the first quarter of 2009 will be tough but Shipping Lines will expect a rate rise come the peak season from July 2009 onwards.

## OFFICIAL RECORD OF DROP IN CHINA VOLUMES

Exports ex China in November fell year on year for the first time in seven years.

In October exports were up 19% on last year but November really fell out of bed. The experts were taken by surprise as they had forecast a drop off due to the global situation.

## CHINESE YUAN

As a result of the above fall in trade, the Chinese government is once again rethinking their policy of appreciating the Yuan against the U.S Dollar. Whilst this appeased the U.S Government, China needs to stimulate activity and this is a major factor in generating business.

## **CHINESE PORTS CONTINUE TO EXPAND**

Shanghai which is already the world's second largest port, has completed the third stage of its deep water port at Yangshan.

Yangshan port's annual capacity will increase to 9.3 million TEU and despite the global slowdown it intends to invest some 20 billion CNY on further expansion.

Overall Shanghai capacity is planned to be 28.5 million TEU for 2009.

Yangshan handles more European and US Trade and so far does not handle Australia traffic.

## **DEAN/WAKO VALUE ADDED SERVICES**

Dean and Wako have just completed the transition to a new Shanghai warehouse facility which will handle both our CFS business and our newer Value Added Services such as scan pick pack.

The new facility is closer to Yangshan port and is ideally located for suppliers in the Hangzhou region. It is close to the airport as well.

The facility can handle scan pick pack, container sortation, labelling and has facilities for Garment on Hanger (G.O.H.) which is well suited to our wholesale and retail customers. In fact if you have any fast moving consumer goods that can be packed for direct store delivery please let us know and we can give you a quote and explain how things work.

## **LOCAL NEWS**

Roy He from our sea freight division and his wife Cathy have just become the proud parents of another son. This is their second child so keep up the good work.

Our recent Xmas Party at Eureka89 was a great success. It was great to see so many clients and staff attend.

No doubt the view from 89 stories was a big highlight but all in the food, wine and friendship was the key to the evening's success. Thanks for joining us.

## **X-MAS/NY HOURS**

With Christmas Day falling on a Thursday this year, our office will be closed on Thursday and Friday, 24 and 25 December, with us breaking at lunchtime on Christmas Eve.

Our offices will be back open again until lunchtime on New Year's Eve, where we'll stay closed through Thursday 1 Jan and open again on Friday 2 January.

We wish everyone a safe and Happy Xmas and New Year

All the best,  
Bruce and the Dean Team

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