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DP World dispute and attacks on shipping abroad forcing up prices for customers

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Import forwarders say customers will be forced to deal with “even higher prices” for goods because of the combination of “completely avoidable” actions in Australia, and catastrophic problems on key international shipping routes.

On the domestic front, industrial action has caused a 50,000-plus backlog of containers at the nation’s second-biggest port operator DP World, just as the Dubai-based company moved forward with a 20-50 per cent increase in its land-based charges.

Internationally, the Houthis drone attacks on ships in the Red Sea triggered many to take up to a 15-day longer route to avoid the rising tensions in the Middle East, and extreme drought has forced authorities to reduce shipping through the Panama Canal.

Major freight-forwarder Brian Hack from EES Shipping said the federal government needed to intervene because the crisis would increase cost-of-living pressures for many Australians and cause even more shipping lines to cancel services to Australia.

“It’s pushing up the price of goods everywhere around Australia,” Mr Hack said.

“We’ve become a country where shipping lines look at us and say do we really want to do business with them?”

The Australian reported last week that one-fifth of container ships scheduled to travel from China to Australia in January cancelled their services because of severe delays at DP World terminals, which account for 40 per cent of Australia’s container shipments.

The running costs of a vessel can range from $50,000 a day to $250,000-plus, depending on its size, fuel efficiency and crew size.

“If a 10-day journey around Australia turns into a 25-day journey, then your costs are not just doubling, they could be tripling or more, and then on top of that your vessel schedules are out, so you’ve got to add more services,” Mr Hack said. “Or you just pull services off Australia and send your ships somewhere they are going to unload containers immediately.”

DP World and the Maritime Workers Union have been locked in a battle over pay and rostering since October last year. The two parties are in “unofficial” talks via the Fair Work Commission and are currently in a media blackout.

DP World has said the dispute has cost the nation $84m per week since it began and called on the Labor federal government to call in the FWC for mandatory, enforceable arbitration, but Workplace Relations Minister Tony Burke has ruled out intervening.

As to which party is “in the right”, many shippers and exporters say stevedores are very well paid – on average $140,000 at DP World – for a 35-hour work week.

However, also they also note the escalating charges that the stevedoring companies are passing on to customers. DP World ratcheted up its land-based charges again on Thursday at its East Coast terminals to between 21-26 per cent for imports and between 38-52 per cent for exports, according to the Freight Trade Alliance.

DP World has terminals in Sydney, Melbourne, Brisbane, which are all privatised, and Fremantle, which is still owned by the state government and has caps on price rises stevedores can charge.

The port of Melbourne is owned by QIC, the Future Fund, Global Infrastructure Partners, and Canada's OMERS.

Port Botany and Port Kembla are owned by a consortium that includes IFM Investors, AustralianSuper, Hostplus, Abu Dhabi's Tawreed Investments, Cbus, Australian Retirement Trust.

The Port of Brisbane is owned by IFM Investors; QIC, Tawreed Investments, and Canada's Caisse de depot et placement du Quebec.

Next month, Patrick Corp, the biggest port operator will increase its fees, "particularly targeting imports with record high fees and similar rate increases as their main competitor", according to FTA director Paul Zalai.

Mr Zalai said the stevedores should be charging the foreign-owned shipping companies these landside fees, as in most countries, rather than forcing Australian landside operators to pay thee fees, which they then pass on to consumers through higher costs.

"Rather than negotiating increased fees with their contracted client, being foreign-owned shipping lines, it's a whole lot easier to hold road and rail transport operators to ransom and force them to pay increased fees for access to terminals," Mr Zalai said

Mr Zalai said that as well as intervening in the current dispute between DP World and the MUA, the government needed to accept some of the findings of a recent Australian Competition and Consumer Commission report into stevedoring, which showed high profits from the container port operators and exposed the vulnerabilities of importers and exporters to both the charges of the terminal operators and the port owners themselves.

So called "detention costs" charged by shipping lines to customers who don't return containers on time, were specifically called out and are an escalating issue due to the DP World industrial action.

Mr Hack said it was time for the government to step in and ensure Australia remained commercially feasible for shipping.

“The Red Sea, no one saw coming and the 10 to 15 days extra it takes to travel around Africa, is chewing up resources and capacity, so if I was a shipping line, I’d be removing capacity from Australia and sending it back to the profitable routes … unless there is some sort of government intervention with DP World and the union,” Mr Hack said.

“It just has to happen.”

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Tansy Harcourt joined the business team in 2022, returning to journalism after several years in corporate affairs. Tansy was a columnist and writer over a 10-year period at the Australian Financial Review, and has … Read more