29 April 2021

VOLUNTARY NATIONAL GUIDELINES FOR STEVEDORE INFRASTRUCTURE AND ACCESS CHARGES (SIACs)

Submission to the National Transport Commission on behalf of Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA)

"KEEPING AUSTRALIA'S INTERNATIONAL TRADE MOVING"

FTA FREIGHT & TRADE ALLIANCE

Australian Peak Shippers Association Inc. (APSA)

29 April 2021

Mr Ron Grasso and Mr Mohit Patiyal
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VOLUNTARY NATIONAL GUIDELINES FOR STEVEDORE INFRASTRUCTURE AND ACCESS CHARGES (SIACs)

Dear Ron and Mohit,

Thank you for the opportunity to meet on Thursday 22 April 2021.

In response to the questions that you raised, Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) provide the following responses for your consideration as a part of your review:

DISCLAIMER: The data contained within this correspondence should be read as indicative of the magnitude of the cost rather than an exact figure. While FTA / APSA have used reasonable efforts to ensure that the estimates are reasonable, FTA / APSA do not warrant the accuracy, currency or completeness of the cost estimates. The cost estimates are based on historical and publicly available data. FTA / APSA has not verified the accuracy of the publicly available data.

WHAT ARE THE IMPACTS OF AN INFRASTRUCTURE/ACCESS INCREASE ON YOUR OPERATIONS?

Stevedore Infrastructure and Access Charges (SIACs) nationally have significantly increased since implementation. The Australian Competition and Consumer Commission (ACCC) *Container Stevedoring Report 2017-2018* referred to SIAC revenue being $100M. It is important to note that this was the first full year of the expanded use of these charges. According to the ACCC, the charges again significantly increased in 2018-2019 to $167M.

FTA / APSA have completed a review of Terminal Access Charges for the 2019 and 2020 calendar years using container number sources from the various Port Authorities with charges averaged across the stevedore-imposed fees. Whilst container numbers dropped some 300,000 units from 2019 to 2020, stevedores collected approximately $100M in additional revenue during this corresponding period.

	2019	2020
Total number of Import Containers	2,683,438	2,404,800
Total number of Export Containers	1,640,814	1,565,307
Infrastructure costs on imports	$157,914,577	$223,510,721
Infrastructure costs on exports	$96,540,107	$123,885,583
Total costs	$254,454,685	$346,736,304

WHAT RESPONSE HAVE YOU SEEN FROM CARGO OWNERS?

The imposition of SIACs has been devastating for Australian exporters and importers.

As outlined in the FTA / APSA 2019 submission to the *Senate Committee Inquiry into the Policy, Regulatory, Taxation, Administrative and Funding Priorities for Australian Shipping*, a major Australian exporter of flour, starch, gluten and stockfeed, shipping 22,140 containers per annum paid $833,571 in extra costs; similarly, an exporter of paper and recyclables, shipping 42,122 containers in 2018, paid $1,585,893.30 in extra costs.

Since this time, FTA / APSA has received extensive correspondence from members outlining further substantial increases and adverse operational impacts.

Below is a sample of correspondence collated during 2019 and included in an FTA / APSA submission to the *Independent Review of the Victorian Ports System* highlighting the impacts of these charge on Australian commerce and regional farming communities:

Paul Goodman-Jones (Shipping manager – Wilmar Gavilon) – 3 December 2019

"From a trading perspective the Australian Agricultural sector are now faced with higher landside supply chain costs further diminishing our international competitiveness on top of a crippling drought. Historical markets in the Asia / PNG / Pacific Rim now have capability of sourcing agricultural products from competing Black Sea and North America regions. With blue water supply chains from these origin countries now established, these markets, historically sourced from Australia agriculture could be lost permanently to Australian producers. The only way our Australian sector can regain these markets once we return to an exportable harvest is to then buy our way back into the market at the expense of the producer. These infrastructure charges are harmful to the Australian Agriculture sector."

Mathew Kelly (CEO KM & WM Kelly & Sons) – 8 December 2019

"The recent harvest(s) has been lower than expected due to drought, however in 2017 we packed 5,500 containers through our Tocumwal facility and other packing houses through-out Victoria. With the current Terminal Infrastructure Fee at DP World of $83.50 per container, the impact is $459,250/mt being moved from regional communities. With our potential to increase our container out-put to 15,000 annually the flow on effects are stifling further investment with the entire container supply chain market."

Mark Lewis (General Manager – Riordan Grain Services – RGS) – 13 December 2019

"Net result across 8,000 TEU's and assuming worst case increase in pricing from $3.50 per TEU to $98.00 per TEU has = $756,000 per annum in additional cost to RGS. This cost must be passed back to the price that RGS pays for grain as we operate in a very competitive local and global market. Many other international origins are now heavily competing for market access to traditional Australian customers and destinations. We see the net result of these cost increases having the following impacts: 1. RGS pays less for grain to growers and local regional communities. 2. RGS opts out of investment opportunities in expanding container packing capacity. 3. RGS looks at alternate supply chains for grain export movements eg loading on bulk vessels. 4. The Australian Grain industry loses export competitiveness for Australian grain."

Jack King (Commercial & Procurement Manager – Malteurop Australia) – 27 December 2019

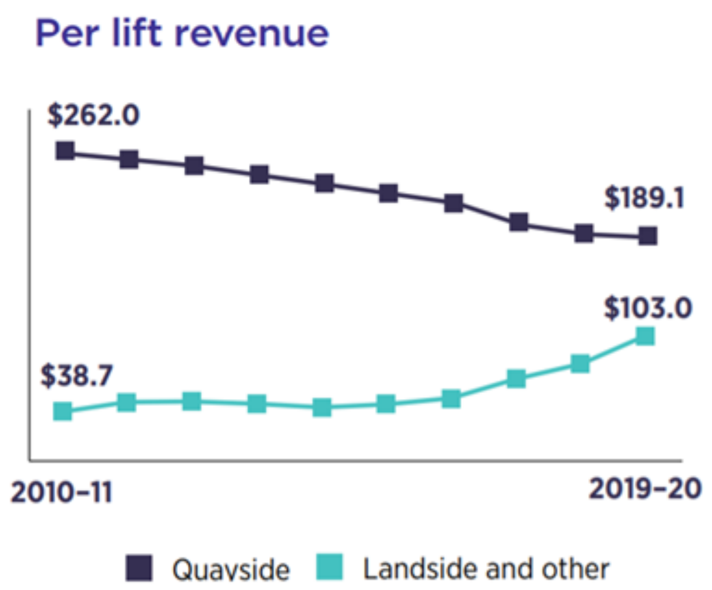
"Since our Geelong Malthouse was established in 1998, we have been a significant end user of Malt Barley for the Victorian grain producers. Recently we have expanded our Malthouse capacity to more than double its previous output, so we now export approximately 8000 TEU's from our Geelong plant via the Melbourne Port(s) per annum. When these surcharges are applied across that number of containers it becomes a significant cost to doing business into the ever-competitive Asian Malt markets. That is not something we can sustain going forward and it flows back down the chain to growers - if we cannot sell our Malt then we simply buy less Barley from the growers."

WHAT FEEDBACK HAVE YOU GIVEN TO STEVEDORES IN RESPONSE TO PROPOSED CHANGES?

FTA / APSA have given consistent feedback to stevedores, shipping lines and government (both state and federal) that SIACs should be recovered directly against the stevedore's commercial client (shipping line) rather than the more recent SIAC practice of recovering costs from transport operators via their Vehicle Booking Systems. This would alleviate the need for any further monitoring of stevedore pricing as market forces would take effect to best manage pricing. This would return the market to a position whereby shipping lines would then decide whether to absorb costs or pass these onto shippers (exporters, importers, and freight forwarders) through negotiated freight rates and associated charges.

WHAT STEVEDORE CHANGES HAVE BEEN MADE IN RESPONSE TO THIS FEEDBACK?

It is evident that stevedores have collected revenue via the SIAC to offset reduced rates administered against shipping lines. The ACCC *Container Stevedoring Report 2019-2020* highlighted that stevedore 'landside and other' revenue is significantly increasing; however, this this quantum is largely being offset by a correlating reduction in 'quayside' revenue.



This brings into question whether exporters and importers are paying duplicate landside stevedoring fees via:

- sustained high Terminal Handling Charges (THCs) administered by many shipping lines; and
- SIACs administered by shipping line contracted parties (stevedores and empty container parks).

WHAT IS YOUR PERSPECTIVE ON THE VICTORIAN GUIDELINES?

The Victorian government introduced their *Voluntary Port Performance Model (VPPM)* last year at which time FTA / APSA received formal correspondence from the Hon Melissa Horne - (Victorian) Minister for Ports stating:

"In January 2020, when I released the summary of our Port Pricing and Access Review to stakeholders, I advised stakeholders that the Victorian Government was not intending to move towards heavy-handed regulation but would instead work towards establishing a new Voluntary Port Performance Model for the Port of Melbourne in partnership with all port users. I also said that if voluntary standards didn't improve pricing transparency, it was open to the Victorian Government to consider mandatory standards."

On 15 March 2021, DP World Australia (DPWA) announced an increase in their SIAC nationally; specifically in context of their Port of Melbourne operations, the increase scheduled for 1 May 2021 is 11% for import containers and 12.5% for exports.

FTA / APSA sought prescriptive detail as to whether this is a measure to offset a further reduction in quayside rates to DPWA commercial client shipping lines and / or necessitated by other specific operational factors.

In the absence of any commercial ability to influence the quantum of the SIAC (being a 'take it or leave it' proposition as referenced by the ACCC) and in line with the intent of the VPPM, FTA / APSA requested a further detailed explanation for the increase including disclosure, supporting information and data justifying the full cost structure of the total fee to be applied effective 1 May 2021.

While a constructive meeting was subsequently held with DPWA executive, follow up correspondence did not provide the specific data requested, instead provided a general commentary with a broad reference to activities and capital expenses.

Following a meeting on 17 March 2021 with Minister Horne, FTA / APSA provided formal correspondence on 9 April 2021 outlining the above VPPM experience, noting the futile nature of a voluntary approach and urging the Minister (ideally in partnership with other state ministers), to move towards regulation to force stevedores (and empty container parks) to cost recover directly against their commercial client (shipping line).

To date, FTA / APSA is yet to receive a response from the Minister.

WHICH OF THE PARAMETERS HAS THE MOST IMPACT?

The VPPM or any similar voluntary monitoring process will mean that stevedores will continue to receive revenue from the transport sector with the minor inconvenience in the form of another level of bureaucracy before implementing each increase.

Continuation of such voluntary performance arrangements also poses the significant risk of giving tacit approval to this unwarranted cost recovery method on third parties.

We are also witnessing that empty container parks are also rapidly increasing their charges on transport operators following the lead from stevedores that have demonstrated a very effective model to collect revenue from vehicle booking systems rather than negotiating increases with commercial clients.

The bottom line is that vulnerable Australian supply chain participants are currently paying an additional $500M+ per year direct to stevedores and empty container parks. These rapidly increasing costs are having particularly devastating impacts on exporters and importers with downstream crippling financial impacts on manufacturers, farmers and regional communities.

WHAT IS YOUR FEEDBACK ON THE DESIGN PRINCIPLES?

FTA / APSA are not arguing about the quantum of the SIAC. This is something only the shipping lines can negotiate with the stevedore. FTA / APSA are requesting stevedores stop charging transport companies. It is an abuse of market power and unreasonable to impose a charge on a party that has no say; cannot negotiate the charge and cannot go elsewhere to receive and deliver containers.

FTA / APSA recommend that the scope of the National Transport Commission (NTC) review be expanded to examine the potential of regulation to force stevedores (and empty container parks) to cost recover directly against their commercial client (shipping line) rather than via third party transport operators.

For your consideration,

Paul Zalai
Director and Co-Founder | Freight & Trade Alliance (FTA)
Secretariat | Australian Peak Shippers Association (APSA)
Director | Global Shippers Forum (GSF)