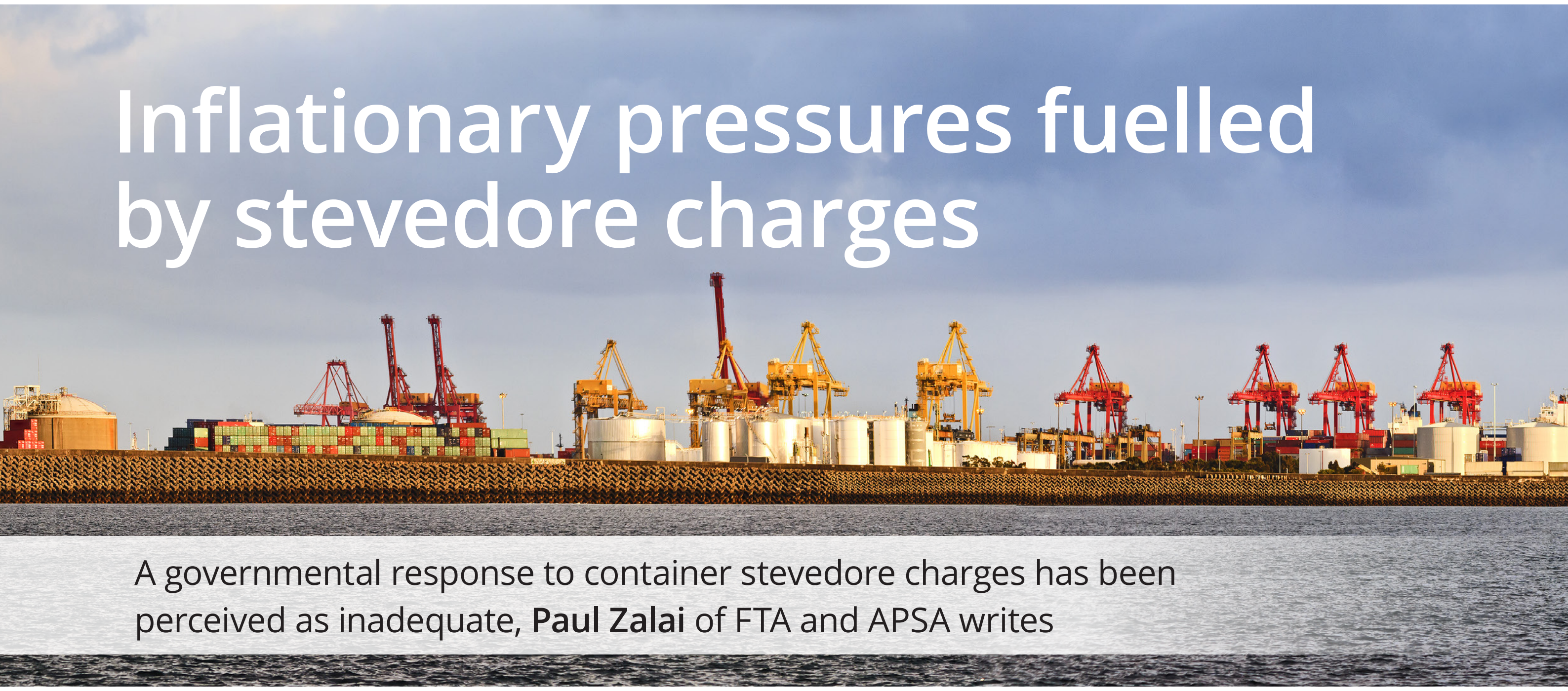


Inflationary pressures fuelled by stevedore charges

A governmental response to container stevedore charges has been perceived as inadequate, **Paul Zalai** of FTA and APSA writes

OWNERS AND SHAREHOLDERS of container stevedore operations have been handed a license to print money with the National Transport Commission. It permits them to hold to ransom third party transport operators which have no influence over service or price.

Hutchison Ports has taken terminal access charges – which they refer to as infrastructure surcharge – to a new national high with their recent announcement of a $162.10 fee payable by transport operators for all containers received or delivered via their Brisbane terminal.

The approach is the result of stevedores reducing quayside revenue intake from their commercial client shipping lines and instead recovering costs from transport operators that have no influence on service or price.

Foreign owned shipping lines servicing our container trade are in the dominant position. Not only are they cashing in on importers and exporters with high freight rates, a spate of surcharges and unfair container detention penalties; they are also putting a squeeze on their contracted stevedores. These stevedores have resorted to terminal access charges (TACs) to remain commercially viable.

GOVERNMENT RESPONSE

The Australian Competition and Consumer Commission highlighted in its *Container stevedoring monitoring report 2019-20* that aggregated stevedore landside and other revenue is significantly increasing. However, this quantum is largely being offset by a correlating reduction in quayside revenue.

> We have severe capacity constraints, record high freight rates, container detention penalties, depot congestion and shipping line surcharges. Meanwhile, our government ... are left scratching their heads as to why ... costs continue to spiral out of control.

This brings into question whether exporters and importers are paying duplicate landside stevedoring fees; once via high terminal handling charges administered by shipping lines, and twice via TACs and vehicle booking systems administered by shipping line contracted parties.

Australian supply chain participants are currently paying an additional $500 million per year direct to stevedores and empty container parks. These rapidly increasing costs have detrimental impacts on exporters and importers with downstream financial impacts on manufacturers, farmers and regional communities.

Freight & Trade Alliance and the Australian Peak Shippers Association wrote to state ministers in 2020 reiterating a position that stevedores and empty container parks should be forced to either absorb operating costs or pass these on to their commercial clients (the shipping lines). This outcome would give shipping lines the choice to absorb costs or pass these onto shippers through negotiated freight rates and associated charges.

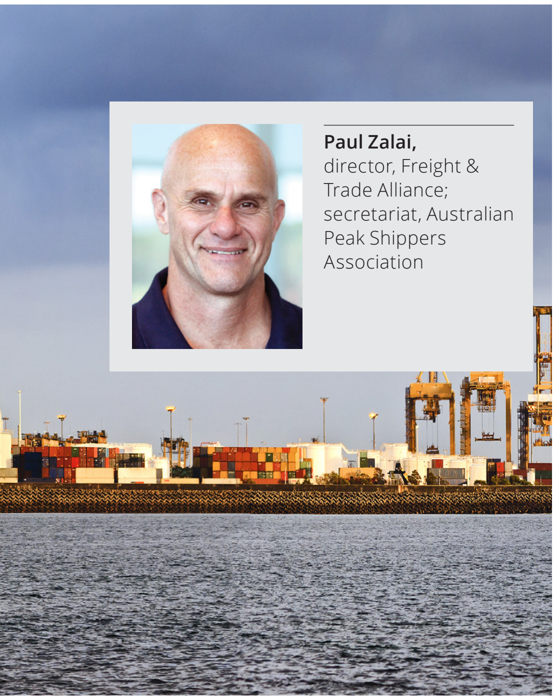
Ministers at the Infrastructure and Transport Ministers meeting in November 2020 tasked the National Transport Commission (NTC) with leading reform and the development of voluntary national guidelines to apply to the introduction and increase stevedore infrastructure and access charges at Australia's container ports.

VOLUNTARY ARRANGEMENTS

Parallel to the NTC's activity, the Victorian government set about their own program of reform over the last two years to address this and other port related operational matters through the establishment of the Voluntary Port Performance Model (VPPM). Under this model, stevedores are restricted to one annual TAC increase with prescribed notice periods giving industry an opportunity to question and challenge any variation.

On each occasion DP World, Victoria International Container Terminal and Patrick have announced TAC increases via the Port of Melbourne, prescriptive detail has been sought by FTA and APSA to ascertain whether increases are a measure to offset a further reduction in quayside rates to the stevedore's commercial client

Taras Vyshnya ; Jim Wilson



Paul Zalai, director, Freight & Trade Alliance; secretariat, Australian Peak Shippers Association

shipping lines or necessitated by other specific operational factors.

In the absence of any commercial ability to influence the quantum of the TAC and in line with the intent of the VPPM, FTA and APSA also requested a further detailed explanation for the increases including disclosure, supporting information and data justifying the full cost structure of the total fees.

While constructive meetings were subsequently held between FTA, APSA and stevedore executives, follow-up correspondence did not provide the specific data requested. It instead provided a general commentary with a broad reference to activities and capital expenses.

The VPPM was never going to be the answer and we suggested as much when the idea was first mooted at a ministerial roundtable briefing. We have regularly reiterated this with extensive evidence supplied to the Victorian ports minister.

Stevedores were never going to give us the transparency requested, and why should they? All we want is for them to absorb operational costs or pass these on to their commercial clients through negotiated contractual arrangements.

FLAWED VICTORIAN MODEL TO BECOME A NATIONAL STANDARD

On 31 March 2022 the NTC announced the national voluntary guidelines for applying landside stevedore infrastructure and access charges at Australia's container ports.

Despite witnessing the failings of the VPPM, the NTC and Australia's transport and infrastructure ministers have embraced the flawed model adopted by the Victorian government, setting a new standard for adoption by state governments nationally.

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

This matter is not confined to stevedores. Empty container parks (and now LCL Depots) are also continuing to significantly increase their charges on transport operators who are understandably adding administration fees that are cascading down the supply chain.

On top of this, we have severe capacity constraints, record high freight rates, container detention penalties, depot congestion and shipping line surcharges. Meanwhile, our government representatives are left scratching their heads as to why supply chain costs continue to spiral out of control, fuelling inflationary pressures across our economy.