

Fletcher International Exports Pty Ltd



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

Infrastructure Surcharge – FTA / APSA escalation of advocacy activity

Dear Paul,

I am writing to you in support of the work you are conducting around the Infrastructure Surcharge – FTA / APSA escalation of advocacy activity. This situation deeply concerns our business. Below I have some comments around the impacts of these levies directly and indirectly.

The recently introduced infrastructure levies are a direct charge to terminal users for every loaded container inbound or outbound from the port. User's must pay or lose the ability to deliver and pickup from each terminal.

Background

- 17th April 2017 DPW introduced the first infrastructure levy (\$21.16 per laden box)
- 10th July 2017 Patrick's introduced an infrastructure levy (\$25.45 per laden box)
- 1st January 2018 DPW increased the infrastructure levy to (\$37.65 per laden box)
- 12th March 2018 Patrick's increased the infrastructure levy to (\$41.10 per laden box)
- 25th June 2018 Hutchison introduced an infrastructure levy (\$10.45 per laden box)
- 1st January 2019 DPW increased the infrastructure levy to (63.80 per laden box)
- 1st May 2019 Hutchison increased the infrastructure levy to (\$35.84 per laden box)
- **4th March 2019 Patrick increased the infrastructure levy to (\$77.50 per laden box)**
- **18th November 2019 Hutchison will increase the infrastructure levy to (\$63.11 per laden box).**
- **1st January 2020 DPW will increase the infrastructure levy to (\$91.00 per laden box)**

Fletcher International Exports Pty Ltd Impacts

FIE's Dubbo based business has been a consistent exporter of high and low value Australian agricultural products for almost 50 years. In the past two and half years infrastructure levies have begun enforcement. Typically, FIE moves in excess of 23,000 full containers through Port Botany, Sydney annually. With the current outlook, Port Botany's average Infrastructure levy from Jan 2020 will be over \$77.20 per laden box, without any further rises from Patrick's port factored in. This equates to \$3.15/mt of grain packed by FIE in a container, putting FIE at a significant disadvantage to bulk vessels, forcing the business to consider bulk alternatives. This reduction in margin is inevitably passed back down the supply chain to the farmer through lower paddock prices for their grain. **For FIE's NSW business alone the infrastructure levy equates to a whopping \$1,775,600.00, paid annually, ultimately creating the equivalent void back within regional farming communities.**

To extrapolate these costs across Port Botany entirely, there are approximately 1,800,000 full containers moved through the port annually = \$138,960,000.00 in Infrastructure levies paid by importers / exporters in Sydney, NSW, alone. This levy ultimately increases the cost of living for consumers and reduces incomes for export supply driven families. With the estimated population of the working aged people 66% in NSW being approximately 4.95M people, this equates to a negative result of \$28 per person in NSW annually.

Other key comments surrounding this issue:

- We are led to believe that the additional stevedore built in Sydney (Hutchison's Port), created additional quay line competition which caused stevedores to lower their vessel servicing rates in order to maintain shipping line volumes. The cut throat pricing on vessel servicing fees has been captured by shipping lines, but not passed back to importers or exporters at all. It has been absorbed as shipping line revenue. Meanwhile the stevedores have cut breakeven deals with shipping lines which they now have to honour. The stevedores being private businesses need to make a decent return and thus the infrastructure levy was introduced. Since there is no regulation, there is no telling where this new revenue stream for the stevedores will end.
- Initially the Infrastructure fee was introduced and announced as being caused by rising rents – NSW Ports has confirmed rents have actually decreased.
- The fee is being passed through the system indirectly i.e. through road and rail operators and not direct to importers/exporters so (a) cost is actually higher and (b) we as exporters do not have any type of formal agreement in place with the stevedore parties for these charges to be incurred.
- The performance has not changed since the fee was introduced and escalated since.
- There is no deterrent in place to cap this cost and will no doubt continue to escalate. Certain stevedore parties are now using the fee as a business growth strategy.

Fletcher International Exports Pty Ltd sits in a very sensitive position, dealing in low value agricultural commodities, which are most highly effected by this levy. FIE is very concerned around the lack of negotiating power exporters have and lack of government regulation supporting the import/export sector. FIE is very keen to hear of feedback from Peter Achterstraat (NSW Productivity Commissioners) review of this issue. Every day we as exporters are disadvantaged by higher costs to market, compared to our competing supply nations, is a day our economy goes backwards. It is critical we remain competitive across the world and back to farmers, taking control of our costs to market, and not be taken advantage of by large shipping lines or stevedoring companies.

Kind Regards



Roger J Fletcher
Fletcher International Exports Pty Ltd