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Peak industry bodies call for a blanket exemption on container detention penalties

In an environment of significantly increased freight rates and a dearth of container capacity in major Asian ports, the exorbitant surcharges and container detention penalties being levied by international shipping lines are unduly impacting Australian businesses faced with a deep economic recession.

Shipping line contracted facilities used to store empty sea freight containers within the Port Botany precinct are at capacity, meaning transport operators are incurring significantly higher costs in additional truck kilometres travelled, staging (temporary storage) of containers through transport yards, and time delays in "de-hiring" empty import containers.

Incredibly, rather than offering some form of compensation due to the backlog of empties clogging empty container park facilities and no capacity to accept more, shipping lines are continuing to impose container detention penalties on importers for failing to return empty containers within prescribed periods.

The problem has mounted over the last 12 months.

NSW Ports' publicly available statistics reveal in the months of September through to December 2019, total imports through Port Botany were 462,390 TEU (twenty foot equivalent units) compared to total exports of 446,351 TEU, meaning an imbalance in excess of 16,000 TEU.

In other words, shipping lines were not evacuating enough empty containers out of Port Botany even before the COVID-19 pandemic struck or the current level of industrial action on the Sydney waterfront affected stevedore terminal operations.

Chinese New Year in late January 2020 was followed by a period of lock down in many Asian regions due to COVID-19, affecting freight movements and resulting in a high number of "blank sailings" (reduction in shipping line services).

When production recommenced, creating a surge in exports from Asia, shipping lines maintained a high ratio of blank sailings and managed vessel capacity ensuring full vessels with GRIs (general rate increases), rate stabilisation initiatives and increased freight rates.

Poor weather, industrial action and infrastructure activity at shipping line contracted stevedore operations led to vessel bunching and delays along the Australian east coast, in particular, at Port Botany, resulting in shipping line imposed 'Congestion Surcharges'.

Adding to the glut of empty containers already building up prior to 2020, in excess of 30,000 TEU more came in through Port Botany than were exported during May, June and July 2020, with this trend continuing as shipping lines minimise the use of 'sweeper' vessels to evacuate the surplus empty containers.

Freight & Trade Alliance (FTA) and Container Transport Alliance Australia (CTAA) are both representatives on the Transport for NSW Empty Container Working Group (ECWG). While much work is being done in this forum, the results will deliver longer term solutions and are unlikely to offer immediate fixes.

Neil Chambers, Director CTAA noted that Transport for NSW is working with industry to review what additional land or facilities may be available for empty container park use.

“Whist this is a positive initiative, it’s hard to see how such services could be quickly deployed. In the interim, shipping lines should bear some of the weight, both financial and operational, that has been imposed on transport companies, importers and exporters in these exceptional times.” Chambers said

Paul Zalai, Director FTA and Secretariat APSA says it is time for a blanket waiver of container detention penalties in Port Botany until such time as shipping lines can evacuate sufficient containers to ease congestion.

“It is time for international shipping lines to stand up and be a part of the solution and not use this predicament as a means of recovering operating costs to sustain record profits.”

“These shipping line imposed fees are clearly being used to cover the consequences of poor planning, operational inefficiency and strategic inertia in the knowledge that ‘the customer will pay’.” Zalai said.