

A call for regulation to end exponential increases in port access fees

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In response to the **Port Pricing and Access Review** commissioned by the Victorian Government, Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) have outlined serious concerns regarding the exponential increases to port access fees (commonly known as 'infrastructure charges') at the Port of Melbourne.

APSA facilitated a workshop with key Port of Melbourne shippers to better understand the impacts of these increases on their businesses and used the meeting to reflect on the different State Government regulatory options put forward by the Australian Competition and Consumer Commission (ACCC) in their 2017-2018 Container Stevedoring Monitoring Report.

The key outcomes from that meeting are summarised below and were included in the formal FTA / APSA response to the review:

1. The rapid increases in terminal access fees are hurting Victorian businesses

One major importer participating in the workshop identified that port access fees are now costing their business over \$3,400,000 per annum, where that figure was less than \$700,000 only 5 years ago. This business commented that they have considered directing shipments to other Australian ports and land bridging to their Melbourne distribution centres.

One Victorian major grain shipper commented that the increases have scared them off future investment in their Victorian operation, with no security in port pricing. The rapid increases to terminal access fees has also influenced the investment decisions of other participants in the workshop.

A comment was made that rapidly increasing costs at the terminal gates has also affected farm gate pricing at a time when the farmers are already suffering from drought and facing other challenges.

2. Left unconstrained, Victorian trade volumes will be affected

Participants in the workshop believe that the differentiation between terminal access fees in Victoria (where the fees are substantially higher per container in Melbourne than they are in Sydney and other ports) will have an impact on investment decisions and will influence contestable trade in the Riverina.

The participants believe, if left unconstrained and unchecked, these fees will reach a point where low-margin and high-volume Victorian commodities, such as grain, will become globally uncompetitive. Australia already ranks at 103rd in the World Bank "Trading Across Borders" report, which benchmarks domestic transport and international trade costs, behind key export competitors including the U.S. The absence of any terminal user protections will make Victorian export businesses less competitive.

3. Handling / administration fees continue to distort terminal access fee increases

Workshop participants expressed concern that administration and handling fees applied by transport operators and other intermediaries on top of the stevedore charges has been normalised.

In some instances, these administration fees range from \$4 to \$40 per container.

There is currently no mechanism for beneficial cargo owners (BCOs) to pay terminal access fees directly to the stevedores and avoid additional fees.



4. If left unconstrained, terminal access prices will continue to increase and the impact on Victorian businesses will worsen

The participants discussed the worsening shipping line competition landscape, where it is becoming harder for stevedores to attract and retain shipping line clients. Not only is there a third stevedore now operating in Sydney, Melbourne and Brisbane, but stevedores are now also facing a growing number of shipping lines coming together in new Vessel Sharing Agreements (VSAs), as well as the consolidation of competing shipping line services. More often than not, individual lines within these VSAs are collectively appointing stevedores, further reducing competition. The result is that stevedore quayside revenue will continue to fall and landside charges will continue to increase, putting further pressure on Victorian businesses.

Participants also commented that the review must consider the relationship between Terminal Handling Charges (THCs) and the increases in landside access fees. Participants reported that they are now paying twice for the same in-

terminal services – once to the stevedore via access charges and then another time to the shipping line via THCs. While the terminal access fees are increasing on the landside, shippers are also continuing to pay higher and higher THCs to their shipping lines.

5. The only acceptable relief is to disallow the pricing strategy altogether

The workshop considered the different regulatory options put forward by the ACCC in the Container Stevedoring Monitoring Report 2017-2018:

If, after more fully understanding the flow-on effects of the infrastructure charges, the state governments consider that they are having a large detrimental effect on their state's supply chains and the broader state economy, state governments might consider taking regulatory action. Government action could take the form of increased oversight of infrastructure charges by requiring stevedores to seek approval from regulators before implementation of price increases. Alternatively, governments could set limits on the rate at which the charges could be

increased, or disallow the pricing strategy altogether. If it were to become clear that such action was necessary, then governments should signal this and/or act before stevedores become more reliant on the charges.

The group were unanimous that the only acceptable relief is to disallow the pricing strategy altogether. The group believed that charges should be levied on the shipping lines, the natural commercial client of the stevedores, and that any other pricing strategy would be unfair and would not promote productivity.

SUMMARY

In concluding the formal submission, FTA / APSA recommended that the Victorian Government take appropriate intervention / regulation on port access fees to avoid further damage to the export and import sectors and broader economy.

We will continue to keep members up to date on outcomes from the review, subsequent engagement with the Victorian government and escalation of our advocacy activity in other major Australian ports.



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