Australian Peak Shippers Association - Report from the Chair

$300M+ stevedore charges annually paid by Australian shippers

By SEAN RICHARDS, APSA Chair / Executive General Manager - Visy Logistics

I am delighted to advise a decision from the Australian Peak Shippers Association (APSA) Committee of Management to maintain our low membership fees again for the 2020 / 2021 financial year.

"The status report highlights a combination of increased competition with a greatly reduced client base as being the catalyst for a restructure in stevedore terminal pricing."

27 May 2020

STATUS REPORT - CONTAINER STEVEDORE IMPOSITION OF TERMINAL ACCESS CHARGES

FTA

We trust that this decision will assist exporters in the current economic crisis whilst maintaining essential funding of our secretariat, advocacy and member support services.

Government response to supply chain costs

In line with our advocacy addressing "cash flow" relief measures for shippers during the current COVID-19 crisis, Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) welcome the announcement from the Department of Agriculture, Water and the Environment that the somewhat controversial *Onshore Biosecurity Levy* (previously referred to as the "Biosecurity Import Levy") will not proceed.

In a federal government media statement released 20 May 2020, the Department of Agriculture, Water and the Environment stated "*This decision has also been made in consideration of the ongoing impacts of drought, bushfires and COVID-19 on the Australian economy and the rapidly changing global trade environment.*"

This is a tremendous start in what needs to be a sustained paradigm shift in government priorities in favour of shippers. It is the efficient movement of goods that will lead our economic recovery and generate national wealth, not the welfare of shipping lines or infrastructure owners.

These are sentiments that FTA / APSA shared with the Hon Michael McCormack (Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development) in our submission titled STATUS REPORT - CONTAINER STEVEDORE IMPOSITION OF TERMINAL ACCESS CHARGES

Terminal Access Charges

The status report highlights a combination of increased competition with a greatly reduced client base as being the catalyst for a restructure in stevedore terminal pricing.

Specifically, the addition of a third major container stevedore in Sydney, Melbourne and Brisbane in recent years has added competition at a time when the number of clients, international shipping lines, has significantly reduced due to consolidation and increased utilisation of vessel sharing arrangements.

We understand that this has resulted in stevedores reducing the prices they charge shipping lines to attract and retain business. That lost revenue appears to have been the rationale for

STEVEDORE	PORT	EXPORT	IMPORT	EFFECTIVE
Flinders Adelaide Container Terminal	Adelaide	$28.96	$28.96	4-Mar-19
Australian Amalgamated Terminals (AAT)	Brisbane	$38.70	$38.70	8-Nov-18
DP World Australia	Brisbane	$79.50	$109.50	1-May-20
Hutchison Ports	Brisbane	$50.00	$50.00	19-Aug-19
Patrick	Brisbane	$82.50	$114.50	9-Mar-20
DP World Australia	Fremantle	$45.00	$45.00	1-Jan-20
Patrick	Fremantle	$25.00	$50.00	9-Mar-20
DP World Australia	Melbourne	$79.50	$125.00	1-May-20
Patrick	Melbourne	$82.50	$125.80	9-Mar-20
Victoria International Container Terminal (VICT)	Melbourne	$121.80	$121.80	1-Jan-20
DP World Australia	Sydney	$79.50	$112.10	8-May-20
Hutchison Ports	Sydney	$63.11	$63.11	18-Nov-19
Patrick	Sydney	$82.50	$114.50	9-Mar-20

stevedores recovering costs via landside Infrastructure Surcharges (now more appropriately referred to as "Terminal Access Charges"), an unregulated charge for access to international container terminals.

While not suggesting that there is any collusion amongst Australian stevedores, it is clearly a case of 'follow the leader' with each introducing a similar fee and taking turns to ratchet up the pricing.

Direct costs to shippers

The status report also incorporates a review completed by FTA / APSA of Terminal Access Charges for the 2019 calendar year using container number sources from the various Port Authorities with charges averaged across the stevedore-imposed fees. This exercise identified in excess of $300m per annum are paid by shippers via this mechanism.

Government response

The following is a general summary of responses received by FTA / APSA to date from government:

ACCC – The ACCC's focus has been on establishing a misuse of market power case noting there has to be a substantial lessening of competition as a result of the conduct of a business with substantial market power. The ACCC claim that they have not received evidence to date that would meet this threshold. The ACCC is finding it difficult to draw strong conclusions from the data they receive from their monitoring functions about how much of the cost burden should fall to the landside versus seaside.

As reported in the Autumn 2020 edition of Across Borders, FTA / APSA has also provided a detailed submission in response to the ACCC Discussion paper *Proposed Class Exemption for Ocean Liner Shipping* noting that the Line market consolidation plus the emergence of stevedore-imposed Infrastructure Surcharges has resulted in supply chain costs rapidly increasing, exposing significant deficiencies in the effectiveness of Part X of the Competition and Consumer Act in being able to achieve basic shipper protections. One of the nine recommendations from FTA / APSA is to mandate incorporation of stevedore fees within shipping line contracts, negating stevedore-imposed Infrastructure Surcharges administered on the transport sector.

VIC – Feedback from Freight Victoria and the Minister's office indicates they are cautiously heading towards some form of regulation.

QLD – Disappointing, initial engagement with the Hon Mark Bailey (Minister for Transport and Main Roads) and the Director-General Department of Transport and Main Roads suggests that stevedoring services are not regulated by the state

WA – The office of Alannah MacTiernan (Minister for Ports) is actively engaging with FTA / APSA and appear to genuinely appreciate concerns raised.

NSW – FTA / APSA has had regular engagement with the Hon Andrew Constance and the NSW Productivity Commissioner and remain hopeful of action from their review.

Unlike other states that would require new legislative provisions for intervention, NSW has at their disposal the *Ports and Maritime Administration Act Schedule 4* that provides a broad sweeping power to allow the Minister to regulate these charges without limitation.

FEDERAL - FTA / APSA acknowledges suggestions by some state government representatives of a statutory monitoring process to oversee further price increases but does not see this as an appropriate long-term solution.

Existing Terminal Access Charges are already excessive with incremental increases on this base to continue the devastating impacts on Australian shippers.

All businesses face a dilemma of how to deal with unavoidable costs such as rent, infrastructure, labour and power. Those same businesses are then forced to either absorb costs or pass them on to their commercial clients. Similarly, the position from FTA / APSA remains that stevedores should either absorb operating costs or pass these on to their commercial client. Shipping lines then have the choice to absorb costs or pass these onto exporters, importers and freight forwarders through negotiated freight rates and associated charges.

We look forward to our meeting with the Deputy PM whereby we will be recommending:

- regulation to protect transport operators and shippers by forcing stevedores to cease the practice of administering a Terminal Access Charge; and
- stevedores should be given appropriate notice to adjust commercial modelling allowing negotiations of charges back to shipping lines.

This outcome would allow market forces to take effect. An open and competitive environment will determine appropriate price for services without the need for further government monitoring or intervention.