

“KEEPING AUSTRALIA’S INTERNATIONAL TRADE MOVING”



Australian Peak Shippers
Association Inc. (APSA)

THURSDAY 17 SEPTEMBER 2020 - MEDIA RELEASE:

COMMISSION MUST OPEN AND PROTECT OUR ESSENTIAL TRADE GATEWAY

A combination of operational events combined with prolonged waterside worker industrial action have created the ‘perfect storm’ causing massive disruption to New South Wales supply chains, risking serious shortages of product on shelves and is having disastrous implications to the Australian economy.

Paul Zalai, Director of Freight & Trade Alliance (FTA) and Secretariat of the Australian Peak Shippers Association (APSA) says the Fair Work Commission (FWC) must provide a decisive outcome in resolving ongoing industrial action allowing stevedore operations to return to full capacity in the lead up to the peak trading period.

“Vessels are now by-passing Port Botany discharging goods interstate and leaving importers to organise and pay massive logistics costs to move freight across state borders back to Sydney.” Zalai said

Those with cargo discharged in Sydney are now subject to extensive delays at the port and are facing ‘Sydney congestion surcharges’ from major international shipping lines of up to USD 300 per twenty foot container. Once cargo is received, importers are then facing the difficulty of returning the empty containers to a shipping line contracted and nominated depot. With the failure of shipping lines to evacuate surplus empty containers, Sydney’s depots are at capacity with transport operators passing on costs for re-directions, waiting times, futile trips and storage of containers.

Further to the local logistics concerns, freight forwarders are reporting shortages of required sea container types in some Asian ports to meet export demand to Australia and other destinations.

Eco Pallets, a supplier of specialised equipment to essential pharmaceutical and food industries, states that the extra congestion surcharges will cost their business conservatively an extra \$15,000 per month. Eco Pallets Director Matt Logan states that like so many businesses, they need every opportunity and support in these tough economic times and cannot sustain *“massive unbudgeted additional supply chain costs”*

NSW exporters are faced with a critical reduction in available capacity and irregular services to meet current commercial obligations and seriously jeopardising forward contracts. Historically, Sydney is the third largest port nationally for beef exports and second largest for pork and sheep meat. According to the Australian Meat Industry Council (AMIC), sheep meat will be exposed to disruption with a peak over the next two months.

Furthermore, the new surcharges alone add direct costs of \$17 per tonne for grain and \$5 per bale for cotton, eliminating margins and crushing farmers who finally have seen a bumper crop after years of drought and last summer’s bushfires.

WHAT IS CAUSING CONGESTION AT PORT BOTANY – FAIR WORK COMMISSION

- Protected Industrial Action (PIA) by the Maritime Union of Australia (MUA) is causing operational disruption to varying degrees at container stevedore operation nationally with Port Botany most severely affected;
- Shipping Australia Ltd attribute vessel schedule delays at Port Botany of up to 10 days¹ due to a combination of adverse weather conditions, ‘infrastructure upgrades of all kinds’ and a ‘reckless campaign’² of industrial action with enterprise agreement discussions continuing at all three Port Botany stevedores;

¹ Disruption from waterfront industrial action just gets worse and worse <https://shippingaustralia.com.au/disruption-from-waterfront-industrial-action-just-gets-worse-and-worse/>

- the MUA stated that the ‘limited forms’ of industrial action should be kept in context, compared to ‘corporate mismanagement’ at Patrick referencing extensive civil works activities and problems with systems upgrade failures³;
- Patrick defended their actions and have pointed to the PIA as the direct cause of delays to vessel schedules delays (being 9 days as at 11 Sept 2020) and anticipated to grow by approximately half a day for every day the industrial action continues.⁴
- On Tuesday 15 September, DP World Australia lodged an application with the FWC to have industrial action at their Port Botany terminal terminated because of its potential to cause significant damage to the Australian economy and to NSW in particular.⁵

IMPACT ON TRADE

- Four international shipping lines (Mediterranean Shipping Company, CMA CGM ANL, Pacific Asia Express and Hapag Lloyd) have introduced a Sydney Port Congestion Surcharge ranging from USD 285 – 300 without any consultation and with insufficient lead times negating importers and exporters the ability to factor in ‘landed costs’ in forward contracts;
- shipping lines have commenced what is expected to be an increase in re-scheduling with vessels by-passing Port Botany – this has the obvious impact of restricting options for New South Wales exporters to reach overseas markets and meet contractual obligations;
- by-pass vessels are discharging containers in Melbourne or Brisbane forcing importers to transport goods to Sydney and return the empty container back to the port of discharge at their own expense;
- in excess of 30,000 more import containers came in through Port Botany than were exported during May, June and July with this trend continuing with shipping lines minimising the use of ‘sweeper’ vessels to evacuate the surplus empty containers;
- once import containers are unloaded, the empty container must be de-hired (returned) to an empty container park – ECPs are congested due to the imbalance of import versus export containers;
- extra costs being incurred by transport operators with redirections of empty containers from one ECP to another as each park becomes full – these costs are understandably being passed on with new schedules of surcharges;
- in many instances these containers are subject to staged movements and held in transport operator’s yards – these transport yards are also quickly reaching capacity;
- the problem has reached the point whereby some shipping lines are simply not offering a de-hire location at all, only accepting selected container types in limited circumstances (most likely to meet an anticipated export demand); and
- some shipping lines have now issued notices that they will not be accepting certain types of container on de-hire and asking importers to hold onto them – some other shipping lines have suggested returning empties to Melbourne or Brisbane – however we have seen only one line offer relief through extension of the “free time” before container detention kicks in.

ABOUT FTA / APSA

Freight & Trade Alliance (FTA) is Australia’s leading representative body for the international supply chain sector bringing together importers, exporters, customs brokers, freight forwarders, logistics service providers and industry groups. FTA also manages the Secretariat for the Australian Peak Shippers’ Association (APSA) being the peak body as designated by the Federal Minister of Infrastructure and Transport to protect the interests of Australia’s cargo owners and shippers in respect to shipping and international logistics services.

www.FTAlliance.com.au

Paul Zalai - Director, Freight & Trade Alliance (FTA)
Secretariat, Australian Peak Shippers Association (APSA)

pzalai@ftalliance.com.au / (02) 9975 1878

² Current events, container hire and management of empties <https://shippingaustralia.com.au/current-events-container-hire-and-management-of-empties/>

³ WHARFIES CONTINUE TO DELIVER PRODUCTIVITY IMPROVEMENTS <https://www.mua.org.au/news/opinion-wharfies-continue-deliver-productivity-improvements>

⁴ Patrick calls for calm as MUA industrial action cripples Port Botany <https://patrick.com.au/customer-info/media-releases/>

⁵ DPWA Customer Update Legal application to prevent industrial action at DP World Sydney