

“KEEPING AUSTRALIA’S INTERNATIONAL TRADE MOVING”



**FTA**  
FREIGHT & TRADE ALLIANCE



Australian Peak Shippers  
Association Inc. (APSA)

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## **SHIPPING CRISIS - PEAK TRADE ALLIANCE CALLS FOR BROAD RANGING REFORM**

Global demand for containerised shipping capacity is at an all-time high, primarily generated by the pandemic driven surge of import cargo, limited shipping capacity and poor operational performance in many key international ports. This has caused the erratic positioning of container equipment, significant spikes in freight rates, escalation of surcharges and an all-time low in reliability of services.

Australian exporters are fighting over available equipment and capacity to reach key markets. Importers are failing to get regular supply, resulting in the emergence of new models of onshore stockpiling and resultant inflationary pressures being felt across the Australian economy.

There is no relief in sight in an environment of consolidation and stronger consortia of shipping lines entering vessel sharing agreements creating significant barriers for new entrants into the global market, let alone successfully compete in a somewhat isolated Australian trade-lane.

Paul Zalai, Director Freight & Trade Alliance (FTA) and Secretariat Australian Peak Shippers Association (APSA) agrees with the sentiments expressed by the Australian Prime Minister at the recent World Economic Forum, calling on world leaders to do more in the form of new partnerships between countries, governments and businesses to increase the resilience of global supply chains.

Zalai suggests the main beneficiary of the current crisis are the shipping lines who are proudly reporting staggering multi-billion dollar profits at a time when traders are on their knees.

*“Who can blame them? Shipping lines servicing our entire container trade are after all commercial, foreign owned businesses that are profit driven. What is extremely evident is that Australia’s national interest is very much a secondary consideration.”* Zalai says

In a detailed submission to the Productivity Commission’s independent review into long-term structural issues affecting the productivity of Australia’s maritime logistics system, FTA / APSA provided evidence of long-term trends that are adversely impacting the overall competitiveness of Australian exporters and importers.

The submission sites examples of the introduction of foreign owned shipping line surcharges and freight rates increases, stating if not collusion, it is clearly a case of *‘follow the leader’* facilitated by a market without genuine competitive tension.

*“We are not advocating for the Federal Government to interfere with price setting as we need foreign owned shipping lines to continue to be incentivised to service Australian trade in a free and open market. We do however question whether shipping line vessel sharing arrangements should continue to be protected and exempt from competition laws faced by others in Australian commerce.”* Zalai says.

FTA / APSA is of the view that should exemptions continue for foreign owned shipping lines, the Australian Competition and Consumer Commission, or the creation of a federal maritime regulator, is required to oversee proceedings to safeguard the commercial viability of Australian traders.

The submission notes that shipping lines are not only squeezing importers, exporters and freight forwarders, but they are also benefitting from significantly reduced quayside charges administered by their contracted stevedore providers. Savings that are clearly not being passed on down the supply chain.

*“With less quayside revenue, stevedores and empty container parks have resorted to a ‘ransom model’ forcing transport operators to pay designated fees or be denied access to container collection / dispatch facilities. It is not sustainable for our exporters and importers to absorb this additional impost of hundreds of millions of dollars annually whereby they cannot influence service or price” Zalai says*

The FTA / APSA submission also calls for minimum service levels and notification periods, infrastructure investment, regulation of container detention practices, waterfront industrial relations reform, implementation of Biosecurity reform priorities and an extension of short-term aviation funding.

*“A well-regulated economy will help Australia to prosper. Australia has world class manufacturers and producers who are supported by skilled customs brokers and freight forwarders ready to take advantage of the opportunities created by free trade agreements and those economies recovering from COVID-19 - these opportunities will not be fully realised while physical access to market and costs of trade are prohibitive” Zalai says.*

## SUMMARY OF RECOMMENDATIONS

**RECOMMENDATION 1 (shipping competition review)** – repeal of *Part X of the Competition and Consumer Act 2010*, with retention of shipper collective bargaining provisions, leaving two options:

- (1) foreign owned shipping lines to operate in line with competition laws faced by other businesses involved in Australian commerce; or
- (2) if deemed necessary for foreign owned shipping lines to have ongoing protections, expand the role of the ACCC (or introduce a federal maritime regulator) to administer processes to safeguard exporter and importer's interests, in particular, monitoring the appropriateness of shipping line (and contracted stevedore / empty container park) surcharges, fees and penalties.

**RECOMMENDATION 2 (minimum service levels and notification periods)** – introduction of an appropriate regulatory framework that provides exporters, importers and freight forwarders safeguards against ‘exclusive dealings’, ensuring minimum service levels and prescribed variation notification periods (minimum 30 day notice as per US regulation).

**RECOMMENDATION 3 (infrastructure investment)** – increase investment in infrastructure to address inefficiencies in the supply chain caused by larger ships, lack of rail access to Australian container ports and shortage of space in empty container parks.

**RECOMMENDATION 4 (regulation of Terminal Access Charges)** – the scope of the National Transport Commission (NTC) review of Terminal Access Charges be expanded to examine the potential of regulation to force stevedores (and empty container parks) to cost recover directly against their commercial client (shipping line) rather than via third party transport operators.

**RECOMMENDATION 5 (regulation of container detention practices)** – the need for federal government action and potential regulation, similar to US Federal Maritime Commission (FMC), to ensure reasonable container detention policies are administered.

**RECOMMENDATION 6 (waterfront industrial relations reform)** – the Federal Government to initiate a formal waterfront industrial relations review to provide immediate and future business continuity for what is an ‘essential service’ and our international gateway for major supply chains.

**RECOMMENDATION 7 (implementation of Biosecurity reform priorities)** – ongoing engagement and reporting between the Department of Agriculture, Water and the Environment and industry to achieve the four reform priorities identified in the Inspector-General of Biosecurity (IGB) report [Adequacy of department’s operational model to effectively mitigate biosecurity risks in evolving risk and business environments](#) being:

- (1) Regulatory maturity;
- (2) Risk pathway partnership;
- (3) Frontline focus; and
- (4) Sustainable funding model.

**RECOMMENDATION 8 (extension of IFAM funding)** – the Federal Government should allocate additional funds to maintain the International Freight Assistance Mechanism (IFAM) and / or similar financial relief measures to support the air cargo supply chain sector until the end of 2023 (at minimum), with actual allocation of funds subject to periodic reviews pending the return of international passenger flight services.

## 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.

FTA / APSA represents more than 500 corporate members and provide international trade and logistics advocacy to the following associations:

- Australian Cotton Shippers Association (ACSA);
- Australian Council for Wool Exporters and Processors;
- Australian Dairy Products Federation;
- Australian International Movers Association (AIMA);
- Australian Meat Industry Council (AMIC); and
- Australian Steel Association (ASA).

### CONTACT

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

[pzalai@ftalliance.com.au](mailto:pzalai@ftalliance.com.au)

(02) 9975 1878

[www.FTAlliance.com.au](http://www.FTAlliance.com.au)