

“KEEPING AUSTRALIA’S INTERNATIONAL TRADE MOVING”



FTA
FREIGHT & TRADE ALLIANCE



Australian Peak Shippers
Association Inc. (APSA)

Friday 1 APRIL 2022 - MEDIA RELEASE:

INCOMPETENT GOVERNMENT RESPONSE TO CONTAINER STEVEDORE CHARGES FUELS INFLATIONARY PRESSURES

Owners and shareholders of container stevedore operations will be rejoicing – they have been handed a licence to print money with the National Transport Commission giving them the green light to hold third party transport operators to ransom that have no influence over service or price.

Hutchison hit a new high in Terminal Access Charges

Hutchison Ports have taken Terminal Access Charges (or what they refer to as an ‘Infrastructure Surcharge’) to a new national high with this weeks’ [announcement](#) of a \$162.10 fee payable by transport operators for all containers received or delivered via their Brisbane terminal.

Paul Zalai, Director of Freight & Trade Alliance (FTA) and Secretariat of the Australian Peak Shippers Association (APSA) says the approach is the result of stevedores reducing their quayside revenue intake from their commercial client shipping lines and instead recovering costs from transport operators that have no influence on service or price.

“Foreign owned shipping lines servicing our container trade are in such a dominant position. Not only are they cashing in on importers and exporters with high freight rates, a spate of surcharges and unfair container detention penalties, they are also putting to squeeze on their contracted stevedores who have resorted to Terminal Access Charges to remain commercially viable.”

Government Response

The Australian Competition and Consumer Commission (ACCC) highlighted in their Container stevedoring report 2019-20 (released on 4 November 2020) that aggregated stevedore ‘landside and other’ revenue is significantly increasing; however, this quantum is largely being offset by a correlating reduction in ‘quayside’ revenue.

Zalai comments *“This brings into question whether exporters and importers are paying duplicate landside stevedoring fees; once via sustained high Terminal Handling Charges (THCs) administered by many shipping lines; and twice via Terminal Access Charges (TACs) and vehicle booking systems administered by shipping line contracted parties.”*

“The bottom line is that Australian supply chain participants are currently paying an additional \$500M+ per year direct to stevedores and empty container parks with these rapidly increasing costs having devastating impacts on exporters and importers with downstream crippling financial impacts on manufacturers, farmers and regional communities.”

FTA / APSA wrote to state ministers in 2020 reiterating a position that stevedores and empty container parks should be forced to either absorb operating costs or pass these on to their commercial client (shipping lines). This outcome would give shipping lines the choice to absorb costs or pass these onto shippers (exporters, importers and freight forwarders) through negotiated freight rates and associated charges.

As determined by the Ministers at the Infrastructure and Transport Ministers meeting held on 20 November 2020, the National Transport Commission (NTC) was tasked to lead reform and the development of ‘voluntary national guidelines’ to apply to stevedore infrastructure and access charges (both their introduction and increase) at Australia's container ports.

Voluntary arrangements

In parallel to the activity of the NTC, the Victorian Government set about their own program of reform over the last two years to address this and other port related operational matters through the establishment of the Voluntary Port Performance Model (VPPM). As a part of this model, stevedores are restricted to one annual TAC increase with prescribed notice periods giving industry an opportunity to question and challenge any variation.

Testing the voluntary model

On each occasion when DP World, Victorian International Container Terminal and Patrick have announced TAC increases via the Port of Melbourne, prescriptive detail has been sought by FTA and APSA to ascertain whether increases are a measure to offset a further reduction in quayside rates to stevedore commercial client shipping lines and / or necessitated by other specific operational factors.

In the absence of any commercial ability to influence the quantum of the TAC (being a 'take it or leave it' proposition as referenced by the ACCC) and in line with the intent of the VPPM, FTA / APSA also requested a further detailed explanation for the increases including disclosure, supporting information and data justifying the full cost structure of the total fees.

While constructive meetings were subsequently held between FTA, APSA and stevedore executives, follow up correspondence did not provide the specific data requested, instead provided a general commentary with a broad reference to activities and capital expenses.

Zalai states the following *"The VPPM is joke. We suggested as much when the idea was first mooted at a ministerial roundtable briefing and have regularly reiterated this with extensive evidence supplied to the Victorian ports minister."*

"Stevedores were never going to give us the transparency requested and why should they. All we really want is for them to absorb operational costs or pass these on to their commercial client through negotiated contractual arrangements."

Victorian flawed model to become a national standard

31 March 2022 the NTC announced that the [national voluntary guidelines](#) for applying landside stevedore infrastructure and access charges at Australia's container ports.

In response Zalai states that despite witnessing the failings of the VPPM, the NTC and Australia's transport and infrastructure ministers have embraced the *"hopelessly flawed model"* adopted by the Victorian Government setting a new standard for adoption by state governments nationally.

"Escalation of such voluntary performance arrangements also poses the significant risk of giving tacit approval to this unwarranted cost recovery method on third parties. This matter is not confined to stevedores. Empty container parks (and now LCL Depots) are also continuing to significantly increase their charges on transport operators who in turn are understandably adding administration fees that are cascading down the supply chain."

"On top of this we have severe capacity constraints, record high freight rates, container detention penalties, depot congestion and shipping line surcharges. Meanwhile our government representatives are left scratching their heads unable to answer why supply chain costs continue to spiral out of control fuelling inflationary pressures across our economy." Zalai said

Next avenue for advocacy

In a member notice issued 1 April 2022, FTA / APSA stated that further to the testimonials and extensive evidence raised in its formal [submission](#) to the [review of the Australian Maritime Logistics System](#), the peak industry alliance will escalate its call on the Productivity Commission to lead a way for regulation to end the scourge of Terminal Access Charges.

FTA/APSA SUBMISSION TO THE PRODUCTIVITY COMMISSION

SUMMARY OF RECOMMENDATIONS

FTA/APSA Submission – refer [HERE](#)

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).

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