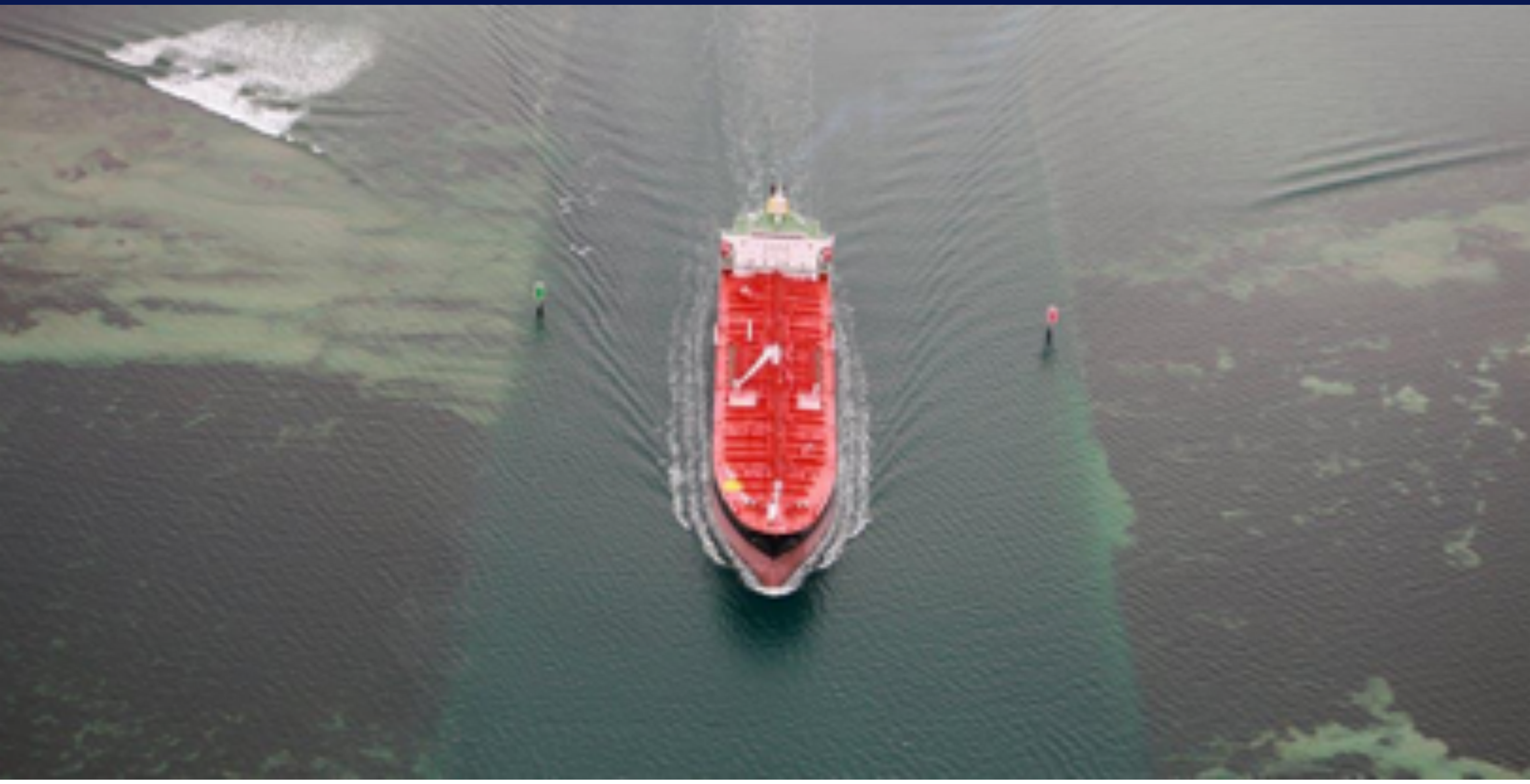

14 AUGUST 2020

INDEPENDENT REVIEW OF THE VICTORIAN PORTS SYSTEM

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) submission in response to the JULY 2020 DISCUSSION PAPER

"KEEPING AUSTRALIA'S INTERNATIONAL TRADE MOVING"

FTA FREIGHT & TRADE ALLIANCE

Australian Peak Shippers Association Inc. (APSA)

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EXECUTIVE SUMMARY

Drought, bushfires and COVID-19 have cost Australian jobs across all sectors from retail and manufacturing through to our regional communities and farmers. Compounding matters is the rapidly changing global trade environment combined with more than $125M per annum in international trade supply chain costs imposed by Victorian sea container stevedores.

Victoria has world class manufacturers and producers who are supported by skilled logistics specialists including customs brokers and freight forwarders. The Victorian government needs a paradigm shift in priorities in favour of exporters, importers and logistics providers to facilitate the efficient movement of goods to lead our economic recovery and generate wealth into the future.

Victoria needs to support commerce to take advantage of the opportunities created by free trade agreements and economies recovering from COVID-19 restrictions. These opportunities cannot be fully realised while the costs of trade are prohibitive.

This submission responds to the '*Independent Review of the Victorian Ports System – Discussion Paper July 2020'* focussing on the proposed Port Pricing and Access Review (PPAR) and Voluntary Port of Melbourne Performance Model (VPPM) as outlined in Section 5 titled 'Economic Regulation' (questions 6 and 7).

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) offer the following seven (7) recommendations:

1. the Victorian government to include into the PPAR two-way disciplines between stevedores and transport operators to minimise adverse operational delays and provide predictability in shippers' landed costs;

2. the Victorian government align the PPAR to PBLIS to mandate that stevedores must provide free storage for the day the container is returned from the CEF and for the next two days after that;

3. the VPPM to measure truck turnaround time from entry within the port precinct to account for queuing times outside the stevedore gate;

4. Freight Victoria to engage with Transport for NSW to establish 'best practice' empty container park practices;

5. the Victorian government extend the PPAR to force shipping lines to start the container detention clock from after CEF processing and Border Hold has been released;

6. the Victorian government extend the PPAR to force empty container parks to recover all operating costs from their commercial client (shipping lines) rather than booking fees imposed on third-party transport operators; and

7. the Victorian government extend the PPAR to force stevedores to recover all operating costs from their commercial client (shipping lines) rather than Infrastructure Surcharges / Terminal Access Charges imposed on third-party transport operators.

ABOUT THE ALLIANCE

Freight & Trade Alliance (FTA) is the peak body for the international trade sector with a vision to establish a global benchmark of efficiency in Australian border related security, compliance and logistics activities. FTA represents in excess of 400 corporate members including Australia's largest logistics service providers and major importers.

On 1 January 2017, FTA was appointed the Secretariat role for the Australian Peak Shippers Association (APSA). APSA is the peak body for Australia's containerised exporters and importers under Part X of the Competition and Consumer Act 2010 as designated by the Federal Minister of Infrastructure and Transport.

APSA is also a member and has board representation on the Global Shippers Forum (GSF) that represents shippers' interests and that of their national and regional organisations in Asia, Europe, North and South America, Africa and Australasia.

FTA / APSA provide international trade and logistics advocacy to the following associations:

- Australian Cotton Shippers Association (ACSA);
- Australian Meat Industry Council (AMIC);
- Australian Council for Wool Exporters and Processors;
- Australian International Movers Association (AIMA); and
- Tasmanian Logistics Committee (TLC).

The current APSA Officers and Committee of Management are listed below:

- Chair: Sean Richards (EGM - Logistics, Visy Industries);
- Vice-Chair: Olga Harriton (Global Logistics Manager – Manildra Group);
- Treasurer: Eimear McDonagh (Director- Australian Cotton Shippers Association);
- Patrick Hutchison (CEO- Australian Meat Industry Council);
- Flaminio Dondina (General Manager Procurement- Casella Family Brands);
- David Werner (Trade Execution Manager- Cargill);
- Kurt Wilkinson (General Manager - Commercial Commodities & International Division - Fletcher International Exports); and
- Peter Morgan (CEO- Australian Council for Wool Exporters and Processors)

A list of all members and further information about FTA / APSA is available at www.FTAlliance.com.au

CONTACT

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SECTION 1

FTA / APSA RESPONSE TO QUESTION 6

a) Do you have any comments on the findings of the PPAR? Do you strongly agree or disagree with any of the findings? Are there key issues you think are not adequately addressed?

b) Do you have any comments on the recommendations of the PPAR? Do you strongly agree or disagree with any of the recommendations?

COMMENTS ON THE FINDINGS OF THE PPAR

FTA / APSA has been advised that the Port Pricing and Access Review (PPAR) cannot be publicly released in its entirety as it includes 'commercial-in-confidence' information provided by stakeholders.

The following commentary is therefore provided in response to limited available detail including a briefing provided by a Deloitte representative at the 'Industry Roundtable' hosted by the Hon Melissa Horne (Minister for Freight and Ports) on 30 January 2020 and an accompanying executive summary supplied at that event (provided on a confidential basis to participants at the briefing with a specific note that it was not to be disclosed to other persons).

COMMENTS ON THE RECOMMENDATIONS OF THE PPAR

A. The setting of standards to increase transparency, cooperation and accountability between supply chain participants and inform their decision making.

FTA / APSA see significant merit in setting standards.

Regulation[1] that came into force in New South Wales during 2010 and updated in 2015 provides two-way disciplines between stevedores and transport operators.

Known as the 'Port Botany Landside Improvement Strategy' (PBLIS), the regulation addresses delays in servicing container receipt or delivery, forcing stevedores to pay a prescribed penalty to transport operators. This negates the need for transport operators to charge truck waiting time to shippers (importers, exporters and freight forwarders), in effect making Port Botany Australia's only waiting-time detention free port.

This in turn supports shippers in predictability of fees to calculate and manage landed costs of freight.

RECOMMENDATION 1. the Victorian government to include into the PPAR two-way disciplines between stevedores and transport operators to minimise adverse operational delays and provide predictability in shippers' landed costs.

B. Incorporation of measures in the standards to improve pricing transparency, including notification of the way in which price changes are made, the timing of price changes and the underlying rationale for cost increases.

Traditionally, stevedores have sought to recover their costs from their customer, the shipping line. However, in recent years stevedores have imposed new charges on transport companies delivering and collecting containers in the form of Infrastructure Surcharges (now more appropriately referred to as 'Terminal Access Charges'). This is a cost that transport companies cannot negotiate or avoid and has greatly increased the cost of international trade.

[1] Ports and Maritime Administration Regulation 2012

As outlined in the below table, while charges occur nationally, the rates are highest at Victorian container terminals.

STEVEDORE	PORT	EXPORT	IMPORT	EFFECTIVE
Flinders Adelaide Container Terminal	Adelaide	$29.60	$29.60	1-Jul-20
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	$94.78	$94.78	27-Jul-20
Patrick	Brisbane	$82.50	$110.00	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
VICT	Melbourne	$131.03	$131.03	1-Aug-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

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, stevedores should be forced to either absorb operating costs or pass these on to their commercial client (shipping lines). Shipping lines then have the choice to absorb or pass this onto shippers (exporters, importers and freight forwarders) through negotiated freight rates and associated charges.

In contrast to the above, transport operators (road and rail) do not have the ability to negotiate and cannot elect to use a different stevedore. They must deliver or collect goods from the stevedore used by the relevant shipping line. This means that transport operators are forced to pay the Terminal Access Charge to collect and deliver containers. Stevedores know that transport operators are trapped into using their services and have consistently increased Terminal Access Charges without negotiation.

Transport operators will in most cases pass these charges onto their customers (the exporter, importer or freight forwarder). In addition, many transport operators have included administration fees to manage cash flow associated with these charges resulting in cascading costs flowing through the supply chain. Ultimately, Australian exporters and importers pay further inflated prices.

With repeated warnings by the Victorian governments to stevedores being ignored, particularly during the current COVID-19 crisis, increased costs are having devastating impacts on our trade sector with the most significant impact on our retailers, manufacturers, farmers and regional communities.

In a response to FTA / APSA correspondence, Minister Horne wrote on 23 April 2020 *"DP World's decision runs counter to our commitment to pricing transparency, and points clearly to the need for the new standards we are now developing. I have asked DP World to explain the rationale for the price increase they have announced, and have raised my concerns with the timing of the announcement during the COVID-19 crisis and so soon after the last increase in these charges."* – full correspondence is available at **ATTACHMENT A**

To date, despite requests for additional detail, FTA / APSA has not received any further update from the Victorian Government other than a policy response as outlined in the PPAR to manage price increases and transparency on a 'voluntary' basis.

Further detail is provided included in Section 2 of this submission.

C. Incorporation of measures in the standards to improve landside access and performance, including container turnaround time, road carrier service levels, rail operator service levels and on-time performance metrics for both stevedores and land transport operators.

As outlined earlier in Section 1 of the submission at Point A, FTA / APSA see merit in the establishment of two-way disciplines between stevedores and the transport sector.

FTA / APSA also see a necessity to also include regulation to force stevedores to give adequate opportunity to book time slots when containers have been selected by the Australian Border Force (ABF) for examination at their off-site Container Examination Facility (CEF).

The CEF utilises technology to enable the ABF to fulfil its border protection role. The ABF has stated approximately 90% of containers selected for examination are x-rayed, released within 30 minutes and immediately returned to the stevedore. The remaining 10% may incur some form of delay as they are selected for more detailed physical examination.

To minimise associated costs incurred for delayed release of cargo, it is essential that importers supply timely and accurate import data, permits and documentation to customs brokers in order to meet statutory requirements. The ABF also require cargo report data from shipping lines and freight forwarders to be provided 48 hours prior to arrival at the first Australian port.[2]

Post the October 2005 Integrated Cargo System (ICS) implementation, the ABF have increasingly focussed on import declarations as an important source of data to complete their border risk assessment in identifying illegal activity. This resulted in the release of a policy notice[3] highlighting the importance of early lodgement of import declarations.

In the event that a container is subject to ABF CEF assessment, storage fees are administered by stevedores despite the fact the container may not be physically available for collection.

To be eligible for the extended storage arrangements, two criteria must exist:

1. the cargo report has to be provided to the ABF in line with statutory provisions outlined above; AND
2. the Import Declaration is to be lodged at least 24 hours prior to the vessel arrival at the port of discharge.[4]

Assuming the above reporting / declaration requirements have been satisfied, containers selected for CEF intervention will receive 24 hours free storage from when they are returned from the CEF.

Clause 17 of the PBLIS Mandatory Standards states that stevedores must provide free storage for the day the container is returned from the CEF and for the next two days after that. Again, these extended storage arrangements are contingent on the above reporting / declaration requirements being satisfied.

This provides industry the necessary storage-free time to act once the ABF have released their Border Hold to organise necessary logistics to pick up containers from the stevedore and deliver to the importer.

RECOMMENDATION 2. the Victorian government align the PPAR to PBLIS to mandate that stevedores must provide free storage for the day the container is returned from the CEF and for the next two days after that

D. Taking a phased approach to monitoring port supply chain costs. Should voluntary standards fail to deliver improved pricing transparency or operational efficiency then progression to mandatory standards through regulation may be warranted.

The experience in the lead up to PBLIS was that consensus amongst stakeholders could not be reached to achieve a voluntary arrangement leading to the introduction of the Mandatory Standards.

It is possible that stevedores and transport operators may have learnt from this experience and in an effort to avoid prescriptive statutory provisions, may be receptive to engagement and establishment of voluntary standards with the threat of regulation should this fail.

[2] Section 64AB Customs Act 1901
[3] Australian Customs Notice (ACN) 2011/58
[4] Australian Customs Cargo Advice (ACCA) 2012/18

The PPAR would not adequately address the imbalance in market power that stevedores have compared to transport operators that has allowed stevedores to administer Infrastructure Surcharges / Terminal Access Charges with no transparency or consequences. Imposing requirements for transparency now when fees are already exceptionally high is too late.

E. A phased approach recognises that the factors leading to increased costs across the Victorian port supply chain are national challenges impacting all ports, so any consideration of economic regulation should be informed by the findings of the current ACCC review of Part X of the CCA.

FTA / APSA provided a detailed submission to the Australian Competition and Consumer Commission (ACCC), including 9 recommendations for reform, in response to its discussion paper[5] released on 3 December 2019. One recommendation was for a *'block exemption registration process to mandate incorporation of stevedore supplier fees to be administered direct and solely against shipping lines (negating the practice of stevedore-imposed "Infrastructure Surcharge" administered against the transport sector)'* – a summary of the FTA / APSA recommendations is available at **ATTACHMENT B**.

FTA / APSA has received recent feedback from the ACCC that their review of Part X of the CCA has been postponed due to the implications of COVID-19 and to allow key stakeholders to concentrate on crisis management issues. It is anticipated that the review will progress later in 2020 and into 2021.

On 31 July 2020, FTA / APSA engaged with the Assistant Secretary Maritime and Shipping Branch | Surface Transport Policy Division, Department of Infrastructure, Transport, Regional Development and Communications and the Hon Michael McCormack MP, Deputy Prime Minister and Minister for Infrastructure, Transport and Regional Development.

In response to the FTA / APSA formal submission[6] and in terms of stevedore-imposed Terminal Access Charges, the Deputy PM gave a commitment to:

- support our advocacy, noting the operational and cost implications for exporters and importers;
- clearly articulate that reform is a state government responsibility (negating arguments from the states pointing back to the Federal Govt to lead); and
- importantly, to provide a referral to the Australian Competition and Consumer Commission (ACCC) ensuring that stevedores involved vertical integration operations do so on a 'level playing field' with others in the supply chain and do not use Terminal Access Charges for commercial advantage / offset pricing.

Based on this feedback, the onus lies with state governments to regulate stevedore pricing.

[5] Proposed Class Exemption for Ocean Liner Shipping
[6] FTA / APSA Status Report – Container Stevedore Imposition of Terminal Access Charges – 27 May 2020

FTA / APSA RESPONSE TO QUESTION 7

a) In relation to component A of the VPPM, do you think:

- this protocol will improve the transparency and predictability of price increases?
- there are other notification provisions that should be considered?
- stakeholders would be willing to comply with this protocol?

b) In relation to component B, do you think:

- these are the right performance indicators to measure performance at the Port of Melbourne?
- there are additional performance indicators which should also be considered?
- the data is available to support the reporting of these indicators?
- stakeholders would be willing to provide this data?

c) In addition to stevedore charges and landside operations, do you think any other port related interface services/ charges should be included in a monitoring/ coordination

COMMENTS ON COMPONENT A OF THE VPPM

FTA / APSA does not see the Voluntary Port of Melbourne Performance Model (VPPM) as a viable solution to oversee further price increases administered by stevedores against transport operators.

The monitoring by the Victorian government would only serve to give this cost recovery model legitimacy. Existing Terminal Access Charges are already excessive. Incremental increases on this base would continue the devastating impacts on Australian jobs.

The Victorian Government must protect shippers by directing stevedores to cease the practice of administering Terminal Access Charges.

This outcome would allow market forces to take effect. Stevedores would be forced to either absorb operating costs or pass these onto their commercial client being the shipping lines. Similarly, shipping lines would have to either absorb this cost or pass it on in a negotiated arrangement with their commercial client being the exporter, importer or freight forwarder. An open and competitive environment will determine appropriate price for services without the need for further government monitoring or intervention.

Further detail is included in Section 2 of this submission.

COMMENTS ON COMPONENT B OF THE VPPM

As per the PBLIS Mandatory Standards, FTA / APSA are of the view that the VPPM reference to container turnaround time should be measured from the time that a truck enters the port precinct and starts queuing, rather than the current measurement from the stevedore's in and out gates.

RECOMMENDATION 3. VPPM to measure truck turnaround time from entry within the port precinct to account for queuing times outside the stevedore gate.

COMMENTS ON A NEED FOR ADDITIONAL MONITORING

FTA / APSA are of the view that the VPPM should be extended beyond the stevedore gate and examine empty container park and shipping line practices.

In 2019, Transport for NSW commissioned a review into issues associated with the NSW empty container supply. A key recommendation of the review[7] was to establish a temporary industry working group to help address key issues in relation to empty container handling.

[7] NSW Empty Container Supply Chain Study (Report prepared for Transport for NSW – 5 May 2020)

Transport for NSW has since established the ‘Empty Container Working Group’ being a working party for representatives of industry with an interest in the movement and operation of empty containers around NSW.

The group is focused on developing practical solutions to improve the efficiency of empty container handling with the following key objectives:

- Examine issues related to the management of empty containers, make recommendations or develop solutions which can be implemented by industry on a voluntary basis.
- Share information and develop performance measures to provide an objective picture of supply chain issues.
- Identify opportunities for additional empty container storage capacity and investigate other ideas, such as targeted trials of new equipment or technology which could reduce pressure on empty container parks.

RECOMMENDATION 4. Freight Victoria to engage with Transport for NSW to establish ‘best practice’ empty container park practices

Shipping lines commonly charge a fee if containers are not dehired (returned) to the nominated Empty Container Park (ECP) within agreed terms. This is an unreasonable burden and cost imposition on industry in circumstances when containers are physically unavailable for collection and dehire.

RECOMMENDATION 5. the Victorian government extend the PPAR to force shipping lines to start the container detention clock from after CEF processing and Border Hold has been released

The notification fee for ECPs has become an equivalent to Terminal Access Charges levied by the stevedores. ECPs are charging transport operators are fee when booking time slots to dehire containers. Transport operators are again held to ransom and must dehire to the ECP as nominated by the shipping line.

By way of example, on 29 June 2020, Victorian Container Movement announced “*VCM wish to advise that due to the effects of Covid 19 with decreased movements and increased costs, VCM has no choice but to increase our gate fee to 38.00 as of 1st August 2020.*”

The fee was previously $32.00 meaning an increase of 18.75% increase. This being the third increase in 16 months at VCM equating to a 280% increase in that period.

RECOMMENDATION 6. the Victorian government extend the PPAR to force empty container parks to recover all operating costs from their commercial client (shipping lines) rather than booking fees imposed on third-party transport operators.

SECTION 2

INFRASTRUCTURE SURCHARGES

The combination of increased competition and a greatly reduced client base has been 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.

FTA / APSA 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 stevedores recovering costs via landside Terminal Access Charges, an unregulated charge for access to international container terminals.

It is clearly a case of ‘follow the leader’ with each introducing a similar fee and taking turns to ratchet up the pricing.

FTA / APSA acknowledges suggestions as outlined in the PPAR of a 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, costing Victorian shippers in excess of $125 million per annum. Incremental increases on this base would continue the devastating impacts on Australian shippers.

COMMERCIAL MODEL

It is the understanding of FTA / APSA that shipping lines engage the stevedore to handle their vessel and associated containers under a ‘*Liner Service Agreement*’. This agreement covers all aspects of handling the vessel for load / unload as well as receive from and deliver to those parties who have authority from the shipping lines. Under that premise, all charges for services managed by the stevedores should be charged to the shipping lines as their contracted client.

Furthermore, transport operators (rail and road) are required to enter into a ‘*Carrier Access agreement*’ with the stevedores. These agreements, we are advised, are non-negotiable. Transport operators must sign or are denied access to the respective stevedore. FTA / APSA is of the understanding that these agreements hold the transport operator liable for any charges the stevedore wishes to apply – in effect, holding transport operators to ransom with no negotiation rights.

Road transport operators receive and deliver containers in line with timeframes allocated via the stevedore’s Vehicle Booking Systems (VBS). A long-standing fee applies to the administration of this system to ensure maintenance and support of these vital systems. FTA / APSA sees such fee as being appropriate, however objects to the mechanism being used to recover other costs that should be directed to Lines as a part of their commercial contracts.

The spreadsheet in **ATTACHMENT C** shows the evolution and timeline for increases of Terminal Access Charges. The below summary indicates, in the main, when charges were initially instigated and justification for price rises.

2010 – July

Patrick terminal (Brisbane) commenced reference to the terminology “Infrastructure Surcharge” and collection of this fee via the VBS – reference was made to infrastructure costs, in particular lease fees and that these costs could not be continued to be absorbed.

Full correspondence at **ATTACHMENT D**

2013 – March

DP World terminal Brisbane advise “following receipt of our Market Rent review from the Port of Brisbane Pty Ltd” a change ($28.00) to the infrastructure charge (initially $4.95) was applied.

Full correspondence at **ATTACHMENT E**

2014 – March

Patrick terminals in Melbourne advise “Rent and rates charges at the Port of Melbourne have increased considerably in the last few years and throughout our current tenancy at East Swanson Dock (ESD)." "From the 10th of March 2014, we will apply an infrastructure surcharge at the Patrick ESD Terminal as part of the basis on which access to the Terminal is granted" – this was explained due to a large part of their terminal being dedicated to servicing road transport

Full correspondence at **ATTACHMENT F**

2017 – July
Patrick terminals Sydney & Fremantle - advice of infrastructure charges to be commenced citing rent, land tax and council rate increases along with rising terminal infrastructure maintenance costs. This is contrary to advice from NSW Ports that rents had not increased.

Full correspondence at **ATTACHMENT G**

2019 – March
VICT terminal in Melbourne advise an increase to $85 of the infrastructure fee (initially imposed in March 2018 at $48.00) – reference was also made to "market pricing shifts" towards splitting waterside and landside.

Full correspondence at **ATTACHMENT H**

2020 – March / May
In March and May respectively Patrick and DP World made similar announcements of adjustments to their infrastructure fees - whilst focusing on a lowering (DPW dropped their export fee by 10 – 18% depending on the port) or maintaining (Patrick kept theirs the same with exception of Fremantle which jumped 233.33%) both operators increased their import fees 23 – 27% and 47-53% respectively.

2017 TO 2019 – RAPID INCREASES

Terminal Access Charges nationally have significantly increased since implementation. The Australian Competition and Consumer Commission (ACCC) Container Stevedoring Report for 2017-2018, listed revenue from infrastructure charges at $100 million. It is important to note that this was the first full year of the expanded use of charges. According to the ACCC, the charges again significantly increased in 2018-2019 to $167 million.

2019 – CONSERVATIVELY $300 million +

FTA / APSA have undertaken a review 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

- Total number of Import Containers – 2,683,438
- Total number of Export Containers – 1,640,814
- Infrastructure costs on imports - $157,914,577.00
- Infrastructure costs on exports - $96,540,107.00
- **Total Infrastructure Costs - $254,454,685.00**

It is important to note that the charges are commonly marked-up by transport and logistics operators to cover administration and cash flow costs.

This in effect means that costs paid by shippers (exporters and importers) conservatively exceeded $300m per annum, of which $125 was attributable to charges via Victorian container operations.

2020 - FURTHER INCREASES / IMPACTS OF COVID-19

Terminal Access Charges have significantly increased in 2020. Current charges are listed in the below table (per container / excluding GST).

FTA / APSA note the May 2020 independent financial evaluation from UBS (extract below) making the assessment that government intervention on Terminal Access Charges is perceived as *'low risk'* contributing to their market assessment on Qube stock to *'Buy'*. (noting their share in Patrick stevedoring ownership)

Earnings changes *- We have reduced our EPS forecasts by 10-11% to reflect the higher share count and lower volumes within Patrick and certain parts of the operating division.* ***We note recent press around potential intervention on Terminal Access Charges which would be a negative for Patrick but we feel this is a low risk at this stage.***

OPERATIONAL IMPACTS ON VICTORIAN SHIPPERS

The imposition of Terminal Access Charges has been devastating for Australian shippers who have, in some cases experienced price increases of over 2,000%, in only a few short years. As outlined in a 2019 Senate Committee submission[8] prepared by FTA / APSA, a major Australian exporter of flour, starch, gluten and stockfeed, shipping 22,140 containers per annum paid $833,571 in extra costs; similarly an exporter of paper and recyclables, shipping 42,122 containers in 2018, paid $1,585,893.30 in extra costs.

Since this time, FTA / APSA has received extensive correspondence from members outlining further substantial increases and adverse operational impacts. Below is a sample of correspondence highlighting the impacts of these charge on Australian commerce and regional farming communities:

Paul Goodman-Jones (Shipping manager – Wilmar Gavilon) – 3 December 2019

Full correspondence at **ATTACHMENT I**

From a trading perspective the Australian Agricultural sector are now faced with higher landside supply chain costs further diminishing our international competitiveness on top of a crippling drought. Historical markets in the Asia / PNG / Pacific Rim now have capability of sourcing agricultural products from competing Black Sea and North America regions. With blue water supply chains from these origin countries now established, these markets, historically sourced from Australia agriculture could be lost permanently to Australian producers. The only way our Australian sector can regain these markets once we return to an exportable harvest is to then buy our way back into the market at the expense of the producer. These infrastructure charges are harmful to the Australian Agriculture sector.

Mathew Kelly (CEO KM & WM Kelly & Sons) – 8 December 2019

Full correspondence at **ATTACHMENT J**

The recent harvest(s) has been lower than expected due to drought, however in 2017 we packed 5,500 containers through our Tocumwal facility and other packing houses through-out Victoria. With the current Terminal Infrastructure Fee at DP World of $83.50 per container, the impact is $459,250/mt being moved from regional communities. With our potential to increase our container out-put to 15,000 annually the flow on effects are stifling further investment with the entire container supply chain market.

Mark Lewis (General Manager – Riordan Grain Services – RGS) – 13 December 2019

Full correspondence at **ATTACHMENT K**

Net result across 8,000 TEU's and assuming worst case increase in pricing from $3.50 per TEU to $98.00 per TEU has = $756,000 per annum in additional cost to RGS. This cost must be passed back to the price that RGS pays for grain as we operate in a very competitive local and global market. Many other international origins are now heavily competing for market access to traditional Australian customers and destinations. We see the net result of these cost increases having the following impacts: 1. RGS pays less for grain to growers and local regional communities. 2. RGS opts out of investment opportunities in expanding container packing capacity. 3. RGS looks at alternate supply chains for grain export movements eg loading on bulk vessels. 4. The Australian Grain industry loses export competitiveness for Australian grain.

Jack King (Commercial & Procurement Manager – Malteurop Australia) – 27 December 2019

Full correspondence at **ATTACHMENT L**

Since our Geelong Malthouse was established in 1998 we have been a significant end user of Malt Barley for the Victorian grain producers. Recently we have expanded our Malthouse capacity to more than double its previous output so we now export approximately 8000 TEU's from our Geelong plant via the Melbourne Port(s) per annum. When these surcharges are applied across that number of containers it becomes a significant cost to doing business into the ever competitive Asian Malt markets. That is not something we can sustain going forward and it flows back down the chain to growers - if we cannot sell our Malt then we simply buy less Barley from the growers.

[8] FTA / APSA submission to 'Inquiry into the Policy, Regulatory, Taxation, Administrative and Funding Priorities for Australian Shipping – 8 March 2020)

STATE GOVERNMENT INTERVENTION

While each seem to note the costs and downstream implications to shippers, both state and federal government representatives continue to point to each other as the regulator to take action.

FTA / APSA has had regular engagement with the Hon Andrew Constance MP, Minister for Transport and Roads (NSW) and the NSW Productivity Commissioner and received correspondence on Friday 17 April 2020 highlighting the following:

- the Minister is aware that the landside transport and import/export industries will face difficulties maintaining ongoing financial sustainability during the COVID-19 pandemic and that associated risks exist for supply chain bottlenecks;
- given the unprecedented situation posed by the COVID-19 pandemic and the crucial role of all parties involved in the supply chain in moving freight during this time, it is the NSW Government's strong view that now is not the time to increase stevedore-imposed Terminal Access Charges;
- the Minister has written to Port Botany stevedores, regarding concerns raised by FTA/APSA and others in the road freight industry calling for restraint in not increasing infrastructure surcharge charges for at least the duration of the COVID-19 response; and
- in recognition that cash flow is a pain point as raised by the road freight industry, the Minister has requested that Port Botany stevedores engage with Transport for NSW (TfNSW) and the road transport sector to find a solution to payment terms.

Full correspondence is available at **ATTACHMENT M**.

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 (extract below).

Supply chain charges
Regulating (or authorising the Minister to regulate) the charges (supply chain charges) that may be imposed for or in connection with the operation or provision of facilities or services of the port-related supply chain at a port or supply chain facility, including (without limitation):

(a) setting maximum supply chain charges, and

(b) regulating the manner in which supply chain charges are to be set or determined (for example, by providing for charges to be set by means of an auction or other market-based pricing mechanism), and

(c) specifying or otherwise determining the persons by whom supply chain charges are payable, and

(d) regulating the collection and recovery of supply chain charges, and

(e) prohibiting the imposition, collection or recovery of supply chain charges contrary to the regulations.

RECOMMENDATION 7. the Victorian government extend the PPAR to force stevedores to recover all operating costs from their commercial client (shipping lines) rather than Infrastructure Surcharges / Terminal Access Charges imposed on third-party transport operators.

ATTACHMENT A

Hon Melissa Horne MP

Minister for Public Transport
Minister for Ports and Freight

1 Spring Street
Melbourne, Victoria 3000 Australia
Telephone: +61 3 8392 8020
DX 210292

Ref: CMIN-1-20-1932

Mr Paul Zalai
Via email: pzalai@ftalliance.com.au

Dear Mr Zalai

Thank you for your email of 1 April 2020, regarding DP World's latest increase of its infrastructure surcharge. I, like you, was disappointed to learn that DP World is to increase its access charges again for importers at the Port of Melbourne for the second time in four months at short notice.

The timing of this decision was particularly disappointing, coming at a time when Victoria is experiencing unprecedented pressures and disruptions across the port supply chain as a result of the COVID-19 crisis. This is a time when everyone should be pulling together to keep businesses open, people in jobs and keep goods moving to ensure essential services can continue to operate.

In January 2020, when I released the summary of our Port Pricing and Access Review to stakeholders, I advised stakeholders that the Victorian Government was not intending to move towards heavy-handed regulation, but would instead work towards establishing a new Voluntary Port Performance Model for the Port of Melbourne in partnership with all port users. I also said that if voluntary standards didn't improve pricing transparency, it was open to the Victorian Government to consider mandatory standards.

DP World's decision runs counter to our commitment to pricing transparency, and points clearly to the need for the new standards we are now developing. I have asked DP World to explain the rationale for the price increase they have announced, and have raised my concerns with the timing of the announcement during the COVID-19 crisis and so soon after the last increase in these charges.

Thank you for again for sharing your concerns. I will keep you informed as matters progress in relation to the development of new pricing transparency standards for the Port of Melbourne.

ATTACHMENT A - continued

Should you have any further queries please contact Mr Praveen Reddy, Executive Director, Freight Victoria on 8392 6196 or via email on praveen.reddy@transport.vic.gov.au.

Yours sincerely

Hon Melissa Horne MP
Minister for Ports and Freight
23/04/2020

ATTACHMENT B

In response to the Proposed Class Exemption for Ocean Liner Shipping published by the ACCC on 3 December 2019, FTA / APSA provided the following nine (9) recommendations:

RECOMMENDATION 1 – APSA recommends repeal of Part X with a block exemption regime administered by the ACCC that allow shipping lines to collaborate on operational matters only to achieve efficiencies in supplying jointly organised services.

Comment: Shipping lines should be subject to generic competition laws and upon application to the ACCC, be permitted to combine resources with demonstration of economies of scale, provision of lower-cost services, enhanced frequencies breadth of destinations.

RECOMMENDATION 2 – APSA recommends alignment with the block exemption arrangements established in New Zealand to form a regional approach to shipping line competition law.

Comment: Learnings need to be assessed from deficiencies of elements of European Union (EU) block exemption regime.

RECOMMENDATION 3 - APSA recommends that the block exemption regime retains minimum levels of service (MLS), negotiable shipping arrangements and minimum notification periods as currently provided by Part X.

Comment: An important element of Part X is that it provides minimum service levels and reduces the frequency and instances of blank sailings.

RECOMMENDATION 4 – APSA recommends the block exemption regime to exclude an ability to fix or coordinate freight prices and surcharges; pool or apportion earnings, losses or traffic; or restrict capacity (slots) offered.

Comment: These exclusions would minimise the risk of market manipulation. 4 I FTA / APSA response to the ACCC Discussion Paper - Proposed Class Exemption for Ocean Liner Shipping

RECOMMENDATION 5 – APSA recommends the block exemption registration process to mandate incorporation of stevedore supplier fees to be administered direct and solely against shipping lines (negating the practice of stevedore-imposed “Infrastructure Surcharge” administered against the transport sector).

Comment: This provision would reduce the adverse impacts of Infrastructure Surcharges by forcing commercial negotiations of services and price to be negotiated between commercial interests (i.e. stevedore with shipping line / shipping line with shipper).

RECOMMENDATION 6 - APSA recommends that the terms of the block exemption arrangements are drawn as narrowly as possible to permit the desired activities to be operationalised, and no more.

Comment: It is essential that shippers are not exposed to the risk of anti-competitive practices.

RECOMMENDATION 7 – APSA recommends the block exemption regime to introduce a registration process supplying core information to the ACCC to ensure compliance with any new statutory provisions.

Comment: A registration process would mandate the supply of key operational data to assess compliance with block exemption requirements.

RECOMMENDATION 8 – APSA recommends that it maintains its designated peak shippers’ body status to support the ACCC review applications for block exemption arrangements.

Comment: A continued role for APSA (and as required, secondary peak bodies as per Part X) would support the ACCC in assessing registrations in a contemporary operating environment.

RECOMMENDATION 9 – APSA recommends continuation of legal instruments to allow shippers to negotiate collective freight contracts with shipping lines.

Comment: This may be achieved via the new ACCC class exemption allowing collective bargaining by eligible businesses.

ATTACHMENT C

DATE	VBS SURCHARGE	SYDNEY DPW	SYDNEY PAT	SYDNEY HUTCH	MELBOURNE DPW	MELBOURNE PAT	MELBOURNE VICT	BRISBANE DPW	BRISBANE PAT	BRISBANE HUTCH	BRISBANE AAT	FREMANTLE DPW	FREMANTLE PAT	ADELAIDE FLINDERS
IMPORTS / EXPORTS														
23/8/10								$4.95						
1/10/10									$17.75					
1/7/11									$18.30					
4/3/13								$28.00						
10/3/14						$3.50								
23/2/15					$3.50			$31.00						
11/1/16								$32.10						
1/7/16									$28.75					
1/1/17								$32.74						
3/4/17	INFRASTRUCTURE	$21.16			$32.50					$32.00				
10/7/2017	INFRASTRUCTURE		$25.45	10.45		$32.00			$32.55	$32.60			$4.76	
1/1/2018	INFRASTRUCTURE	$37.65			$49.20			$38.75				$8.22	$7.50	28.50
12/3/2018	INFRASTRUCTURE		$41.10			$47.50	$48.00		$38.25					
				35.84						$33.10				
11/2018											$38.70			
1/1/2019	INFRASTRUCTURE	$63.80			$85.30			$65.15						
4/3/2019	INFRASTRUCTURE		$77.50			$82.50	$85.00		$71.50					28.96
19/8/2019										$50.00				
18/11/2019				$63.11										
1/1/2020	INFRASTRUCTURE	$91.00			$98.00		$121.80	$89.00				$45.00		
9/3/2020	INFRASTRUCTURE		$114.50			$125.80			$110.00				$50.00	
8/5/2020	TERMINAL Access	$112.10			$125.00			$109.50						
1/7/2020	INFRASTRUCTURE													$29.60
27/7/2020	INFRASTRUCTURE									$94.78				
1/8/2020	INFRASTRUCTURE						$131.03							
8/9/2020	INFRASTRUCTURE			$88.83										
	Increase $ on original	90.94	89.05	78.38	121.50	122.30	83.03	104.55	92.25	62.78		36.78	45.24	1.10
	% Increase on original	429.77	349.90	750.05 %	3471.43	3494.29	172.98 %	2112.12	519.72	196.19	%	447.45	950.42 %	3.86 %
EXPORTS														
9/3/20			82.50			82.50			82.50				25.00	
8/5/2020	TERMINAL Access	79.50			79.50			79.50						

ATTACHMENT D

Patrick Terminals

Patrick Stevedores
Operations Pty Limited
ABN 33 065 375 840

PO Box 734, Wynnum QLD 4178
Berth 10 Curlew Street
Port of Brisbane QLD 4178

Tel: 07 3895 5000
Fax: 07 3895 5199

Patrick Brisbane Autostrad Terminal – Infrastructure Surcharge

On 21 July, 2010 the Divisional General Manager of Patrick Container Ports, Mr Paul Garaty, wrote to clients in relation to unsustainable cost increases in the Port of Brisbane. This correspondence was subsequently circulated locally under cover of Patrick Brisbane Client Advice No. 9 of 22 July 2010 and broadcast to the road transport industry by the Queensland Trucking Association via their Waterfront Carriers News Brief No. 5 of 28 July 2010.

Through this correspondence Patrick indicated that the level of increase it had sustained in infrastructure costs, principally lease costs, could no longer be absorbed within operating margins and as such an infrastructure surcharge was under active consideration.

It is a fact that our lease costs per square metre have risen 400% since December 2005, a rate of increase which is excessive relative to other Australian ports and, notwithstanding the Company's efforts to offset this by way of productivity and efficiency enhancements, beyond our capacity to bear.

The ACCC endorsed Independent Price Expert in the recently completed review of Terminal Operator AAT's pricing at Fisherman Islands, made the following observations in regard to property values at the Port of Brisbane;

> *"As a result of the May 2008 review PBC claimed that the value of these assets, and hence the base on which the rent is calculated, increased by 390%"*

Accordingly it has been decided to include an infrastructure surcharge at the Patrick Brisbane Autostrad Terminal from 1 October 2010 as part of the basis on which access to the Terminal is granted.

The infrastructure surcharge will be applied to road transport operators for all full container movements, both import and export, made at the Terminal. The rate of the infrastructure surcharge will be $17.75 per container which will be invoiced electronically via One Stop. The surcharge will be covered by the existing terms and conditions of the Vehicle Booking System, including payment terms, with ongoing access to the Terminal conditional upon prompt settlement. It is important to note that a substantial part of our Terminal, including our dedicated Truck Marshalling Area, is devoted to the servicing of road transport and that the cost of providing this specialist infrastructure has, like the Terminal as a whole, been subject to the level of increase indicated above.

All full containerised cargo moving to and from the Terminal will be subject to the infrastructure surcharge. This includes under the VBS system, bulk runs of full containers and transfers of containers from Cargolink and the Brisbane Multimodal Terminal.

Patrick sincerely regrets that this action has become necessary however it is important to realise that we have borne increases in infrastructure costs for several years and that we are no longer in a position to do so. Accordingly the increased cost of container terminal infrastructure in the Port of Brisbane needs to be passed on through the transport chain.

The Patrick Yard Management staff and I are happy to provide clarification in relation to this development as necessary.

Yours sincerely

Matt Hollamby
Terminal Manager - Brisbane

ATTACHMENT E

DP WORLD
Brisbane

Fisherman Islands Terminal
Port Drive
Port of Brisbane QLD 4178
PO Box 702
Wynnum QLD 4178

Tel: +61 7 3895 9222
Fax: +61 7 3895 1221
www.dpworld.com

19th February 2013

NOTICE TO DP WORLD CUSTOMERS

By e-mail

Dear Customer,

Re: Infrastructure Surcharge

DP World Brisbane provides notification to all customers of a change to the Infrastructure Surcharge with effect 4th March 2013 following receipt of our Market Rent review from the Port of Brisbane Pty Ltd.

The Infrastructure Surcharge will be $28.00 (excluding GST) per full container and will be applicable to all container movements handled via gate operations. Charges shall continue to be levied via the Vehicle Booking System and covered by the existing Carrier Access Arrangements including payment terms.

DP World Brisbane regrets the increase in the Surcharge, however have been left with no alternative but to pass on the increases we have experienced following this review.

Yours sincerely,

Mark Hulme
Director and General Manager
DP World Brisbane

DP World Brisbane Pty Limited
ABN: 86 130 876 701

ATTACHMENT F

Patrick Terminals

Patrick Stevedores Operations
Pty Limited
ABN 33 065 375 840

Level 6, 15 Blue Street
North Sydney NSW 2060
Telephone: 61 2 8484 8000

New Infrastructure Surcharge East Swanson Dock from 10 March 2014

Rent and rates charges at the Port of Melbourne have increased considerably in the last few years and throughout our current tenancy at East Swanson Dock (ESD). Since 2006, the combined cost of land tax, rental and council rates at ESD has increased in excess of 90%. Whilst we have implemented a number of initiatives to improve efficiency and productivity in order to avoid the imposition of additional costs on the supply chain, we can no longer absorb all of these excessive charges.

From the 10th of March 2014, we will apply an infrastructure surcharge at the Patrick ESD Terminal as part of the basis on which access to the Terminal is granted. The surcharge will be applied to road transport operators for all full container movements (VBS and Bulk Runs), both import and export, handled at the Terminal. The surcharge of $3.50 per container will be invoiced electronically via One Stop.

The surcharge will be covered by the existing terms and conditions of the Vehicle Booking System, including payment terms. Ongoing access to the Terminal will be conditional on payment of the charges as per our conditions. It is important to note that a substantial part of our Terminal, including our dedicated Truck Marshalling Area, is devoted to the servicing of road transport and that the cost of providing this specialist infrastructure has, like the Terminal as a whole, been subject to the cost increases indicated above.

It is important to note that we have absorbed previous increases in infrastructure costs for several years however this is no longer sustainable. Patrick will apply the surcharge to all road transport operators on exactly the same basis. The charge will be reviewed annually along with our other terms and conditions.

Patrick will continue to strive to maintain exemplary service to all transport operators ensuring rapid turnaround of trucks.

Please contact Chris Brewster on (03) 9688 5680 with any queries.

Regards

Peter Nash

GM, Sales and Marketing

Terminals and Logistics

Head Office

Level 6, Blue St
North Sydney 2060

www.patrick.com.au
ABN 44 007 427 652

ATTACHMENT G

Patrick Terminals – Infrastructure Surcharge and Ancillary Charges: effective 10 July 2017

Rent, land tax and Council rates continue to increase considerably across Patrick's Terminals. We have been notified of rental increases within our property portfolio of over 140%, with some being backdated to 1 July 2015. These increases place a significant additional cost burden on our operations. The new management at Patrick has rigorously pursued a number of initiatives to improve efficiency and productivity but, faced with the current market conditions and the ongoing consequences of the port privatisations, we can no longer absorb these excessive charges over and above CPI within our operating margins.

In addition to the below charges, Patrick also incurs rising Terminal infrastructure maintenance costs relating to the landside interface operations. This maintenance is essential to continue to provide our customers with superior service levels. Since 2015, Patrick's investment in dedicated landside infrastructure of over $285m across all of our Terminals has resulted in material improvements in the efficiency of the landside operations including reduced truck turn-around times and congestion. To date, none of these investment costs have been passed on to our customers.

Accordingly, from 10 July 2017, it has been decided to:

- introduce an infrastructure surcharge at the Sydney and Fremantle Terminals; and
- increase the existing infrastructure surcharge at Fisherman Islands and East Swanson Dock Terminals,

as part of the basis on which access to the Terminals is granted. The new surcharge at Sydney and Fremantle brings these Terminals into line with Patrick's other Terminals.

The infrastructure surcharge will be applied to both road and rail transport operators for all full container movements, both import and export, made at the Terminals. Road operators will be invoiced electronically via 1-Stop while rail operators will have the surcharge separately itemised on their rail invoice. Patrick recognises these charges may impact our transport and logistic customers' working capital requirements. We will, therefore, be extending the credit terms for all Patrick 1-stop charges (including VBS and Infrastructure surcharges) from the current 7 day terms to 30 day terms for all customers. Ongoing access to the Terminals is conditional upon prompt payment in accordance with Patrick's conditions.

The rates of the surcharges are as follows:

- Sydney $25.45 per box
- Fremantle $4.76 per box
- Fisherman Islands $32.55 per box
- East Swanson Dock $32.00 per box

Furthermore, increased labour and energy costs have forced us to increase all Ancillary Charges from 10 July 2017. The new rates have been published on Patrick's website (www.patrick.com.au).

We regret this change to our cost structure but without sacrificing infrastructure investment and further performance improvements, we have been left with no alternative.

Please contact your Patrick representative should you wish to discuss these changes.

Yours sincerely

Ashley Dinning
Chief Commercial Officer

Port Botany
Gate B105a Penrhyn Road
Port Botany NSW 2019
PO Box 695, Matraville
NSW 2036

patrick.com.au
ABN 33 065 375 840

ATTACHMENT H

Victoria International Container Terminal Limited
78 Webb Dock Drive, Port Melbourne, VIC, 3207
PO BOX 5032, Garden City, VIC, 3207

VICT Landside Update

Issued: 30th January 16:25hrs

Customers are advised that from 1 March 2019, VICT will be increasing the Infrastructure Surcharge to $85.00 per container (exclusive of GST) and will apply to all full containers, received or delivered to VICT.

As market pricing shifts towards split waterside and landside tariffs, the Infrastructure Surcharge will be revised accordingly. The rebalancing allows VICT to remain competitive in the market, whilst continuing to provide shipping lines and shippers with leading service levels and a viable alternative container terminal in Melbourne. Ongoing access to VICT will be conditional on payment of these charges as per our terms and conditions.

Please contact the VICT Commercial team on 03 8547 9700 should you wish to discuss these changes further.

To subscribe to these notifications please go to www.vict.com.au/#/subscription

ATTACHMENT I

3rd December 2019

Mr. Paul Zalai
Director and Co-Founder / Freight & trade Alliance (FTA)
Secretariat / Australian Peak Shippers Association (APSA)
Director / Global Shippers Forum (GSF)

REF : TERMINAL INFRASTRUCTURE SURCHARGES

Dear Paul,

We would like to highlight the impacts to the supply chain costs that Wilmar International and our associated companies are incurring with the increasing fees applied by container terminals in relation to infrastructure surcharges / levies.

About us:

Wilmar Gavilon is a 50/50 Joint Venture between Wilmar International and Gavilon LLC, a 100% owned entity of Marubeni Corporation

Operations in Australia and New Zealand

Part of a vertically integrated feed ingredients supply chain group.
Importing edible oils, Palm Kernel Meal, Specialty Fats and Molasses into Australia and New Zealand.

Exporting Fats, Protein Meals, Grains, Oilseed and Pulses from Australia and New Zealand
Own and operate a dry bulk, bulk liquid and container packing facility in Brisbane called Queensland Bulk Terminals.

Wilmar International also own Goodman Fielder International – brands include White Wings, Pampas, Ernest Adams, Helgas, Wonder White, Praise, Cornwells, Meadow Lea, Gold n Canola and Crisco Oils; and Sugar Australia – CSR Sugar brand.

In Australia, our group handles in excess of 20,000 containers annually, import and export through the five main container ports. Current infrastructure fees represent additional costs exceeding AUD1.5million p.a., with further increases advertised from 1-JAN-2020 at some terminals.

With our integrated vertical supply chain, commodities and ingredients supplied to Goodman Fielder milling and production facilities are exposed to all incremental costs. Currently these infrastructure charges represent additional AUD4-5 per metric tonne which are passed through the cost of production and ultimately the retail price of these staple foods in Australia, and the wider Pacific region.

Level 1, 26 Kiln Street, Darra Queensland, 4076 | PO Box 220, Archerfield, Queensland, 4108
Phone: +61 7 3713 8700 | Fax: +61 7 3713 8717

From a trading perspective the Australian Agricultural sector are now faced with higher landside supply chain costs further diminishing our international competitiveness on top of a crippling drought. Historical markets in the Asia / PNG / Pacific Rim now have capability of sourcing agricultural products from competing Black Sea and North America regions. With blue water supply chains from these origin countries now established, these markets, historically sourced from Australia agriculture could be lost permanently to Australian producers. The only way our Australian sector can regain these markets once we return to an exportable harvest is to then buy our way back into the market at the expense of the producer. **These infrastructure charges are harmful to the Australian Agriculture sector.**

Another point that needs raising is the “double-dipping” these landside infrastructure charges represent to Australian cargo owners. Terminal Handling Charges, vastly higher than our nearest Asian trading partners, are already recovered from shippers and importers by shipping lines along with ocean freight. Cargo owners are paying stevedore’s charges twice.

For decades Australian cargo owners have been subjected to the duopolistic practices that existed on the Australian waterfront from the two main stevedores. The addition of a third terminal operator on the main east coast ports has resulted in this new practice designed to increase stevedore revenue through cargo owners by avoiding discussion with their contracted customers – the shipping lines. Cargo owners have no direct consultation as to which terminal the carriers use, and shipping lines deny any responsibility in regards to these additional costs. The result is that the cargo owners have no recourse against terminal operators and despite claims of increases in efficiencies with quayside operations, the cost of shipping through Australian container ports continues to escalate with no real benefit to cargo owners.

A summary of the latest infrastructure charges around the main Australian ports are attached for your reference. Without regulation, there is every sign these charges will continue to be increased in pursuit of stevedoring profit without accountability.

Sincerely

…………………………………

Paul Goodman-Jones
Shipping Manager
Wilmar Gavilon Pty Ltd

Level 1, 26 Kiln Street, Darra Queensland, 4076 | PO Box 220, Archerfield, Queensland, 4108

Phone: +61 7 713 8700 | Fax: +61 7 3713 8717

ATTACHMENT J

K M. & W. M. KELLY & SONS

Grain Merchants

A.B.N. 43 509 690 736
P.O. Box 244 Finley NSW 2713
30-32 Berrigan Road Finley, N.S.W. 2713
Phone (03) 5883 3422
Email: info@kellygrains.com.au

December 8th 2019

Mr Paul Zalai
Director and Co-Founder | Freight & Trade Alliance (FTA)
Secretariat | Australian Peak Shippers Association (APSA)
Director | Global Shipper Forum (GSF)

Subject: Terminal Infrastructure Surcharges at the Port of Melbourne

Dear Paul,

I am writing to you in support of the advocacy work in relation to the surcharges in Terminal Infrastructure Surcharges. Also, to show you the impact on supply chain costs that KM & WM & Kelly Sons (Kelly Grains) are incurring as a result.

Kelly Grains are is a family owned and operated company with 80 years as Grain Merchants and Logistics Specialists. The business commenced in Tocumwal (NSW) and has developed a 250,000mt grain storage facility. We have a direct rail link via the Tocumwal-Melbourne line which we supply bulk rail and containers to Melbourne ports. We also use have storage and container packing arrangements throughout the rest of regional Victoria along with metro packing houses.

In the last 20 years we have shifted the operations of the business from bulk rail loading primarily for export to containers. This has been due to the deregulation of the Australian grains industry. This has enabled us to develop niche markets primarily into SE Asia. This has had a significant positive flow on effect to regional farming communities.

The recent harvest(s) has been lower than expected due to drought, however in 2017 we packed 5,500 containers through our Tocumwal facility and other packing houses through-out Victoria. With the current Terminal Infrastructure Fee at DP World Melbourne of $83.50 per container, the impact is $459,250/mt being removed from regional communities. With our potential to increase our container out-put to 15,000 annually the flow on effects are stifling further investment within the entire container supply chain market.

Recently we have been shipping grain (wheat) north to bulk rail loading sites to rail destinations in Northern NSW as a result of the infrastructure terminal fees. With the recent rail upgrades by the NSW government for the rail freight network and funding for Fast bulk rail loading facilities, this same rail pathways can be easily directed to bulk shipment ports in NSW at Port Kembla or Newcastle in exportable surplus years. The current and proposed terminal infrastructure fees allow for their catchment zone to only increase.

Kind Regards,

Matthew Kelly
CEO
KM & WM Kelly & Sons

ATTACHMENT K

13/12/2019

Mr Paul Zalai
Director and Co-Founder / Freight & trade Alliance (FTA)
Secretariat / Australian Peak Shippers Association (APSA)
Director / Global Shippers Forum (GSF)

RE: TERMINAL INFRASTRUCUTRE LEVY SURCHARGES

Dear Paul

We are writing in support of the work undertaken by FTA / APSA & GSF in respect to the significant issue of recent increases in Terminal Infrastructure Levy Surcharges at the Port of Melbourne.

Riordan Grain Services (RGS) is a family owned integrated storage handling and logistics business based in Lara, Victoria. RGS has recently celebrated 23 years in business and has constantly innovated and challenged logistical supply chains in the grain handling industry. This has included being an early adopter of the activity of packing and export of Australian grain into international markets since 2002. Over this time RGS has packed into containers for export an average of 8,000 TEU's each year, subject to crop size and seasonal conditions. Peak packing was 11,500 TEU's in a calendar year.

In recent years there has been a substantial change in the cost of infrastructure levy charges at the Port of Melbourne from the terminal operators. Below is a capture of these changes which have occurred in the past three years:

	LEVY CHARGED PER TEU		
DATE	**DP World**	**Patricks**	**VICT**
1/01/2017	$3.50		
3/04/2017	$32.50		
10/07/2017		$32.00	
12/03/2018	$47.50		
27/03/2018			$48.00
1/01/2019	$85.50		
1/03/2019			$85.00
4/03/2019		$82.50	
1/01/2020 Pending	$98.00		$121.80

Net result across 8,000 TEU's and assuming worst case increase in pricing from $3.50 per TEU to $98.00 per TEU has = $756,000 per annum in additional cost to RGS. This cost must be passed back to the price that RGS pays for grain as we operate in a very competitive local and global market. Many other international origins are now heavily competing for market access to traditional Australian customers and destinations.

Riordan Group Pty Ltd trading as **Riordan Grain Services**
A.B.N. 35 076 271 148
Correspondence:
LARA: PO Box 27 Lara, VIC 3212 **Telephone:** (03) 5220 8888 **Facsimile:** (03) 5282 3543
E-mail: exports@riordangrains.com.au **Website:** www.riordangrains.com.au

We see the net result of these cost increases having the following impacts:

1. RGS pays less for grain to growers and local regional communities.
2. RGS opts out of investment opportunities in expanding container packing capacity.
3. RGS looks at alternate supply chains for grain export movements eg loading on bulk vessels.
4. The Australian Grain industry loses export competitiveness for Australian grain.

RGS operates in a very competitive supply chain environment. The market is mature, and margins are thin as we handle a relatively cheap agricultural commodity. We are not able to increase what we charge our customers, nor can we work with our competitors to facilitate increases in what we charge our customers. We have seen little benefit from the increased infrastructure charges imposed on us in terms of improved logistics or efficiencies.

Thanks again for your continued efforts and we hope to see some common sense prevail in the levy arrangements going forward.

Thanks & Regards

Mark Lewis
General Manager
For and on behalf of Riordan Grain Services

Riordan Group Pty Ltd trading as **Riordan Grain Services**
A.B.N. 35 076 271 148
Correspondence:
LARA: PO Box 27 Lara, VIC 3212 **Telephone:** (03) 5220 8888 **Facsimile:** (03) 5282 3543
E-mail: exports@riordangrains.com.au **Website:** www.riordangrains.com.au

ATTACHMENT L

27th December 2019

Mr. Paul Zalai
Director and Co-Founder / Freight & trade Alliance (FTA)
Secretariat / Australian Peak Shippers Association (APSA)
Director / Global Shippers Forum (GSF)

REFERENCE: TERMINAL INFRASTRUCTURE SURCHARGES

Dear Paul,

Given the recent and continuous increases to the Terminal Infrastructure Surcharges charged by Port Terminals we are keen to flag the flow on effect to our supply chain costs as a result of this. As an exporter we bear the full impact of these fee increases which challenges our prospects of remaining competitive in a global market.

Since our Geelong Malthouse was established in 1998 we have been a significant end user of Malt Barley for the Victorian grain producers. Recently we have expanded our Malthouse capacity to more than double its previous output so we now export approximately 8000 TEU's from our Geelong plant via the Melbourne Port(s) per annum.

When these surcharges are applied across that number of containers it become a significant cost to doing business into the ever competitive Asian Malt markets. That is not something we can sustain going forward and it flows back down the chain to growers - if we cannot sell our Malt then we simply buy less Barley from the growers.

When the increase in these surcharges is quantified it seems extremely hard to justify how they can jump by such significant amounts in a relatively short time frame – that suggests something other than covering costs in our opinion.

We trust this letter adds further weight to the growing protests against these Surcharge increases.

Regards,

Jack King
Commercial & Procurement Manager
Malteurop Australia

Malteurop Australia Pty Ltd ABN 48 068 420 244
Po Box 235 / 32 Crowle Street, North Geelong, Victoria 3215 T: +61 (0)3 5277 1950 F: +61 (0)3 5277 1960

ATTACHMENT M

NSW GOVERNMENT

The Hon Andrew Constance MP
Minister for Transport and Roads
Leader of the House

Our ref: BN20/00217

Mr Paul Zalai
Director and Co-founder
Freight and Trade Alliance
68 Brooker Avenue
BEACON HILL NSW 2100

Dear Mr Zalai

I am writing to inform you that I have written to the Port Botany stevedores, regarding concerns raised by your association and others in the road freight industry about increases to the infrastructure access surcharge for Port Botany and the current unprecedented situation posed by the COVID-19 pandemic.

The current COVID-19 environment is far from business as usual and the NSW Government recognises there are concerns across the supply chain including bottlenecks, cash flow, port procedures and shipping arrivals. We also recognise that the efficient operation of each element of the supply chain is critical to keeping freight and other essential services running, ensuring goods and services are able to get to where they are needed.

I am aware that with the emergence of the COVID-19 pandemic, supply chain stakeholders have reported that they are now experiencing additional cash flow pressures and that increases to the access charges are exacerbating those financial pressures.

I am also aware that the landside transport and import/export industries have raised concerns that further increases in port charges have the potential to undermine the ongoing viability of some operators during the COVID-19 pandemic.

Given the unprecedented situation posed by the coronavirus and the crucial role of all parties involved in the supply chain and in moving freight during this pandemic, it is the NSW Government's strong view that now is not the time to increase charges. I have therefore called for restraint from the Port Botany stevedores in not increasing infrastructure access surcharge charges for at least the duration of the COVID-19 response.

In recognition that cash flow is a pain point raised by the road freight industry, I have requested that Port Botany stevedores engage with Transport for NSW (TfNSW) and the road transport sector to find a solution to payment terms.

I have advised the stevedores that it would be beneficial to work with road transport operators to arrange relaxation of payment terms to assist operators with cash flow issues during this time. I have also noted that such arrangements may help to ensure operators are available in the interests of a competitive supply chain when trade rates return to more normal volumes.

GPO Box 5341, Sydney NSW 2001

ATTACHMENT M - continued

TfNSW will be in contact with your organisation to facilitate these discussions to improve terms of payment arrangements and they will shortly be in touch to arrange meetings.

If you have any questions or would like to discuss this matter further please contact Susie Mackay, Executive Director Freight, TfNSW on 0477 300 573 or at susie.mackay@transport.nsw.gov.au.

Yours sincerely

The Hon Andrew Constance MP
Minister for Transport and Roads
Leader of the House

16/04/2020