



11 FEBRUARY 2022

AUSTRALIA'S MARITIME LOGISTICS SYSTEM

Submission to the Productivity Commission on behalf of Freight & Trade Alliance (FTA)
and the Australian Peak Shippers Association (APSA)

"KEEPING AUSTRALIA'S INTERNATIONAL TRADE MOVING"



Australian Peak Shippers
Association Inc. (APSA)

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DISCLAIMER: The data contained within this submission should be read as indicative of the magnitude of the cost rather than an exact figure. While Freight and Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) have used practical efforts to ensure that the estimates are reasonable, FTA / APSA do not warrant the accuracy, currency or completeness of the cost estimates. The cost estimates are based on historical and publicly available data. FTA has not verified the accuracy of the publicly available data.



AUSTRALIA'S MARITIME LOGISTICS SYSTEM

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) welcome the Productivity Commission's independent review into long term structural issues affecting the productivity of Australia's maritime logistics system.

Aligned to this announcement, the Australian Prime Minister delivered a speech before a virtual hearing hosted by the World Economic Forum on 21 January 2022, 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.

FTA / APSA see merit in this approach with global economies under immense pressure from increasing costs, inflationary pressures, as well as reduced consumer supply.

In an Australian context, restricted maritime (and aviation) transport capacity and rapidly increasing costs of international trade is jeopardising the viability of some shippers (exporters and importers) with potential downstream crippling financial impacts on retailers, manufacturers, farmers and regional communities.

To a large degree, deficiencies in the maritime logistics systems are adding to pre-existing geopolitical tensions, negating benefits potentially achieved via initiatives such as Free Trade Agreements and the creation of a Simplified Trade System.

Despite having 'bumper' crops with significant rainfall over recent seasons, case studies completed by APSA in September 2021 identified that elements of the Australian agriculture sector have continued to survive despite high shipping freight rates, primarily due to a northern hemisphere low production season.

Asian buyers have had little choice other than to buy from the Australian market as there are limited offers from other global markets. What is highly concerning is the ongoing viability of the Australian containerised produce sector when the world sees a normalised season. Shippers cannot afford to maintain current inflated supply chain costs to remain competitive in global markets.

While many factors are out of the control of our Federal Government, at minimum, immediate intervention is required to review competition protections given to foreign owned shipping lines and to introduce regulation to prevent unfair cost impositions on shippers.

FTA / APSA are not advocating for the Federal Government to interfere with price setting as we need foreign owned shipping lines to be incentivised to continue to service Australian trade in a free and open market.

We do however see merit in the review examining whether shipping line vessel sharing arrangements should be conducted in line with competition laws faced by others in Australian commerce. FTA / APSA is of the view that the Australian Competition and Consumer Commission (ACCC), or the creation of a federal maritime regulator, is required to oversee proceedings to safeguard the commercial viability of Australian shippers should the Federal Government see a need to give foreign owned shipping lines continued exemptions from the *Competition and Consumer Act*.

Importantly, a critical reform required for Australian shippers is to be protected from unfair pricing regimes imposed by foreign owned shipping line contracted stevedores and empty container parks. It is essential that these entities negotiate rates direct with their commercial client, the shipping lines, rather than imposing hundreds of millions of dollars in fees on transport operators who are held to ransom with no option to pay or are denied access to container collection / dispatch facilities.

To that end, FTA / APSA sees significant merit in the narrower focus of the current Productivity Commission review which will ensure that domestic issues are not compounding the problems caused by supply chain disruptions under surging global demand for goods.

The FTA / APSA submission to the review provides commentary and evidence of long-term domestic trends, focussing on operational cost drivers, including industrial relations, infrastructure constraints and emerging business practices in Australia's ports and related transport networks that are adversely impacting the overall competitiveness of Australian exporters and importers.

Australia has world class manufacturers and producers who are supported by skilled customs brokers and freight forwarders and are ready to take advantage of the opportunities created by trade liberalisation measures and those economies recovering from COVID-19.

FTA / APSA look forward to ongoing engagement with the Productivity Commission and supporting its review.

Please do not hesitate to contact me as below.



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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 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 biosecurity, border related security, compliance and logistics activities. FTA represents 445 businesses 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 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); and

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

- Olga Harriton (Manildra Group) - APSA Chair
- Kurt Wilkinson (Fletcher International Exports) - APSA Vice Chair
- Flaminio Dondina (Casella) - Treasurer
- Paul Zalai - APSA Secretary
- Billy Davies (Australian Meat Industry Council)
- Peter Morgan (Australian Council for Wool Exporters and Processors)
- Brian Wright (Australian International Movers Association)
- Brian Thorpe (Visy)
- Justin Bond (SunRice)

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



1. COMPETITION IN INTERNATIONAL SHIPPING

1.1. Deviation from regular competition law

Other than bulk commodities, the vast majority of import and export goods are transported by containerised freight. Container vessels are getting bigger, the shipping line market is contracting and Alliances are dominating.

The question for Australia's exporters, importers and freight forwarders is whether this translates to better services, more competitive pricing and regular access to markets?

The question for our regulators is how much deviation from standard competition law should foreign owned shipping lines be allowed to facilitate the dominance of alliances?

The European Union (EU) experience has been detrimental to shippers with trade bodies aggressively arguing against the liberal Consortia Block Exemption Regulation largely exempting lines of regular competition laws. As outlined in **ATTACHMENT A**, formal correspondence was sent on 13 April 2021 to the European Commissioners of Transport and Competition on behalf of nine separate trade organisations calling for an immediate investigation into the market conditions and the behaviour of shipping lines and the Alliances during 2020 and in the first quarter 2021: *"Only an enquiry will reveal the reasons of the dramatic decline in reliability and consistency of vessel arrivals at European ports, and hence the availability of imported cargoes to shippers and empty containers to exporters."*

1.2. Collusion or 'follow the leader'?

In an Australian context, it is unclear as to whether ongoing, record high price increases are achieved via some form of collusion or via completely independent commercial decisions, as suggested by foreign owned shipping lines in response to FTA / APSA correspondence.

If not collusion, it is clearly a case of *'follow the leader'* facilitated by a market without genuine competitive tension.

By way of example, congestion surcharges were implemented by several shipping lines in September 2020. Instead of recovering costs from their contacted stevedores for failing to meet appropriate service standards, the following surcharges were implemented in quick succession as a means of recovering costs directly attributed to delays caused by industrial action at Port Botany terminals.

Delays in implementing charges for US import / export cargo was due to US regulation forcing a minimum 30-day notification period (a regulation that would also be appropriate in an Australian environment to allow shippers the ability to adjust commercial arrangements against known landed costs).

MSC	14 Sept 2020 USD 300 per TEU	Implemented for US cargo 8 Oct 2020
Hapag Lloyd	16 Sept 2020 USD 300 per TE	Implemented for US cargo 16 Oct 2020
ANL CMA CGM	17 Sept 2020 USD 285 per TEU	Implemented for US cargo 10 Oct 2020
PAE / PIL	17 Sept 2020 USD 300 per TEU exports	1 Oct 2020 USD 300 per TEU exports
ONE	USD 326 per 20' / USD 650 per 40'	
Maersk	1 Oct 2020 USD 350 per TEU exports	Implemented for US cargo 24 Oct 2020

1.3. Part X

Part X of the *Consumer & Competition Act 2010* has evolved since first introduced in the *Trade Practices Act 1974* providing broad exemptions from Australian competition law for registered shipping lines to coordinate with each other in transporting cargo to, or from, Australia.

Shipping line market consolidation plus the emergence of stevedore and empty container park surcharges has resulted in supply chain costs rapidly increasing, exposing significant deficiencies in the effectiveness of Part X in being able to achieve basic shipper protections.

The Australian Competition and Consumer Commission (ACCC) recognised a need for reform in a discussion paper¹ released on 3 December 2019. In response, FTA / APSA provided a detailed submission² essentially agreeing with the *2015 Harper Review* for a need to repeal Part X and outlining a series of recommendations as listed at **ATTACHMENT B**.

¹ Proposed Class Exemption for Ocean Liner Shipping

² FTA APSA joint response - ACCC Discussion Paper - Proposed Class Exemption for Ocean Liner Shipping

1.4. Retention of Collective Bargaining

A need remains for shippers to have access to collective bargaining.

As outlined in recommendation 7 of the FTA / APSA submission to the ACCC (as referenced in Attachment B), there is a need for an ongoing role for a designated peak shippers' body to provide a review (guarantee check on power) and mandate an effective mechanism for consultation to support benefits currently available under Part X.

The Australian International Movers Association (AIMA) is an FTA / APSA member and is the peak industry body representing international removal companies operating in Australia. APSA understands that AIMA is the only existing shipper representative body utilising the Part X exemption to purchase freight from shipping lines.

This has been an established practice for almost 30 years with the major beneficiary being the general public (AIMA member's clients) moving personal / house-hold effects. AIMA is of the view that removal of the Part X provisions would have a devastating effect on the costs of shipping household goods and personal effects overseas and the productive way AIMA members utilise container equipment under the terms of the contracts in place. APSA understands that the ACCC is in the final stages of developing its first 'class exemption' in relation to collective bargaining by eligible businesses.

1.5. Federal Maritime Regulator

Importantly the FTA / APSA submission to the ACCC endorsed the need for a federal agency to oversee shipping competition reform via the creation of a federal maritime regulator. Alternatively, this role could be administered by the ACCC recognising its track record of strong compliance enforcement, noting the 2019 criminal cartel prosecution against a major shipping line for price fixing in relation to an unregistered agreement, resulting in an order by the Federal Court to pay a fine of \$34.5 million.

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:

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2. SEA FREIGHT CAPACITY

2.1. Unprecedented global demand

The global demand for consumer goods during the pandemic has translated to unprecedented pressure on container bookings, generating unforeseeable operational challenges and placing enormous strain on already vulnerable supply chains.

Shipping lines globally are struggling to meet the demands of their customers to ensure adequate access to containers for the movement of goods. Repositioning of empty containers to where they are needed most in the supply chain will continue to be a demanding challenge for all shipping lines globally given the amount of equipment tied up with vessels waiting outside ports to berth.

Industry wide disruption due to continuous high volumes, low port productivity, capacity constraints and other restrictions is continuing to result in significant congestion around the world and will continue to stress global supply chains. The ongoing and unchanged congestion and delays in European and USA ports are leading to persistent and extreme delays of ocean vessels. Port congestion will impact not only vessel scheduling but also supply chain demand forecasting. As a result of these factors, the rise of shipping line port congestion and other landside stevedoring charges is likely to continue for the foreseeable future.

2.2. Perfect storm of global trade and domestic operational disruptions

In parallel to dealing with increased trade volumes and global disruptions to regular global shipping services, Australian stevedores have been subject to Protected Industrial Action causing terminal operational delays. Flow-on effects have seen shipping lines omitting major Australian ports, increasing costs with the administration of substantial congestion surcharges, delays in container re-use, gridlock at empty container parks and examples of less empty refrigerated container positioning into Australia.

In what has been a '*perfect storm*', shipping lines have been challenged by the dilemma in how to manage an increase in demand within stevedore offered contracted exchanges (quantum of containers that can be loaded and discharged within allocated berthing windows) creating a new paradigm in priorities and allocation of services.

Australian exporters have in previous years experienced favourable conditions with their cargo being very attractive to shipping lines as they have sought their own version of balance between export laden and export empty for back haul freight contributions. As a result, export rates (depending on the commodity/volume) have always been considered extremely favourable compared to inbound. As a result, over many years commodities such as grain, minerals, timber etc, that had previously only been considered commercially viable to move on bulk vessels, have been cost effectively moved as containerised freight.

2.3. Operational impacts and the requirement for guaranteed minimum service levels

FTA / APSA note the *Ocean Shipping Reform Act of 2021 (OSRA21)* recently introduced to US Congress. The House version of the bill passed in December 2021 and was born out of the congestion at the ports brought on by a variety of supply chain issues. The OSRA21 gives greater oversight and enforcement power to the Federal Maritime Commission (FMC), including penalties for shipping lines that send empty containers back to Asia. The advice from industry peers in the US is that the practice has left many US exporters waiting for containers as they are passed up in favor of speedier loading times of imports back in Asia.

The OSRA21 requires greater transparency, with shipping lines expected to report quarterly to the FMC import and export tonnage, along with the total number of loaded and empty 20-foot equivalent units (TEUs) on ships anchored at port in the US.

Evidence from APSA members suggests that the current operating environment is not too dissimilar in Australia, with shipping lines increasingly reluctant to carry export laden cargo that is:

- low margin and therefore lacking sufficient profit or yield;
- requires investment in equipment maintenance and use (upgrade to food quality);
- requires excessive container detention free time (slowing the ability to re-use the container on highly profitable legs); and / or
- is moving to '*non desirable*' ports of destination (e.g the sub-continent where equipment is in less demand for re-use vs China where equipment shortages are frequent).

In terms of Food Quality (FQ) containers, instances have come to notice whereby exporters have rejected the condition of containers for failing to meet prescribed conditions. In a 'take it or leave it' environment, some shipping line contracted empty container parks have now ceased the supply of containers to highly reputable exporters without any level of consultation or notice.

There appears to be no legal recourse to address this matter of empty container parks preventing this supply. Examples have been provided whereby the contracted shipping lines have refused to intervene to facilitate a reasonable outcome. Exporters at the best of times can face difficulty sourcing FQ containers, let alone facing a ban placed due to their Authorised Officer meeting their regulatory requirements in assessing the condition of the container for export. Evidence is available to demonstrate the operational, financial and reputational impacts of this scenario. Industry is engaging with the Department of Agriculture, Water and the Environment to facilitate agreed standards and outcomes.

In terms of capacity in meeting export sailings, experience suggests that even firm commercial arrangements are often not truly safe with numerous examples provided of 'rolled' (deferred) and cancelled bookings, generally as a result of the above causes.

This change in supply and dynamic has again displayed a 'take it or leave it' approach with freight rate increases plus surcharges as shipping lines juggle long term export customer/prospect strategies versus 'just get the empties back to China'. We have heard a consistent theme from members with local shipping line offices often having little say in priorities and forced to execute directives from their overseas head offices.

Australian exporters, importers and freight forwarders fear that increased consolidation may mean fewer shipping line choices and less competition, making it more burdensome for Australian shippers to negotiate rates and service levels.

While FTA / APSA see merit in the ACCC review of shipping competition, our vulnerable supply chains require retention of key elements of Part X of the Competition and Consumer Act 2010 protections, in particular minimum service levels and minimum notification periods. It is imperative that Part X is not repealed without first achieving equivalent and strengthened protections for Australian exporters in respect to international sea freight services. To repeal the only protections that exist for Australian exporters, importers and freight forwarders without first having equivalent protections in place, would be pose serious risks to our national interests.

2.4. Jeopardising access to overseas markets and offshoring supply chain activities

The continued lack of sea freight container capacity for Australian exporters has commonly led shipping lines to restrict the number of bookings. This has created a situation where Australian exporters are waiting many weeks, and in some cases months, to obtain an export booking. Given the restricted availability of capacity for exporters this has the potential to lead to substantially higher average spot and contract rates. Exporters could see substantial annual contract increases on major trade lanes, tending to very one-sided negotiations and 'take it or leave it' offers being made by foreign owned shipping lines.

A lack of sea freight capacity places Australian exporters at an increasing risk of failing to meet existing contractual delivery obligations. Where margins are tight due to global market competition, exporters also face the realistic outcome of customers looking at alternate foreign markets to fulfill their requirements.

Of significant concern is the current market dynamics that are forcing Australian exporters to consider moving elements of their supply chain operations to foreign countries to remain competitive within the global market (e.g. potential to move commodities via bulk transportation with further production / manufacturing offshore). This outcome would threaten many onshore supply chain activities and adversely affect the Australian economy through the loss of jobs within specialised business operations.

2.5. A move towards a 'Just-in-Case' logistics model

Up until recent events, contemporary supply chains have evolved towards leaner, more agile '*just-in-time*' systems. A '*just-in-time*' supply chain is one that minimises costs by procuring and delivering everything at the last possible opportunity, minimising the costs of warehousing and storage. By definition, such forms of business operation have very little flexibility to respond to delays or other operational interruptions. In consequence, industrial action and the lack of reliable shipping services has led many importers to re-consider business models with an increase in onshore warehousing and distribution.



In what is now being referred to as a 'just-in-case' environment, FTA / APSA have received feedback from importers that they are holding upwards of four times the normal inventory to provide reliable supply of goods.

2.6. Exclusive dealings

During 2021, there has been significant international trade media citing the threat of Maersk / Hamburg Süd restricting (potentially ceasing) capacity availability to freight forwarders.

While we have learnt not to believe everything we read, FTA / APSA received alarming correspondence from several members in late 2021 suggesting this maybe more than a headline grabber and that the Maersk Group executive in Copenhagen had directed their Hamburg Süd brand to cease contractual dealings with freight forwarders globally from 1 January 2022.

The concerns clearly spread across the Tasman with the NZ Herald article *NZ freight forwarders dismayed by new Maersk shipping restriction* quoting the Customs Brokers and Freight Forwarders Federation of New Zealand president's understanding that Maersk is only going to offer contracts to the top 200 clients worldwide - essentially those beneficial cargo owners (importers and exporters) sending more than 100 containers a week. *"If you don't fall into that category then you won't get a contract and you'll have to go on what they call the spot market, which is spot prices. You can't run a logistics business that way when clients want predictable pricing."*

In an attempt to clear any confusion and mis-representation, FTA spoke to the Managing Director of Hamburg Süd Australia on Friday 3 December 2021 and again on Monday 6 December 2021 sharing member concerns in terms of the above. The following response was provided:

Firstly I will clarify that globally, freight forwarders have been, are and continue to be one of the biggest customer groups the Maersk Groups have on our ships.

As we move into 2022, Hamburg Sud's brand focus will be to leverage our personalised service with our Group's superior Ocean network and logistics services to enable improved value creation to our direct customer base. As the space in the market remains limited, our key focus remain on deliver on our long-term contract commitments. Whilst this shift may involve Hamburg Sud reducing our focus on the freight forwarding sector, the Maersk brand continues to offer a market leading Digital Product that is accessible for all customers including freight forwarders, Maersk Spot.

As a result of the current market situation and global supply chain disruption some customers are negatively impacted by the shortage of space, and we are doing our utmost to find good solutions. The Hamburg Sud and Maersk teams are currently working closely with all customers individually to ensure clear communication of the products that we will be offering, tailored to the needs of each segment, while also ensuring we set us up to deliver on our contracting promise in the current challenging market situation.

Whilst importers and exporters have been beneficiaries of low freight rates for many years, the pendulum has clearly swung a long way in favour of foreign owned shipping lines over the last two years who have charged record high freight rates and have been rewarded with multi-billion dollar profits.

There is clearly an insufficient supply of vessels and equipment (containers), largely due to congestion at many major international ports, and demand is particularly high globally, including in Australia with a surge in imports and a bumper crop of agricultural products ready for export.

In normal market conditions across commerce, new entrants would jump at this opportunity to receive a slice of the incumbents' exorbitant profits. In theory, new entrants to international shipping and extra capacity would moderate prices.

Unfortunately, the barriers to entry are exceptionally high with limited availability of charter vessels and a backlog of new vessel constructions. In this environment, it would seem to be in the interests of the shipping lines, largely working as a part of three major alliances, to manage any increase in supply in order to retain high profits.

It therefore comes as no surprise that Hamburg Süd is restricting who moves cargo on their vessels. By squeezing out freight forwarders and leaving them to fight over spot bookings, shipping lines can feed their rapidly emerging vertical integration services (such as domestic landside transport trucking, customs / biosecurity cargo clearance, warehousing etc). Furthermore, and as a part of this strategy, it is apparent that some major shipping lines are re-investing their newfound wealth via their acquisition of major freight forwarding entities to build up their capabilities.

FTA/APSA made contact with the ACCC who await further detail before assessing if there are any potential breaches of competition law, potential abuse of market power and to determine the consequences of such a significant market shift for Australia freight forwarders, importers and exporters.

FTA/ APSA also note a commentary³ from the FIATA director general Dr Stéphane Graber in terms of freight forwarders being in a weakened position given the dominance being dictated by the three carrier alliances.

“These changed arrangements, which have been accelerated and facilitated by the pandemic, have resulted in significant unanticipated profits by these ‘few’ and their ability to determine the viability of others offering freight services in a now highly disrupted and volatile marketplace. Their integration allows them to make price differentiations, which impacts free market competition. It is highly regrettable that these profits are not better used to invest in decarbonisation and a more sustainable maritime industry. The protection afforded to shipping lines under a variety of economies’ antitrust/anticompetitive legislation is, in reality, a relic of the past and must now be questioned in all jurisdictions as to shipping line marketplace domination, competitive neutrality and price setting,”

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).

³ <https://theloadstar.com/2021-carrier-bonanza-could-presage-a-crash-of-the-ocean-titans-in-2022/>



3. INFRASTRUCTURE

3.1. Lack of capacity – vessel space and equipment

Foreign owned shipping lines are profit driven and are understandably aiming for the best return on their assets. The use of an export grain container by one company for sometimes weeks (or months, considering the movements from the time of empty collection to the time of empty return at the point of destination), does not lend itself as an effective return on investment.

Members have advised that shipping lines are making decisions to reposition empty containers back to China for use on more 'rate attractive' trade lanes (China/ USA for example at approx. US\$15,000+ per container) placing extra pressure on equipment capacity. Export shipping rates are at records highs and space extremely difficult to secure. To put this in perspective, several grain exporters involved in an APSA case study during 2021 collectively have been impacted by an estimated additional cost of \$US37.5 million resulting in diminished financial returns to farmers and regional communities who are still recovering from years of drought, fire and the pandemic, only to face another economic crisis.

In terms of cost impacts, APSA case studies on affected NSW grain consignments have been \$20-\$100/mt (pending specific destinations, the further away from China the higher the ocean freight).

3.2. Landside Logistics

Grain exports commonly travel to the port in containers via rail. The above referenced items only add to the inability to secure a train booking with any certainty that the vessel booked will match with the train arrival at the port. Failure to do so incurs excessive double handling costs.

Trains often operate on a take or pay method, meaning exporters either use the slot or pay for it anyway even if the slot remains empty. The decision for exporters then becomes whether to double handle the container at the port and pay for storage for the week or pay for the empty train slot and rail it again the following week.

Between three exporters interviewed by APSA, data revealed in excess of A\$2 million in double handling and staging costs was paid over a three month period (Impact on affected grain consignments \$12-\$15/mt noting double handling the container and paying for storage is a lesser cost than sending an empty train slot).

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.

4. TERMINAL ACCESS CHARGES

4.1. Deviation away from charging commercial clients

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 these costs or pass them on to their commercial clients. Similarly, stevedores and empty container parks 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 those costs onto 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 or empty container park. They must deliver or collect goods from the entity contracted by the relevant foreign owned shipping line. This means that transport operators are forced to pay an Infrastructure Surcharge to collect and deliver containers – this aligns to an appropriate renaming of the surcharge by some stevedores as a ‘Terminal Access Charge’. Stevedores and empty container parks know that transport operators are trapped into using their services and have consistently increased infrastructure / terminal access charges without negotiation and with little justification.

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.

4.2. Duplication of fees

In a stevedore container monitoring report³, the Australian Competition and Consumer Commission (ACCC) highlighted that stevedore ‘landside and other’ revenue is significantly increasing; however, this quantum is largely being offset by a correlating reduction in ‘quayside’ revenue.

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 system fees administered by shipping line contracted parties.

The bottom line is that vulnerable Australian supply chain participants are currently paying an additional \$500M+ per year direct to stevedores and empty container parks.

4.3. The evolution of TACs

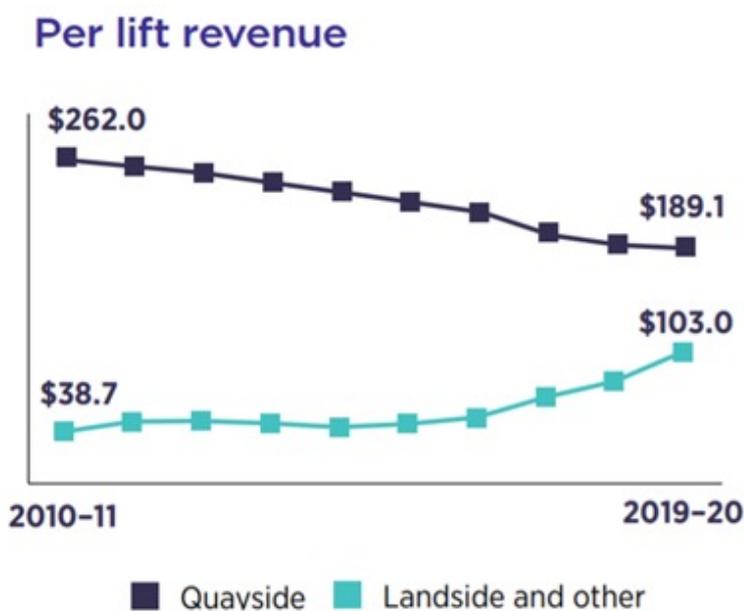
The spreadsheet in **ATTACHMENT C** shows the evolution and timeline for increases of TACs.

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.

4.4. The rapid escalation in TACs

TACs nationally have significantly increased since implementation. The ACCC reported in 2017-2018⁵, stevedore revenue from infrastructure charges as being \$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.

TACS continue to significantly increase year on year. Revenue from this stream for stevedores has increased some 27% (2021 v 2020).

	2019	2020	2021
Total number of Import Containers	2,335,654	2,369,258	2,496,872
Total number of Export Containers	1,336,087	1,256,200	1,412,802,
Infrastructure costs on imports	\$139,717,288	\$219,256,343	\$284,119,031
Infrastructure costs on exports	\$75,344,228	\$92,555,986	\$112,963,070
Total Infrastructure costs on imports / exports	\$215,061,517	\$311,812,329	\$397,082,101

DISCLAIMER: The data contained within the above table should be read as indicative of the magnitude of the cost rather than an exact figure. While FTA / APSA have used practical efforts to ensure that the estimates are reasonable, FTA / APSA do not warrant the accuracy, currency or completeness of the cost estimates. The cost estimates are based on historical and publicly available data. FTA has not verified the accuracy of the publicly available data.

NOTE: the above referenced TACs are commonly marked-up by transport and logistics operators to cover administration and cash flow costs. This in effect means that costs paid by exporters and importers currently conservatively exceed \$400m per annum.

⁵ ACCC Container stevedoring report 2017-18

4.5. Operational Impacts on Shippers

The imposition of TACs 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 an FTA / APSA 2019 Senate Committee submission⁶, 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 collated during 2019 and included in an FTA / APSA submission to the Victorian government highlighting the impacts of these charges 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.”

⁶ FTA / APSA SUBMISSION : Inquiry into the Policy, Regulatory, Taxation, Administrative and Funding Priorities for Australian Shipping

⁷ FTA / APSA SUBMISSION : Independent Review of the Victorian Ports System



4.6. Trial of voluntary performance models

As outlined in the Deputy Prime Minister's response to our May 2020 formal submission⁸ and by the ACCC⁹ in November 2020, it is noted that the onus is on state governments to act.

Following this advice, FTA / APSA again wrote to relevant state ministers during 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 Friday 20 November, 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.

Recent events are fuelling our scepticism as to whether a 'voluntary' arrangement will adequately protect the interest of the international trade sector, adding resolve to our advocacy that regulation is required to wind back and eradicate TACs, leaving market forces to determine price and service between commercially contracted entities.

During the last twelve (12) months, FTA/APSA have written to each container stevedore operating at the Port of Melbourne in line with the Voluntary Port Performance Model (VPPM).

On each occasion when DP World, Victorian International Container Terminal (VICT) and Patrick have announced TAC increases, prescriptive detail has been sought as to whether increases are a measure to offset a further a reduction in quayside rates to the stevedore's 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 with 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.

FTA / APSA again wrote to The Hon Melissa Horne (Victorian Minister for Ports and Freight) on 1 February 2022 expressing serious concerns that the VPPM or any similar voluntary monitoring process will mean that stevedores will continue to receive revenue from the transport sector with the minor inconvenience in the form of another level of bureaucracy before implementing each increase.

FTA/ APSA also specifically referenced formal correspondence received from the Minister on 23 April 2020, at a time when the VPPM concept was in its infancy, stating:

"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."

Continuation of such voluntary performance arrangements poses the significant risk of giving tacit approval to this unwarranted cost recovery method on third parties. Furthermore, this matter is not confined to stevedores. Empty container parks, also contracted by shipping lines, and now LCL Depots are also continuing to significantly increase their charges on transport operators.

Aligned to our ongoing discussions, FTA / APSA have tested and proven the futile nature of a voluntary approach. FTA / APSA has again urged the Minister, ideally in partnership with other state ministers, to move towards regulation to force stevedores to cost recover directly against their commercial client (shipping line).

⁸ Status report - Container Stevedore Imposition of Terminal Access Charges

⁹ Container stevedoring monitoring report 2019-20

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.



5. CONTAINER DETENTION

5.1. Incentivisation to return empty containers

Container detention is a charging practice deployed by shipping lines globally to incentivise the return (dehire) of the empty container within contracted periods from the time of import. While shipping lines have every right to be recompensed for extended equipment use, shippers should not be forced to pay for events that are outside of their control.

In an extended period from September 2019 to March 2021 we witnessed a surplus of containers being imported versus those exported causing, at times, severe congestion at empty container parks contracted to shipping lines. In normal operating conditions, shipping lines would be proactive in commissioning 'sweeper vessels' to evacuate surplus empty containers for repositioning back to suppliers, primarily across Asia. Limited opportunities for this action existed in 2020 with tight windows at stevedores utilised by shipping lines to discharge large volumes of imports and to service our export market recovering from drought and bushfires and finally having produce after much needed rain.

5.2. Logistics complexity in de-hiring containers

The congestion at empty container parks forced transport operators to store containers at their own premises and complete multiple lifts to access containers within stacks with no recompense from foreign owned shipping lines. Rather than offering blanket extensions to detention free periods, most shipping lines continued to issue detention penalties with the importer, transport operator, freight forwarder and / or customs broker having to demonstrate evidence of the inability to de-hire to seek a refund with assessment completed by shipping lines on a 'case-by-case' basis. The charging of container detention in these circumstances is a totally unacceptable measure, only increasing the workload for industry to maintain data supporting the need for relief and then shipping line staff having to validate the claims.

During this period, transport operators also reported a growing number of issues in respect to the way shipping lines are managing empty container movements, with a surge of '*re-direction*' notices (where the shipping line instructs a transport operator to return a container to a certain empty container park, then changes the direction to a different empty container park). Again, without any level of compensation provided by shipping lines, the issue reached a crisis point where Australian transport operators applied an industry-wide broad surcharge to recover costs of related inefficiencies (futile truck trips, more truck kms travelled, extra handling costs, etc.)

5.3. Unfair penalty imposition

Detention charges caused by Australian Border Force (ABF) imposed 'border holds', or containers being inspected at the Container Examination Facility (CEF), are a major and recurring issue for importers, freight forwarders and customs brokers. While the ABF has arrangements in place with stevedores to offer free storage arrangements if the cargo report was lodged within statutory timeframes, shipping lines will still apply detention fees for late container de-hire, even though the importer, freight forwarder or customs broker has no control over the container during that time. If container detention and demurrage practices were '*just and reasonable*', the container detention clock would start from the time the container becomes available after CEF processing, not from the time the container is discharged from the vessel.

The US Federal Maritime Commission (FMC) has recently launched a formal investigation into the shipping lines use of '*unfair and unreasonable*' practices imposed on importers and exporters in relation to empty container returns and shipping line container demurrage- detention charges. FTA / APSA had the privilege of interviewing¹⁰ Commissioner Rebecca Dye on 8 April 2021 who has responsibility for leading the FMC investigation.

The Commissioner noted: "*there are good charges and bad charges*"; "*We are no longer going to allow the ocean carriers and the ports to push-off port inefficiencies to shipper, truckers and intermediaries*"; and "*And if a trucker attempts to return an empty container within the time allocated, and is prevented by congestion from returning it, then he doesn't pay.*"

Administering container detention penalties in situations where the shipping line contracted Empty Container Park (ECP) is closed or is at full capacity should not be permitted. To impose these charges and then expect the importer to justify a claim for refund adds unnecessary administration both on the importer and the shipping line.

¹⁰ FTA / APSA podcast with Rebecca Dye (Commissioner US Federal Maritime Commission)

In line with this position, the Commissioner noted during the recent congestion at Los Angeles – Long Beach USA, a major shipping line waived all detention and demurrage charges with the rationale *“they understand it is unreasonable to impose charges in situations of such extreme congestion”*

It is disappointing that during the recent congestion issues at ECPs and the difficulties being faced by the transport sector in response to the Omicron COVID-19 outbreak significantly affecting Australian east coast port logistics operations, that no foreign owned shipping lines have applied a general waiver of this nature and instead imposed a more rigorous regime of applying a case-by-case basis of review for refund of container detention charges imposed.

FTA / APSA see the need for regulation to enforce the following rules:

- shipping lines to start the container detention clock from the time that the import container is physically available to collect from the stevedore (some currently commence the detention clock from when the container is discharged from the import vessel);
- shipping lines to provide a minimum of seven days to de-hire containers to facilitate staged movements of containers (extended periods to be available and negotiated on a commercial basis);
- the detention clock to apply only after border and biosecurity intervention have been completed (in prescribed circumstances when the importer has completed all necessary pre-arrival regulatory requirements);
- the detention clock to stop on week-ends and public holidays when many nominated de-hire locations are unavailable; and
- the detention clock to stop in the event that the nominated dehire location is at capacity and not physically able take receipt of the container.

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.



6. INDUSTRIAL ACTION

6.1. Sustained waterfront industrial action

The Maritime Union of Australia (MUA) [and the Communications and Electrical Plumbing Union (CEPU) at DP World Australia (DPWA)] implemented a range of protected industrial actions at Australian ports, specifically during 2019 [DPWA and Hutchison Port Holdings (HPH)] and 2020 [DPW, HPH and Patrick Stevedoring] with the effect of significantly reducing the stevedores' ability to operate its normal operations as well as the flexibility to increase production in light of increased demand by the supply chain and to assist reduction of bottlenecks and congestion.

Between November 2020 and January 2021, the MUA also initiated protected industrial action against Svitzer and their towage operations which included bans on overtime; use of Svitzer Australia's planned maintenance system; use of Svitzer Australia's online training courses; and bans on the performance of work on selected shipping line vessels.

In 2021 Victorian International Container Terminal (VICT) experienced similar stoppages and work bans from the MUA [and the Communications and Electrical Plumbing Union (CEPU) and Australian Maritime Officers Union (AMOU)], it was only stopped when the matter was raised to the Fair Work Commission and an interim order was set for no industrial actions for a period of two months.

6.2. Protected Industrial Action and operational impacts

Protected Industrial Action has taken many forms across Australian container terminals with the following impacts:

- **Bans on shift extensions:** if a vessel or task is not completed within a shift, there is no ability to extend the shift in order to finish the task – this causes major disruption on the planning of the next shift, where labour and equipment must be redeployed;
- **Ban on overtime:** restricts the ability to resource additional labour at short notice due to unexpected disruptions in production. This results in the inability to deploy additional crane gangs to vessel delays, train delays and the road program that may have fallen behind for numerous reasons. This action causes particular hurdles on the weekend but is also a restriction during weekdays;
- **Various stoppages:** disruptions of one, two, four, eight and twenty four hours. At DPWA in Melbourne there was an example of a 96 hour stoppage. These restrictions apply across all equipment, placing a significant limitation on available crane hours and also affecting vessels and road transport. One and two hour stoppages per shift appear to have been designed to cause maximum damage to the supply chain whilst still providing income to employees participating in the industrial action. At VICT this consisted of one, four and 12 hour stoppages. A 4 and 12 hour stoppage occurred prior to the Fair Work Commission interim order, without the interim order there was plans for a complete stoppage at the terminal for 36 hours having significant impact to the supply chain and shelf life for imports and exports.;
- **Bans on the performance of upgraded positions:** this has the effect of significantly reducing the ability to deploy skilled labour to operating equipment. In some cases, 50% of the workforce cannot be deployed to equipment required to be used to perform a normal shift.
- **New PIA measures:** disruption implemented against nominated vessels and sub- contracted vessels to and from other stevedores. These bans have been approved by the FWC and have the effect of stopping any work on vessels being performed by stevedores. These types of bans appear to be designed to have the same effect as stoppages but attempt to preserve earnings for employees allocated to a shift;
- **Vessel bans:** where nominated vessels have not been worked by stevedores for a nominated period of time;
- **Bans on working subcontracted vessels:** where vessels that are subject to subcontracting arrangements from competing stevedores; and
- **Bans on interacting with parties outside of Australia:** where certain Union members will not communicate with customers or parties that are located outside of Australia.

6.3. Impacts of industrial action on trade

Feedback received from container stevedores is that normal planned production is significantly affected, reducing capacity to increase production which enables recovery for delayed vessels or normal interruptions

in the production cycle. However, the cumulative consequence of disruptions can snowball and exceed the stevedore's ability to catch up. Experience has shown that it can take several months to recover from a major disruption.

This was evident during the period from September 2020 whereby several shipping lines in quick succession administered a 'Port Botany Container Surcharge' ranging from US\$285 to \$350 per TEU. It is conservatively estimated that this surcharge alone cost exporters and importers in excess of A\$330 million.

Adding further context, in July 2021, the MUA took protected industrial action at Patrick in Port Botany resulting in the stevedore closing most rail windows for regional NSW customers forcing freight to be double handled through third party Sydney metropolitan intermodal terminals, with the containers subsequently being delivered to the port by road.

This type of congestion and uncertainty caused shipping lines to reevaluate Sydney and how they price and offer available equipment and space. Some shipping lines during this period omitted Sydney with multiple vessels a month because of ongoing congestion. Between four exporters interviewed as a part of APSA case studies, a reported A\$495,000 was paid in double handling and staging costs over a three week period (estimated impact on affected grain consignments was \$12-\$15/mt).

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



7. BIOSECURITY

7.1. Systemic problems

A change of import dynamics (increased import sea containerised volume and e-commerce via airfreight) and 'work from home' pandemic operating conditions during 2020 highlighted inefficiencies in document processing and inspection programs administered by the Department of Agriculture, Water and the Environment. Importers, freight forwarders and customs brokers have suffered significant delays adding considerable costs aligned to contractual failures in meeting supply commitments and foreign shipping line administered container detention penalties for the late dehire of the empty container.

As outlined in an independent report¹¹ completed by the Inspector-General of Biosecurity (IGB) in February 2021, the biosecurity system is not in a strong position to address the diverse and evolving biosecurity risks and business environment expected to prevail in 2021 and through to 2025. *'This assessment is based on an examination of the systemic problems, including the department's regulatory maturity, its approach to co-regulation, inadequate frontline focus, and the absence of an appropriate funding model.'*

7.2. Reform with the goal of setting global benchmark of biosecurity best practice

The release of the IGB report coincided with a February 2020 meeting between FTA / APSA representatives and the Hon David Littleproud (Minister for Agriculture, Drought and Emergency Management) resulting in the Minister producing a media release¹² acknowledging performance failures, outlining necessary proactive initiatives and making the following affirmative statement *"I have asked my department to work with industry groups on other short-term and medium-term system and process improvements, and on setting a global benchmark in biosecurity best practice through co-design."*

Interim measures developed in consultation with industry and deployed by the department during 2021 have provided a level of relief and must be sustained until longer term underlying causes are addressed, adequate resourcing levels are in place and longer term reforms are implemented.

FTA / APSA note the increasing threat of Khapra Beetle, listed as number two on Australia's National Priority Plant Pests list. Changing trade patterns resulting from the pandemic and an inability to risk assess based on container history due to a lack of data are likely strong contributors to a spike in khapra beetle incursions in recent times.

The IGB is due to issue a report in late February 2022, *Robustness of biosecurity measures to prevent entry of Khapra beetle into Australia*. Incentivisation or mandate of container tracking and tracing must be part of a biosecurity best practice.

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.

¹¹ Adequacy of department's operational model to effectively mitigate biosecurity risks in evolving risk and business environments

¹² Minister Littleproud Media Release: Biosecurity is Top Priority

8. AIR FREIGHT CAPACITY

8.1. Capacity reduction resulting from closure of international borders

Aviation has been one of the hardest hit sectors by the pandemic, devastated by the restrictions affecting passenger movements.

Approximately 80% of Australia's international air cargo volume is usually carried in the belly of passenger aircraft. With dedicated freighter aircraft operating at capacity, airlines are increasingly deploying passenger aircraft for freight purposes and have initiated some new freight only services. This has been complemented by freight forwarders who have also initiated chartered services utilising what would otherwise be idle passenger aircraft.

Air freight costs have understandably substantially increased without the cross-subsidisation and demand of passenger traffic.

8.2. Government financial assistance

While industry has been proactive, continuity of service could not have been sustained without the combination of Federal Government initiatives being the International Freight Assistance Mechanism (IFAM) administered by the Australian Trade and Investment Commission (Austrade), Cash Flow Boost and JobKeeper Payment schemes.

The combined efforts of commerce and government has facilitated continuation of access to global markets for Australian exporters, importation of time-sensitive goods (including medical, PPE and other essential supplies) and has maintained residual Australian jobs in the aviation sector by keeping aircraft flying.

IFAM in particular has played a critical role in maintaining global air connections and protects hard fought market share, while targeting support where it is needed most and buying Australian businesses time to align their operating models to 'new-look' supply chains.

According to Austrade¹³, IFAM has already reconnected Australia to almost 70 international destinations and helped the movement of high-value perishable Australian products to international customers on more than 11,000 flights. The program has also enabled the import of nationally important goods, aiding Australia's pandemic response.

IFAM complements other government support options, as businesses transition from reliance on emergency assistance and adjust to a recalibrated international trading environment.

8.3. Adapting to the new trade environment

In formal correspondence to The Hon Dan Tehan (Minister for Trade, Tourism and Investment), FTA/APSA commended the Federal Government's announcement on 27 August 2021 to extend IFAM until mid-2022.

FTA/APSA noted at the time of the announcement, with the vaccine rollout well on target and in anticipation of a significant uptake in travel generating additional belly space availability for cargo movements, this seemed to be a logical end date for this important financial relief measure. That was prior to the arrival and rapid global spread of the Omicron variant of COVID-19 that has again generated considerable uncertainty for the airfreight market for the foreseeable future.

A recent example is Cathay Pacific who has announced there will be substantial reductions to their cargo long-haul freighter capacity, including to Australia and New Zealand, in the first quarter of 2022. This is directly attributed to the latest aircrew quarantine measures imposed by the Hong Kong SAR Government due to rising Omicron case numbers. This response is likely to have a significant effect on supply and consequently rates. We are expecting similar decisions and impacts across the broader aviation industry.

Whilst we hope that the Omicron outbreak will soon peak in Australia and other key overseas markets, FTA/APSA urge the Federal Government to make contingency plans with appropriate budgetary considerations to continue IFAM, on a needs basis, post the scheduled termination in mid-2022.

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.

¹³ <https://www.austrade.gov.au/news/news/international-freight-assistance-mechanism>



ATTACHMENT A



global
shippers
forum



Ms Vestager
EU Commissioner for Competition
Ms Adina-Ioana Vălean
EU Commissioner for Transport

European Commission
Rue de la Loi / Wetstraat 200
1049 Brussels
Belgium

By email only

Brussels, 13 April 2021

Dear Commissioner Vestager and Commissioner Vălean,

The undersigned associations call on the European Commission to investigate the behaviour and practices of container carriers over the last year in view of the problems and disruptions in the maritime logistics supply chain.

The associations recall that it is now one year ago the European Commission decided to renew the Consortia Block Exemption Regulation (CBER) with four years allowing carriers to exchange commercially sensitive information between shipping lines operating in consortia in order to permit the sharing of space on vessels and the co-ordination of sailing schedules. During the last year our collective membership, including European importers and exporters, shippers, freight forwarders and logistics service providers, deepsea terminal operators, barge and inland terminal operators/owners and port workers have suffered from worsening levels of capacity availability and service quality, which is currently at all-time low levels.

We appreciate the recognition from container carriers that the current surge of import cargoes has resulted in challenges across the entire supply chain, affecting not only ocean carriers, but also port terminals, combined transport operators and the entire hinterland supply chain. The associations however reject the claims from carriers that the challenges are not caused on the water but occur only because of challenges on the land side to handle the sustained surge.

One of the reasons for the current port terminal congestion and the lack of container capacity is that carriers, contrary to their narrative, have over the last months been extremely selective in allocating capacity, hauling containers back to Asia empty to collect better freight rates for import freight, which has led to dysfunctionalities and prevented European exporters from supplying trades.¹ As a result of this, there are irregularities in the arrival of vessels, which is creating problems, operational issues affecting port workers and delays in the hinterland connectivity and additional costs for shippers, forwarders, barge and inland terminal operators and owners and other service providers, handling containers in European ports or seeking to transport them.

While the withdrawal of shipping capacity may have been justified in the second quarter of 2020, in view of the decreased demand for transport, carriers continued to cancel many calls in the second semester of 2020, which saw an increase in demand for transport.² It would be justifiable in this respect to request an explanation from carriers about the reasons of an all-time low schedule reliability, which has been creating congestion and other issues in many port operations. The associations are of the view that the claim that carriers had no alternatives will need to be seriously investigated. All parties in the maritime and hinterland logistics supply chain suffer from the carriers' failure to provide reliable updates on ship and container status.

The associations note that the lifeblood of European business are small and medium sized companies, who under these difficult circumstances cannot provide volumes, which can be guaranteed by large multinationals. It is therefore with surprise that the associations note that carriers are pointing to the other players in the supply chain to explain the current situation, whereas much of the problems are of their own making.

In this regard, we would also like to highlight that carriers are benefiting of the CBER, which allows them to jointly manage capacity at their leisure and without conditions in time. When the Commission decided that the CBER remains relevant, it did so because of ensuing benefits for customers. We consider that customers have not benefited from the renewal of the CBER in view of the evolution of the freight rates and the simultaneous fall-back in frequency, reliability, and connectivity. Notably, efficiency improvements for the carriers have led to decreasing efficiency for the other parties down the supply chain.

Equally, carriers are benefitting from state aid and a privileged tonnage tax regime, which is quite exceptional since the other parties in the chain are not benefiting from similar benefits. In our view, the application of EU Competition rules to the maritime transport sector is too one-sided, affecting market power significantly and not benefitting consumers.

We appreciate the joint initiative of your services to organise a Maritime Forum to discuss some of these problems, but we call on the EU Commission to act and proceed with a proper investigation about the developments these last months. We believe that the current situation requires more than a "listening mode" attitude from your services.

¹ Note the Drewry two-year [spot freight rate trend](#) for the World Container Index

² Vessel deployments during Q4 2020 added only 4% extra capacity to East-West routes compared to Q4 2019. Growth in trade increased 9.5% over the same period. The 'capacity crunch' was met by greater utilisation of available space and a reduction in the number of port calls. As shown in the [recent report of MDS Transport](#)



ATTACHMENT A - continued

Whereas the pandemic has brought economic difficulties to all parties in the supply chain, we recall that the root-cause of the current problems is not the pandemic. The pandemic was only the trigger to the current problems which can be attributed, inter alia, to a one-sided regulatory regime which encouraged shipping lines to increase their investments in ultra large container vessels. The result for land-based infrastructure is a level of pressure that is difficult to sustain.

The transport and logistics companies we represent have repeatedly called on the European Commission to finally do justice to its task as a guardian of the EU treaties and to take measures that would restore the free movement of goods.

The undersigned associations call on the European Commission to proceed promptly to a factual enquiry about developments on a monthly basis during 2020 and in the first quarter 2021 in order to establish the real causes of the disruption in the maritime logistics and hinterland logistics chain. Only an enquiry will reveal the reasons of the dramatic decline in reliability and consistency of vessel arrivals at European ports, and hence the availability of imported cargoes to shippers and empty containers to exporters.

We look forward to receiving a reply with respect to our legitimate request and thank you for the attention you will give to our joint demand.

Yours sincerely,



Nicolette van der Jagt
Director General
CLECAT



Godfried Smit
Secretary General
European Shippers' Council



Lamia Kerdjoudj-Belkaid
Secretary General
FEPORT



James Hookham
Secretary General
Global Shippers Forum

ATTACHMENT A - continued



Stéphane Graber
Director General
FIATA



Anna Maria Darmanin
Secretary General
European Tugowners Association



Theresia Hacksteiner
Secretary General
European Barge Union EBU



Livia Spera
Acting General Secretary
European Transport Federation



Ralf-Charley Schultze
President International Union for Road-Rail
Combined Transport



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 | 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.



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

ATTACHMENT D - continued

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





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

19th February 2013

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

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,

A handwritten signature in black ink, appearing to read "Mark Hulme", written over a horizontal line.

Mark Hulme
Director and General Manager
DP World Brisbane



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

Part of the  group of companies, Australia's largest national rail freight and ports operator





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



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





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.



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

A handwritten signature in black ink, appearing to read "Paul Goodman-Jones".

.....
Paul Goodman-Jones
Shipping Manager
Wilmar Gavilon Pty Ltd





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



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 INFRASTRUCTURE 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:

DATE	LEVY CHARGED PER TEU		
	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



ATTACHMENT K - continued

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



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

