

INFRASTRUCTURE SURCHARGES = RANSOM PAYMENTS WITH DEVASTATING IMPACTS ON AUSTRALIANS

Revenues generated by the infrastructure charges rose by 63 per cent in 2018-19 on the previous year. These revenues helped to offset an 8.1 per cent decline in average quayside revenue because of competition between stevedores and increasing bargaining power of the shipping lines – source: ACCC Media Release 6 November 2019

COST – The below table displays prices (exclusive of GST)

STEVEDORE	PORT	EXPORT	IMPORT	DATE
Flinders Adelaide Container Terminal	Adelaide	\$28.50	\$28.50	1-Jul-18
Australian Amalgamated Terminals (AAT)	Brisbane	\$38.70	\$38.70	8-Nov-18
DP World Australia	Brisbane	\$89.00	\$89.00	1-Jan-20
Hutchison Ports	Brisbane	\$50.00	\$50.00	19-Aug-19
Patrick	Brisbane	\$82.50	\$110.00	9-Mar-20
DP World Australia	Fremantle	\$45.00	\$45.00	1-Jan-20
Patrick	Fremantle	\$25.00	\$50.00	9-Mar-20
DP World Australia	Melbourne	\$98.00	\$98.00	1-Jan-20
Patrick	Melbourne	\$82.50	\$125.80	9-Mar-20
Victoria International Container Terminal (VICT)	Melbourne	\$121.80	\$121.80	1-Mar-20
DP World Australia	Sydney	\$91.00	\$91.00	1-Jan-20
Hutchison Ports	Sydney	\$63.11	\$63.11	18-Nov-19
Patrick	Sydney	\$82.50	\$114.50	9-Mar-20

RANSOM PAYMENTS - While there is no suggestion of collusion, it is clearly a case of 'follow the leader' with each stevedore conveniently taking it in turn to periodically ratchet up the quantum of the surcharges. Transport operators (road and rail) are at ransom to pay the fee to gain access to the terminals to collect and deliver containers – this aligns to an appropriate renaming of the surcharge by some stevedores as a 'Terminal Access Charge'. Many transport operators have included administration fees to manage cash flow associated with these charges resulting in cascading charges flowing through the supply chain. Ultimately, Australian exporters and importers pay further inflated prices.

DEVASTATING IMPACTS – The cost translates to increased costs to our trade sector, retailers and the general Australian public. The most significant impact is on our exporters, farmers and regional communities.

Roger Fletcher (Fletcher International Exports – FIE) – 8 November 2019 - For FIE's NSW business alone the infrastructure levy equates to a whopping \$1,775,600 paid annually, ultimately creating the equivalent void back within regional farming communities.

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

Mark Lewis (General Manager – Riordan Gran Services – RGS) – 13 December 2019 - 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.

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

COMMERCIAL MODEL – All businesses face a dilemma of how to deal with unavoidable costs such as rent, infrastructure, labour and power. Those same businesses are then forced to either absorb costs or pass them on to their commercial clients. Similarly, stevedores should be forced to either absorb operating costs or pass these on to their commercial client (shipping lines). Shipping lines then have the choice to absorb costs or pass these onto exporters, importers and freight forwarders through negotiated freight rates and / or Terminal Handling Charges.

REGULATORY INTERVENTION – A statutory monitoring process to oversee further price increases is **NOT** the answer. The above listed prices are already excessive. Incremental increases on this base would continue the devastating impacts on Australians. Our regulators need to protect shippers by forcing stevedores to cease this practice. Stevedores should be given appropriate notice to allow negotiations of charges with shipping lines. This outcome would allow market forces to take effect. An open and competitive environment will determine appropriate price for services without the need for further government monitoring or intervention.