

3 December 2020



## INTERNATIONAL TRADE SUPPLY CHAINS ARE IN DISARRAY

While political tensions with China affecting access to market for many Australian exporters is justifiably stealing media headlines, the fact that our international trade supply chains are in disarray seems to fade into the background.

As per our quote in the [Sunday Telegraph](#) last weekend, shipping operations have never been in a worse state with our ports congested, limited services, record high freight rates, unreasonable detention charges, staged empty containers movements, congestion surcharges, ongoing terminal access charges, new stevedore tariffs and to rub salt into the wounds, Biosecurity document assessment, inspections and treatment release timeframes at commercially unacceptable levels.

The following provides an update on recent Freight & Trade Alliance (FTA) and Australian Peak Shipper Association (APSA) member notices and summarises our advocacy responses.

### DELAYS IN BIOSECURITY PROCESSING

Following our [biosecurity update](#) from Friday 27 November 2020, we can report the following:

- The Department of Agriculture, Water and the Environment continues to struggle to manage the increased “surge” in import volumes resulting in unacceptable delays to the processing of entries through the COLS systems, inspections and release of containers post treatment.
- It is apparent that limited departmental resources are being further stretched by the need to re-deploy staff to manage the [Khapra Beetle](#) threat.

**FTA / APSA ACTION** - in response to our advocacy in seeking operational reforms and additional funds for the department to deploy extra resources as an interim relief measure, we have received preliminary advice that a “Round Table Meeting” will soon be called by the departmental Secretary.

### INDUSTRIAL ACTION

Following our [industrial relations update](#) from Thursday 26 November 2020, we can report the following:

- The ‘truce’ between Patrick Terminals and the Maritime Union of Australia (MUA) ended on Tuesday, 1 December 2020. We received a response yesterday from Patrick CEO with no further specific detail other than that they are still in negotiations with the MUA. We remain hopeful that the parties can settle outstanding claims without any more industrial action and establish their Enterprise Agreement.

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- We have also followed up with Svitzer and will keep you up to date on any developments affecting their tug operations at containerised ports.
- We have received feedback from shipping lines that 'move count' productivity by stevedores is improving as compared to that experienced during the period of industrial action. This **MUST** be sustained for the foreseeable future without any further level of Protected Industrial Action. Any further operational disruption at this time would have devastating impacts to the logistics sector and would cause serious economic consequences.

**FTA / APSA ACTION** – we will continue to use media outlets to focus on the need for business continuity and will continue engagement with partnered industry associations aiming at ports to becoming an 'essential service' with modernised industrial relations provisions.

## CONTAINER GRIDLOCK EXPECTED AT PORT BOTANY

Following our [empty container update](#) from Monday 30 November 2020, we can report the following:

- Over the last 15 months we have had a surplus of import over export containers coming into Port Botany. This is not uncommon and in normal operational times, shipping lines will bring in unladen vessels (referred to as 'sweeper vessels') to evacuate many thousands of empty containers to clear local congestion and for the equipment to be used again back in Asia.
- Things became complicated with industrial action during the course of the year at Patrick, DP World and Hutchison meaning the stevedore servicing of vessels slowed down and schedules were delayed. Further complicating matters, infrastructure issues occurred at Port Botany and there were adverse weather events. This prevented container shipping lines to deploy sweeper vessels, due to unavailability of berths, with the situation further compounded by capped equipment exchanges leaving vessels sailing open from Australia, instead of utilising the capacity to evacuate equipment from Australia.
- The extent of the container imbalance is estimated to be 75,000 TEU currently sitting in Empty Container Parks and transport operator yards throughout Sydney. If a sweeper vessel averaged 3500 TEU, it would require over 20 dedicated sweepers to clear the backlog. That would take 5 months to clear if a sweeper vessel was deployed on a weekly basis, without accounting for additional trade imbalance and assuming terminals could handle the additional tonnage and container exchanges.

- Feedback from key industry stakeholders this week stated there are two fundamental problems preventing the evacuation of equipment: 1) capped exchanges at terminals on the East coast limiting ability to evacuate equipment on the standard container shipping services calling Australia and (2) Shipping Australia advised that all container vessels globally are fully utilised due to higher global container shipping demand, restricting the ability for shipping lines to charter sweeper vessels
- The bottom line from transport operators is that without any significant and immediate relief, the glut of empty containers will move Sydney's container logistics from the current state of "congestion" to one of "gridlock". We also understand that empty container volumes are also significantly increasing in Melbourne.

**FTA / APSA ACTION** – we escalated our concerns at yesterday's Freight and Logistics Advisory Council (FLAC) to NSW Ministers and will continue advocacy and awareness campaigns highlighting the serious nature and likelihood of a grid-locked port in coming weeks.

### IMPACTS ON EXPORTERS

- We understand that some vessels between now and Christmas will bring in import containers and will focus on a quick turn-around of moving large numbers of empty containers. While this is an understandable measure to evacuate as many empty containers as possible, it is unclear how well this will serve exporters and what it means in terms of available capacity in the coming months, especially with a bumper grain crop almost ready to reach markets.
- Many vessels are bypassing Sydney and those that are serviced are limited by how many export containers they can load with stevedores imposing move count restrictions on shipping lines.
- While we have an over-supply of empty containers, members continue to report limited availability of serviced Food Quality equipment for use by exporters of agricultural products.

**FTA / APSA ACTION** – on behalf of our members and the wider trading community, we raised these serious concerns to the Trade Minister's office. We will continue advocacy and awareness campaigns highlighting the serious nature and likelihood of a grid-locked port in coming weeks.

## CONTAINER DETENTION CHARGES

- The decreased capacity in the Sydney Empty Container Park market is seeing shipping lines advise that they are unable to provide de-hire locations for their empty containers. Transport operators are forced to fulfill many 're-directions', fill their yards (which are now also congested and reaching capacity) and complete multiple lifts to access containers within stacks. Understandably, transport operators are generally passing on this cost down the supply chain.
- Rubbing salt into the wounds, shipping lines are continuing to charge container detention for 'late' dehire (returns) maintaining a stance of responding on a case by case basis as industry still does have the limited ability to dehire on an intermittent basis.

**FTA / APSA ACTION** – We continue to reiterate that charging container detention in this environment 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. We will continue our advocacy for blanket exemptions to container detention periods, particularly bearing in mind the large number of days that empty container parks are likely to be closed over the Christmas and New Year period.

## INFRASTRUCTURE SURCHARGES

Following our [infrastructure surcharge update](#) from Thursday 26 November 2020, we can report the following:

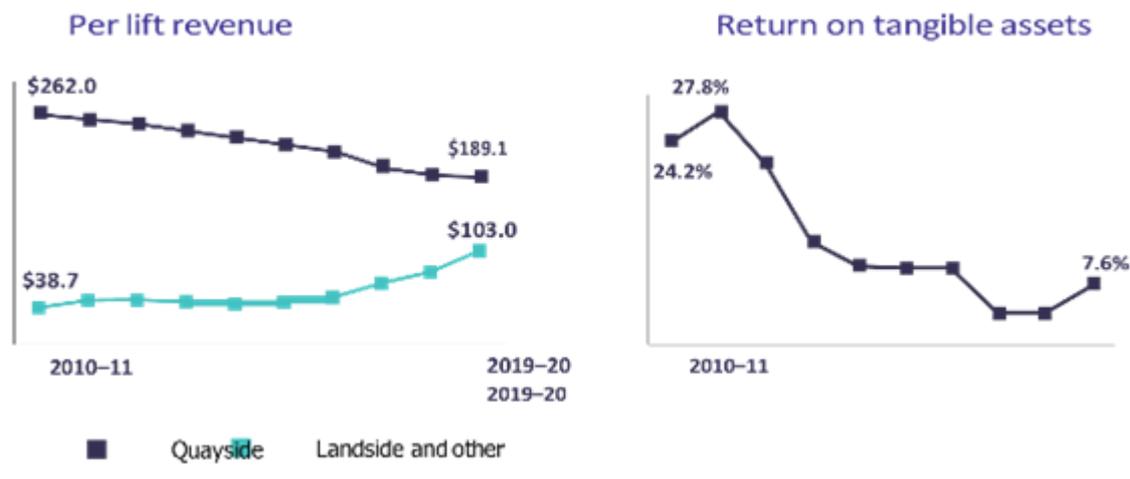
- The referral of the Infrastructure Surcharge to the National Transport Commission (NTC) is unlikely to provide the required relief to Australian exporters and importers with anticipation that state governments will follow a [process](#) similar to that recently instigated in Victoria. While stevedores will have to 'jump through a few more hoop's and will face increased scrutiny in terms of any variation to Infrastructure Surcharges (Terminal Access Charges), it is likely that this process will see industry receive incremental increases on what are already exorbitant fees.
- Of concern, it is likely that the NTC may give tacit approval for this cost recovery regime. Our stance has always, and continues to be, for operational costs to be either absorbed by the stevedore or passed onto their commercial clients the shipping lines (not imposed on third party transport operators who further inflate this cost with administration fees cascading down the supply chain). If this cost was passed on to shipping lines, they would then have the choice of absorbing this cost or passing it onto their commercial client in formal negotiations with importers, exporters and freight forwarders. That's how it should be.

**FTA / APSA ACTION** - While we look forward to engagement with the NTC, we will in parallel continue advocacy with state governments to enforce regulation to re-establish costs being negotiated between commercial / contracted entities.

### TERMINAL HANDLING CHARGES

While the ACCC’s [Container stevedoring monitoring report 2019-20](#) clearly shows that stevedore ‘Quayside’ charges to shipping lines are declining, overall stevedore profits are increasing primarily due to an increases in ‘Landside and other’ charges (such as the Infrastructure Surcharges).

Feedback from members are that these savings are not being passed on by shipping lines with a commensurate reduction in Terminal Handling Charges (THC). In fact, in addition to record high freight rates, we are witnessing some shipping lines increasing their THC.



**FTA / APSA ACTION** - we will (1) collate and maintain data on port charges nationally to support members in direct THC negotiations with shipping lines; (2) examine legal options under Part X of Competition and Consumer Act to call for a negotiation with a registered conference to discuss charges levied by both shipping lines and stevedores; and (3) prepare a follow-up submission to the ACCC discussion paper titled *Proposed Class Exemption for Ocean Liner Shipping* – complementing our original [submission](#) (NOTE: our supplementary submission will examine THCs, congestion surcharges and container detention policies associated with empty container dehire).



## CONGESTION SURCHARGES

Further to our [Media Release](#) from 15 October 2020:

Shipping line imposed congestion surcharges are continuing to have devastating impacts on industry. The lack of transparency on this surcharge appears to be primarily focused on ensuring that shipping lines recover costs at the expense of exporters and importers to extend record profits reported during the pandemic and global economic downturn.

We note the following key finding in the [Container stevedoring monitoring report 2019-20](#) *“For reasons that were not clear at the time of drafting this report, some shipping lines have imposed a ‘congestion charge’ on senders and receivers of up to US\$350 per standard container in Sydney, which they attribute to congestion at Port Botany. The ACCC is watching developments around congestion charges closely, noting that we consider these should be temporary (and only if justified and reasonable) and not become embedded fees borne by importers and exporters.”*

**FTA / APSA ACTION** - We will report our findings to the competition regulator following our renewed engagement with shipping lines on this matter

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