TOMAX NEWS

Issue 55

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MORE PRICE HIKES BY CONTAINER TERMINAL OPERATORS

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GAZETTE TARIFF CONCESSIONS (TC)

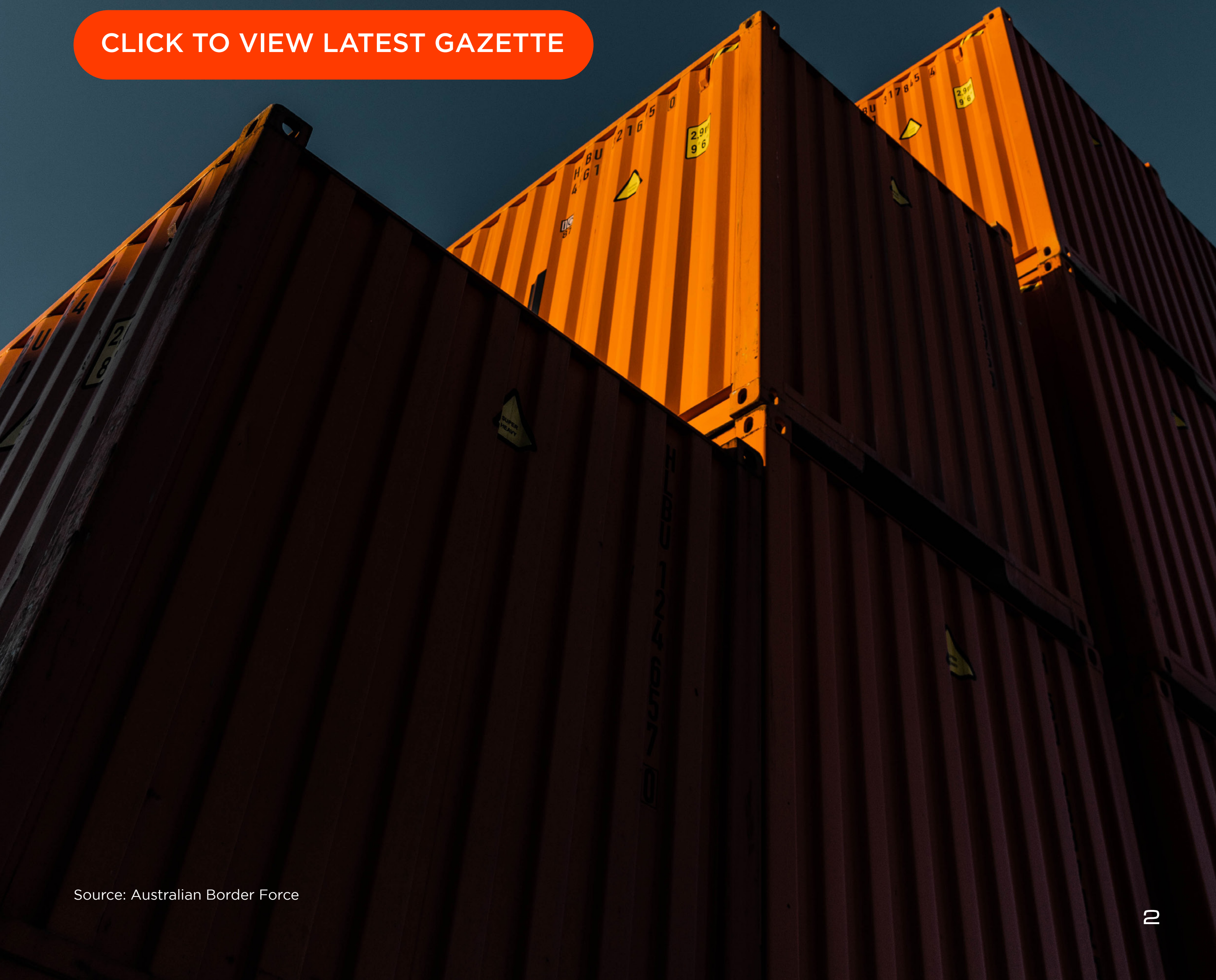
Tariff Concession Orders (TCOs) are an Australian Government revenue concession that exists where there are no known Australian manufacturers of goods that are substitutable for imported goods.

Objectors to the making of a TCO are not identified unless the objection is successful.

At least 50 new TCOs are made each month. When a new TCO is made, it is published in the Gazette by the Australian Border Force.

The weekly Tomax Client Newsletter will contain a link to the latest Gazette document so that you can stay updated.

CLICK TO VIEW LATEST GAZETTE



Source: Australian Border Force

LATEST NEWS

GLOBAL CONTAINER TRADE DISRUPTIONS LEAVE AUSTRALIAN BUSINESSES VULNERABLE

The Australian Competition and Consumer Commission (ACCC) Container Stevedoring Monitoring Report 2020-21, released today 4 November 2021, looks at the impact of the current global logistics crisis on Australia's container trade, as well as the prices, costs, and profits of stevedores at Australia's international container ports.

KEY POINTS

The 81 page report provides extensive detail and a forward looking agenda. The following points are of significant note:

• The report finds that a surge in demand for containerised cargo and extreme congestion across the global supply chain have caused major disruptions and delays. A number of Australian exporters are struggling to meet their contractual obligations, and some large retailers are so concerned that their cargo will not arrive before Christmas that they are buying their own shipping containers and chartering their own vessels.

• The report shows that freight rates on key global trade routes are currently about seven times higher than they were just over a year ago. However, even at these rates, shipping lines cannot guarantee on-time delivery.

• The ACCC considers that the operation of the global supply chain will be restored, and freight rates will fall once the shocks caused by the pandemic stop. However, Australia risks becoming a less attractive destination for shipping lines unless productivity, workplace relations, and supply chain inefficiencies are addressed.

• The report also looks at how systemic industrial relations issues and restrictive work practices have further disrupted the supply chain and exacerbated congestion and delays. Data obtained by the ACCC shows average idle hours, which is the length of time a ship spends in berth, at Port Botany increased from 11.9 hours pre-pandemic to 21.2 hours in 2020-21. Congestion at Port Botany has become so bad that some shipping lines are skipping the port entirely.

• The report identifies a number of other longer-term trends that have transformed Australia's container industry over the past decade. For example, the entry of Hutchison and VICT has changed competitive dynamics between stevedores and, as a result, stevedores are now earning less and investing more. They have also had to rely more on revenue from charges levied on landside transport operators than they have in the past.

• The report recommends that governments, industry and unions address industrial relations and restrictive work practices, limit privatised ports' ability to impose excessive rents and charges, and repeal Part X of the Competition and Consumer Act 2010 to facilitate greater competition between shipping lines on Australian trade routes.

• The report also recommends that public and private infrastructure investments are made to fix 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.

AFR COMMENTARY

Jennifer Wiggins produced an article in today's Australian Financial Review titled ACCC urges legal changes to stop shipping line 'cartel activity'

The article makes detailed references to the ACCC Container Stevedoring Monitoring Report 2020-21 noting the shipping industry has become more concentrated over the past decade, with shipping lines merging, and a risk shipping companies could use Part X of the Competition and Consumer Act 201 to artificially elevate freight rates in the future.

In terms of Part X and its exemptions from Australia's competition law, the article quotes ACCC Chair Rod Sims as saying it potentially allows shipping lines to "get together and engage in cartel activity" and points out that several other countries have already scaled back or removed equivalent legal exemptions.

FTA/APSA ADVOCACY

The ACCC Container Stevedoring Monitoring Report 2020-21 and associated media coverage is an important validation of our advocacy for an independent Federal Government-led review (refer report to our reports on engagement with the Federal Trade Minister and Treasurer).

It is evident that reform in the below key areas is essential in driving Australia's economic recovery.:

WATERFRONT INDUSTRIAL RELATION REFORM

• As outlined in our direct engagement with the Attorney-General and departmental representatives, FTA/APSA are seeking intervention to ensure port operations are treated as an essential service with permanent change to industrial relation law to ensure our trade gateways remain unimpeded.

COMPETITION REFORM

• FTA/APSA does not see a role in the regulation of pricing as we need foreign owned international shipping lines to continue servicing Australia and to avoid the risk of vessel re-deployment to more lucrative markets.

• Equally, FTA/APSA appreciate the need for ongoing vessel sharing arrangements as larger vessels are deployed to provide economies of scale and potential cost efficiencies.

• FTA/APSA do however note the 2015 Australian Competition Policy Review (Harper Inquiry) that found that Part X is outdated and unnecessary – the inquiry suggested the Australian Competition and Consumer Commission (ACCC) introduce a narrower 'class exemption' as a first step to its repeal.

• FTA / APSA see merit in this approach as outlined in a detailed submission in response to the ACCC's December 2019 discussion paper 'Proposed Class exemption for Ocean Liner Shipping' – furthermore, a focus is also required on exclusive dealings to ensure that shipping line end-to-end logistics services do not lessen competition.

In very simple terms, FTA/APSA is of the view shipping lines should compete in line with normal competition law faced by others in Australian commerce. If the government determines a need for special ongoing protections to shipping lines, it is recommended this be overseen by a federal maritime regulator with a mandate to ensure minimum shipping services are provided ensuring essential export access to market.

NOTIFICATION

• As per the US, FTA/APSA recommend shipping lines should be forced to provide a minimum 30 day notice period on any freight or surcharge variation – this provides importers and exporters the opportunity to factor in costs and make commercial viability assessments

• FTA/APSA also see merit in implementing measures similar to the current US Federal Maritime Commission review, to ensure fair and reasonable container detention practices are administered by shipping lines for the dehire (return) and handling of empty containers.

TERMINAL ACCESS CHARGES

• 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 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 costs or pass these onto shippers (exporters, importers and freight forwarders) through negotiated freight rates and associated charges.

• Instead, stevedores and empty container parks are reducing fees to shipping lines and holding transport companies at ransom to pay Terminal Access Charges with no option to pay or are denied access to container collection / dispatch facilities.

• As outlined in the FTA/APSA submission to the Deputy Prime Minister in May 2020, 2019 data revealed in excess of $300 million per annum was paid in stevedore-imposed Terminal Access Charges. Taking into account substantial increases in these charges since this time, and the similar model adopted by empty container parks, shippers are conservatively paying in excess of $500 million per annum.

• FTA/APSA have been privy to the draft National voluntary guidelines for landside stevedore charges, prepared by the National Transport Commission (NTC)

• These guidelines appear to be largely modelled on the Victorian government's Voluntary Port of Melbourne Performance Model (VPPM) – to date, the Victorian experience has shown to be futile, allowing stevedores to continue rapid increases in Terminal Access Charges and in effect, giving tacit approval for this charging regime.

• FTA/APSA see a need for a revised scope of the NTC review to consider some form of regulation to force stevedores and empty container parks to negotiate rates direct with their commercial client (shipping lines) - no further regulation on pricing would be required as shipping lines could recover this cost in commercial dealings with contracted importers, exporters and freight forwarders.

Source: FTA Australia

AUSTRALIAN CONTAINER TERMINAL OPERATORS ANNOUNCE FURTHER PRICE HIKES

In what presents as a never ending cash grab there have been several announcements recently by container terminals advising of additional price increases to apply from 1st January 2022. There is regulation now in place requiring that terminals provide at least 60 days written notice of any changes to pricing. Previously terminal operators were providing only short notice to pricing adjustments, and often with only short intervals in between. Therefore, with only 2 months before the new year there was a sudden rush by terminal operators to get their notices in by end of October.

Below are some of the changes introduced around the country. Please note that as these charges are often paid by third parties, such as transport providers, there are often administration fees added in before the final amount reaches the importer. Unfortunately with most of the charges there is no option for the importer to pay them directly, as transport providers are required to have an account with the terminal and pay these charges without being able to refer them on.

VICTORIA INTERNATIONAL CONTAINER TERMINAL (VICT)

Price Changes from 1 January 2022

VICT are making changes to a large range of fees including storage, late receival fees, maritime security levies, and time slot fees (vehicle booking system charges). Most of the charges are increasing by 8% year on year, making it difficult to understand how it is justifiably more than twice the rate of inflation.

VICT Rate Changes	2021 Level (AUD excl GST)	2022 Level (AUD excl GST)
Storage – 20’ – First 2 Days	$130 per Day	$140 per Day
Storage – 20’ – 3rd Day +	$250 per Day	$270 per Day
Storage – 40’ – First 2 Days	$260 per Day	$280 per Day
Storage – 40’ – 3rd Day +	$500 per Day	$540 per Day
Yard Handling Fee (Storage)	$125 per Container	$135 per Container
Maritime Security Levy	$12.95 per Container	$14 per Container
Time Slot Fees (VBS)	$18.25 per Container	$30.75 per Container

DP WORLD AUSTRALIA (DPW)

Price Changes from 1 January 2022

DP World are making various changes with increases ranging from 8.96% to 33.57% above current levels, once again leaving us wondering how this is justified given CPI is under 4%, and inflation is under 3%. Another item of concern is the disproportionate increase to the booking costs for returning empty containers to the terminal, which shipping lines often dictate with no other choice provided, leaving importers with further increased costs through no fault of their own.

DPW Rate Changes	2021 Level (AUD excl GST)	2022 Level (AUD excl GST)
Melbourne Terminal Charge	$125 per Container (Import)	$144.70 per Container (Import)
Sydney Terminal Charge	$112.10 per Container (Import)	$131.60 per Container (Import)
Brisbane Terminal Charge	$109.50 per Container (Import)	$128.90 per Container (Import)
Storage – 20’ – First 2 Days	$143.41 per Day	$146.90 per Day
Storage – 20’ – 3rd Day +	$285.85 per Day	$292.90 per Day
Storage – 40’ – First 2 Days	$286.82 per Day	$293.80 per Day
Storage – 40’ – 3rd Day +	$571.72 per Day	$585.80 per Day
Yard Handling Fee (Storage)	$138.15 per Container	$141.60 per Container
Maritime Security Levy	$28.45 per Container	$31 per Container
Time Slot Fees (VBS)	$28.45 per Container	$38 per Empty Container

Patrick Terminals are currently in bitter negotiations with the MUA over employee agreements and are being hit by waves of industrial action. No announcements have been received at this time in relation to any further price increases to be applied.

SWIRE SHIPPING'S DARWIN ROUTE AND PEAK SEASON SURCHARGE

ABOUT SWIRE'S NORTH WEST AUSTRALIA DIRECT SERVICE

Swire Shipping's North West Australia direct service (NWD) commenced from June 2021, and offers customers a direct connection between Singapore and North West Australia. The service is made up of two loops: the first loop which serves Singapore, Darwin and Port Hedland and operates with a transit time of 12 days from Singapore to Port Hedland and the second loop which operates from Singapore to Dampier, with a transit time of 9 days.

"The direct connections will enable Swire Shipping's customers in the region to better plan their inventory and manage their supply chains more efficiently. Customers who previously relied on inland transport through the Fremantle gateway now have an additional option to transport cargo to/from North West Australia," the company stated.

The service between Singapore and Port Hedland aims to cut down on the overall carbon footprint from cargo delivery on current modes of transport. To transport cargo from Singapore to Port Hedland, customers previously required to ship their cargo from Singapore to Fremantle before using inland transportation to Port Hedland. With this new service, customers can now ship their cargo directly from Singapore to Port Hedland, which will reduce carbon emissions by up to 35,000 metric tons a year the equivalent of greenhouse gas emissions produced from 7,600 passenger vehicles in a year, the company added.

Swire Shipping is experiencing a prolonged period of heavy demand for their direct services linking Darwin with the world. As such, there is now a Peak seasons surcharge (PSS) from all locations into Darwin.

The Peak Season Surcharge (PSS) which is payable by the freight payer will become applicable for any shipment with a Bill of Lading date of November 16th or later.

From:	To:
All locations	Australia - Darwin

Peak Season Surcharge Quantum	
20' FCL	US $300
40' FCL	US $600
Break-Bulk	US $15/Revenue Ton

Source: Swire Shipping

STAFF SPOTLIGHT

MEET SANCHIT
WAREHOUSE HAND
TOMAX TRANSPORT

What do you do at Tomax?
I am a Warehouse Hand. I help sort and scan products.

What do you enjoy doing in your spare time?
I enjoy going to the gym and watching Netflix series in my spare time. At the moment, I am watching Squid Game.

Best place to visit in Victoria?
Great Ocean Road and The 12 Apostles.

If you could meet any celebrity, who would it be?
Dwayne “The Rock” Johnson.

If you could have an unlimited supply of an object, what would it be?
Cars.

Favourite childhood memory?
Skipping class to play video games with my mates!

Your most used emoji?
Dancing emoji!

SPOT THE DIFFERENCES

There are 5 differences! See if you can spot them!

Answers: Missing Tomax logo on vest, Bob wearing sunglasses, cargo on left is blue, orange cone below stairs, far right stair pole is taller.

TOMAX

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