

19 April 2022

Commissioner Julie Abramson
Commissioner Stephen King
Productivity Commission
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SUPPLEMENTARY FTA/APSA SUBMISSION (REVIEW OF AUSTRALIA'S MARITIME SYSTEM) - TERMINAL ACCESS CHARGES

Dear Commissioners,

Thank you for the opportunity for ongoing direct engagement and your agreed participation at the Australian Peak Shippers Association (APSA) conference (Wagga Wagga on 30 / 31 August 2022) to share with members critical developments of the Productivity Review into Australia's Maritime Logistics System.

As previously discussed and outlined in the joint APSA and Freight & Trade Alliance (FTA) [submission](#) to this review, serious concerns have been raised in terms of Terminal Access Charges (TACs) administered by container stevedores.

The FTA/APSA submission provided extensive background on the origin and evolution of this fee and testimonials from a range of regional agricultural exporters in terms of the economic impacts of this charging regime.

As you will recall, FTA / APSA provided the following key recommendation:

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.

Following the provision of the FTA/APSA submission, the National Transport Commission (NTC) delivered its [National voluntary guidelines for landside stevedore charges](#).

The following commentary is provided in response the release of these guidelines, provides further details of increases in TACs and is submitted as a supplementary submission for consideration as a part of the formal Productivity Commission review.

Hutchison Terminal Access Charges

Hutchison Ports have taken TACs (or what they refer to as an 'Infrastructure Surcharge') to a new national high with their recent [announcement](#) of a \$162.10 fee payable by transport operators for all containers received or delivered via their Brisbane terminal.

As outlined in the FTA/APSA original submission, this approach is the result of stevedores reducing their quayside revenue intake from their commercial client shipping lines and instead recovering costs from transport operators that have no influence on service or price.

Foreign owned shipping lines servicing our container trade are in such a dominant position. Not only are they cashing in on importers and exporters with high freight rates, a spate of surcharges and unfair container detention penalties, they are also putting to squeeze on their contracted stevedores who have resorted to TACs to remain commercially viable.

Government Response

The Australian Competition and Consumer Commission (ACCC) highlighted in their Container stevedoring report 2019-20 (released on 4 November 2020) that aggregated 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 TACs and vehicle booking systems administered by shipping line contracted parties.

The bottom line is that Australian supply chain participants are currently paying an additional \$500M+ per year direct to stevedores and empty container parks with these rapidly increasing costs having devastating impacts on exporters and importers with downstream crippling financial impacts on manufacturers, farmers and regional communities.

FTA/APSA wrote to state ministers in 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 20 November 2020, the 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.

Voluntary arrangements

In parallel to the activity of the NTC, the Victorian Government set about their own program of reform over the last two years to address this and other port related operational matters through the establishment of the Voluntary Port Performance Model (VPPM). As a part of this model, stevedores are restricted to one annual TAC increase with prescribed notice periods giving industry an opportunity to question and challenge any variation.

Testing the voluntary model

On each occasion when DP World, Victorian International Container Terminal and Patrick have announced TAC increases via the Port of Melbourne, prescriptive detail has been sought by FTA/APSA to ascertain whether increases are a measure to offset a further 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 between FTA/APSA and 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.

The VPPM was never going to be the answer and we suggested as much when the idea was first mooted at a ministerial roundtable briefing and have regularly reiterated this with extensive evidence supplied to the Victorian ports minister.

Stevedores were never going to give supply chain participants the transparency requested and why should they? All we really want is for them to absorb operational costs or pass these on to their commercial client through negotiated contractual arrangements.

Victorian flawed model to become a national standard

On 31 March 2022 the NTC announced the national voluntary guidelines for applying landside stevedore infrastructure and access charges at Australia's container ports.

Despite witnessing the failings of the VPPM, the NTC and Australia's transport and infrastructure ministers have embraced the hopelessly flawed model adopted by the Victorian Government setting a new standard for adoption by state governments nationally.

Escalation of such voluntary performance arrangements also poses the significant risk of giving tacit approval to this unwarranted cost recovery method on third parties. This matter is not confined to stevedores. Empty container parks (and now LCL Depots) are also continuing to significantly increase their charges on transport operators who in turn are understandably adding administration fees that are cascading down the supply chain.

On top of this we have severe capacity constraints, record high freight rates, container detention penalties, depot congestion and shipping line surcharges. Meanwhile our government representatives are left scratching their heads unable to answer why supply chain costs continue to spiral out of control fuelling inflationary pressures across our economy.

Need for regulation

Further to the testimonials and extensive evidence previously raised in the FTA/APSA submission to the review, a call is now made to the Productivity Commission to lead the way for regulation to end the scourge of TACs.

In summary, FTA/APSA provides the following recommendation to replace recommendation 4 submitted in the original submission:

REVISION TO RECOMMENDATION 4 (regulation of Terminal Access Charges) – introduction of an appropriate regulatory framework to force stevedores (and empty container parks) to cost recover directly against their commercial client (shipping line) rather than via third party transport operators

Paul Zalai