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SAL:22-004 SAL supplementary submission to PC AMLS

2 November 2022

*Commissioners J Abramson & Dr S King
Inquiry into Australia's Maritime Logistics System
Productivity Commission
Level 8, Two Melbourne Quarter
697 Collins Street
Docklands VIC 3008
By online contact submission form:
<https://www.pc.gov.au/inquiries/current/maritime-logistics/make-submission#lodge>*

Dear Commissioners Abramson & Dr King

Shipping Australia's supplementary submission to the inquiry into Australia's Maritime Logistics System

Shipping Australia is an industry association that represents the participants in Australia's international supply chain.

We provide policy advice and information to over 70 members, which includes ocean shipping lines, shipping agents and marine services providers active in Australia. Our members provide services such as the ocean carriage of freight, ship husbandry, towage, port and terminal operations, pilotage, and legal advice among other things. Our members handle the vast majority of containerised seaborne cargo imports to, and exports from, Australia. They also handle a considerable volume of our car trade and our bulk commodity trade.

We write to provide our submission into the Productivity Commission's inquiry into Australian Maritime Logistics Systems, which begins overleaf.

1. Further to our previously filed submission, and our response to the Productivity Commission's Draft Report, and our response to the same, several further issues have arisen upon which we would like to comment.
- 2. Crane Rates**
3. We note that the biggest element – by far – in ship turnaround times is the time at berth. That at-berth time basically consists of idle time and the time the ship is being worked.
4. There are two key determinants of working time: ships-per-crane and box-moves-per-hour-per-crane.
5. We note and generally take issue with the comments that “*Australian cranes were just as productive as the international average*” (see page 10). We note that while such a statement may be mathematically true (as in adding a number of quantities and then dividing by the total number) it does not take into account the fact that Australian average crane rates and average international crane rates are poor.
6. By way of analogy, competitive marathoners and sprinters do not seek to finish a race with slow times. Whether it is a long or short race, they seek to win, as fast as possible, and to leave their competitors behind.
7. As Australian ports are so vital to the wellbeing of Australians, then Australian ports should seek to do the same. To merely aspire to be the best of a bad bunch is to aspire to mediocrity. Australia, and Australians, deserve better.
8. Best-in-class performers perform far better than Australia. The Port of Haifa, Israel, has set an average box-moves-per-hour-per-crane of 53 boxes. Its top performing crane hit over 74 containers-per-crane-per-hour. Executives from ports in the United Arab Emirates have reported over 60 box-moves-per-hour-per-crane while speaking on the local conference circuit. These rates are far in excess of the 28-30 reported in Australia.
9. For more details see “Australia must improve its container port productivity”, 5 November 2022 by Shipping Australia.
10. We understand that arguments have been presented that, because Australia is said to have a superior workforce environment, then crane rates here are depressed and cannot be compared to overseas ports. We reject this argument.
11. Containers have a standard size and dimension. The container ships, container wharfs, container cranes, and container lifting equipment, are all designed around that size. Containerisation led to standardisation and that's why containerisation was so superior to uncontainerised cargo handling (break bulk handling).
12. Whether or not Australia has a better workforce environment than other countries should be – because of container standardisation – completely irrelevant to the performance of a worker sitting in a crane, moving boxes on a per-hour-per-crane basis.
13. Evidence to support this view can be found in the “2022 ITUC Global Rights Index”. The ITUC is the “International Trade Union Conference”. The document purports to categorise the world's worst countries for workers by putting countries into numbered categories. Australia is category 4 (systematic violations of rights), Israel is in category 2 (repeated violations of rights), and the United Arab Emirates in category 5 (no guarantee of rights) (see pages 13 to 15 of the trade union report).
14. The international trade union movement therefore regards the UAE as having worse workforce rights than Australia and Israel as having better workforce rights.

15. If performance of box-moves-per-hour-per-crane is influenced by the workforce environment, then surely the UAE would have better performance than Australia, and Australia would have higher performance than Israel.
16. However, this is not the case. Both the UAE and Israel have higher performance than Australia. This should lead to the inference that workforce rights in the national environment do not have any impact on the numbers of boxes-moved-per-hour-per-crane. Assertions to the contrary therefore ought to be disregarded.
17. The Productivity Commission should therefore make a finding that, while Australian average crane rates match international averages, these averages are poor. It should further find that there is significant capacity to boost crane rates to match best-in-class performance.

18. Re-directions of trucks to different container parks

19. Shipping Australia understands that a “redirection” is a direction issued from an Empty Container Park to cargo owners, freight forwarders, transport operators and the like to return an empty container to a given location and which over-rides previous instructions to return a container to some, other, given, location.
20. In 2018-2019 there were about 1,380 redirections a year in NSW (see p32 of the “NSW Empty Container Supply Chain Study” a report prepared for Transport for NSW, 5 May 2020, by economics consultancy, Nine Squared). It’s not quite the full data as the report makes clear, but it is a good approximation.
21. By way of comparison, NSW Ports reported in the 2018-2019 period that there were just over 1.32 million TEUs (full and empty) exported. There were about 817,000 or so empty TEU exports.
22. On page 37 of the same Nine Squared report, it is indicated that, in 2017, there were 263.5 thousand TEU moved through empty container parks in quarter one. There were 262.9k in Q2, 293.0k in Q3 and 294.8k in Q4. That’s about 1.14 million TEU.
23. While TEUs are not containers, we would suggest that a rate of roughly about 1,380 or so re-directions out of about 1.32 million TEU, or 1,380 out of 817,000 empty TEU, or 1,380 or so from 1.14m TEUs through empty container parks, does not indicate that there is a major problem with re-directions. We would go further and would suggest that some ability to redirect trucks to different container parks is desirable as it introduces flexibility into the system as a whole.
24. A finding of fact should be made that, while there are parties who are affected by redirections and that those parties vociferously complain about redirections, the number of redirections relative to the total number of empty container exports and movements is insignificant. No recommendation should be made by the Productivity Commission in respect of empty container redirections.

25. Trucking practices are exhausting ECP and stevedore slot availability

26. The “Strategic Review of the Victorian Empty Container Supply Chain Study”, of September 2021, was prepared by Nine Squared for the Victorian Government.
27. That report comments that there are “practices by some road transport operators such as arrival without a valid booking, booking windows immediately before use and exhausting ECP/Stevedore slot availability”.
28. On page 32 of the Victorian study, it was noted that trucks are arriving at unscheduled times and without a valid notification which creates congestion at the gate of the empty container park.
29. It was also noted that, sometimes, trucks book slots while queuing for entry to a park.

30. The exhaustion of slots occurs when transport operators book large numbers of slots with dummy registrations to secure their slots (at the expense of everyone else) then they later cancel those dummy registrations. Park operators noted that the larger operators were hedging their bets by overbooking slots and then cancelling up to two hours in advance to avoid paying financial penalties.
31. The Productivity Commission should recommend that this issue be investigated further and that countermeasures, such as financial penalties should apply on road transport operators that arrive at an ECP without a valid booking, or book windows immediately before use or which exhaust slot availability by using dummy registrations.
32. Shipping Australia observes that these practices may also be leading to the redirections about which land transport operators so vociferously complain.
- 33. Mismatch of operating hours – trucks / empty container parks**
34. In the Victorian study, at page 32, it was noted that there is a mismatch of operating hours between truck operators and empty container parks. Stevedores (and therefore ships) operate 24 hours a day, seven days a week. Empty container parks tend to work Monday to Friday, from 6am or 7am to 5pm.
- 35. Crucially, empty container parks have trialled extended operating hours in the past – however, “slot utilisation during offpeak periods (before 5am and after 5pm has been historically low)”. The report then adds that there is “latent capacity available for direct returns during off-peak periods but take-up of these slots have been low”.**
36. Shipping Australia understands that truck operators do not want to work outside of Monday to Friday, early, at night, and weekends because they would have to pay more money to their staff. They indicate that they have absenteeism issues with the workforce on Monday mornings if the workers have worked the weekend.
37. Shipping Australia therefore suggests that the fact that trucking companies are unable to manage their own workforce and the fact that trucking companies want to make more money for themselves are not adequate reasons to cripple the rest of the supply chain.
38. We further argue that problems of redirections, gate congestion, empty container park congestion, and shippers / truckers being charged container detention fees because of an inability to access container parks may in large part be caused by the reluctance of the trucking industry to work extended hours.
39. On page 32 of the Victorian report, various stakeholders are reported to have expressed a view that transport operators need to move to new operating models (e.g., 24/5 or 24/7) to ensure a better spread of utilisation of existing capacity throughout the day, to minimise congestion at terminals and ECPs and to better service future trade volumes. Shipping Australia agrees with these comments.
- 40. Sweepers were provided; port delays, inefficiency, congestion, utilisation were the problem**
41. During the recent COVID / industrial action-induced crises (from 2020 to 2021), there were many empty containers that built up in the supply chain. Many on the shipper and land transport side called for empty vessels to come to Australia to pick up empty containers (so-called “sweeper” and “loader” vessels). They criticised shipping companies that sweepers were not deployed.
42. However, many sweepers were in fact deployed. See e.g., “NSW ports welcomes the largest container ship (length) at Port Botany” via NSW Ports website. That communication states: “At 346.9 metres long, and 42.9 metres wide, the *Maersk Soroë* is the size of three and a half football fields and is nine metres longer than the previous record holder. The vessel was deployed as an ‘empty sweeper’, with the specific purpose of evacuating Maersk empty

containers from Australia to demand locations in Asia”. This is just one example. There were many more that were unreported.

43. Some sweepers that Shipping Australia are aware of included a vessel on the North East Asia to New Zealand service been diverted to Sydney to evacuate empties; two vessels to omit Melbourne and will only call at Sydney and Brisbane, and will fill up with empties; a vessel normally deployed on the Singapore-Fremantle run taken out of service to run a Singapore-Sydney-Singapore voyage to load empties and that vessel has already been re-directed to pick up empties twice before; a shipping line introduced two vessels as peak season extra loaders – one of about 2,200 TEU and another of about 2,800 TEU to pick up empties; shipping line ran an ad hoc loader which took out 2,114 empty TEU; a shipping line ran an empty loader in November to take out 1,384 empty TEU – but it had to wait SEVEN days for a berth. See: “Ocean shipping companies lead the fight against the empty container build-up!” December 17, 2020, by Shipping Australia.
44. The information cited in the paragraph immediately above was based on primary research conducted by Shipping Australia at the time (i.e., December 2020).
45. Whether or not sweepers will be effective or not depends upon several factors. If ports are working slowly and inefficiently (as Australian container ports do), if ports are congested (as Australian ports were during the COVID crisis), and if ports have low berth utilisation rates (as e.g., Port Botany does – it has about a 65% berth utilisation rate) then sweepers will be unable to call at Australian ports as there are no empty berths to berth the ships.
46. Despite the calls for more sweepers, it should be noted that there were record volumes of containers (TEUs) imported / exported in / out of Australia during recent-years.
47. At Port Botany, 2017-2019, there were 2.61m TEU handled; in 2018-19 there were 2.64m TEU; 2019-20 just under 2.49m TEU (it dropped slightly in the early part of the pandemic as world trade briefly contracted); then, in 2020-21 it rebounded to 2.69m TEU.
48. All these boxes can only be imported / exported if there are ships to carry the containers. The data in paragraph 47 demonstrates that, despite the calls for more sweepers to evacuate containers, the ocean carriers did an excellent job at importing boxes and exporting empties. It also demonstrates that the massive snarl-up on the landside was not caused by ocean shipping carriers, it was a product of the unusual circumstances at the time.
49. The data in paragraph 47, however, does not exonerate our container ports. Despite the fact that record volumes were handled, there were massive ship queues with, in some cases, weeks of delay and massive congestion. If our ports, and, indeed, ports around the world, worked more effectively and efficiently, then these massive delays and congestion – which soaked up about 11% to 12% of global capacity – would likely have been far smaller.

Supplementary submission concludes.

Authorised by:

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