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**Submission:** The Australian Steel Association

**Subject:** Australia's Maritime Logistics System

Background:

The Australian Steel Association (ASA) would like to thank the Productivity Commission for their review and inquiry into this matter.

Over the past two years of the COVID-19 pandemic, the Australian Steel Association (ASA) member group have suffered significant cost imposition's due to difficulties and challenges presented by the global supply chain. Many of the Australian Steel Association(ASA) members have reported a range of issues ,which we will cover in this submission, as well as make recommendations as to the potential countermeasures available. The impacts have been wide ranging, from simply delayed cargo, to cost impacts well exceeding estimated forecast levels, which will have real impacts on the Australian economy and the cost of goods supplied to a range end users including major projects, construction, housing, manufacturing. This in turn may drive inflation in the coming 12 months.

As the productivity commission may be aware the ASA is an independent association that represents the interests of a wide array of companies operating in the steel industry today. ASA members include Australia's Major Steel Importers, Global Steel Mills, Steel intensive manufacturers, Major Steel Distributors, Steel fabricators, roll-formers, transport, shipping companies and trade credit insurance providers.

Since 1980 the ASA has championed the need for an open market and even playing field for all manufacturing users and converters of steel products. It is our view that fair trade and a competitive market are essential for the steel industry to thrive. The aim of the ASA is to seek ways to maximise the value in the steel supply chain within Australian shores and ensure a robust and competitive steel supply chain operates at all times.

The ASA's members include companies that have access only to imports (they are excluded from domestic supply) and companies that are able to access both domestic and international supply.

The supply chain that ASA members represent, brings to the Australian market world-class steel mills who are operating with leading-edge technology and efficiencies, supporting local manufacturing in Australia.

This is of particular importance in the current climate where global steel supplies are in high demand and local steel manufacturing is at capacity, increasing the need for the import supply chain to operate effectively and efficiently.

For the Commission's reference around 1.9->2.0 million metric tons of Steel Product's are imported each year to Australia from a range of our trading partners, such as Japan, Vietnam, Taiwan, China, Europe and The Middle East.



ASA Member companies provide access to a global supply chain of goods that are often no longer produced here in Australia. These goods are used widely in a range of applications, including, mining and energy, construction and infrastructure projects.

The recent Supply Chain Challenges have had a profound impact on the Steel/Metals Industry, which has resulted in delayed shipments, increased costs beyond budgeted, for both commodity items, and most crucially, steel products that are no longer produced in Australia by Local Mills.

This includes (but not limited to: Heavy Steel Plate, Stainless Steel, Aluminium, Tin plate, Coated API Line Pipe, Special Steel Bar) which are all critical in the continued recovery of the Australian Economy post Covid-19.

These products are imported using a range of logistics operations methods including containerised cargo, Ro-Ro and via the use of break bulk vessels, and rely heavily on the productive operations of the Australian port system, rail and truck transport operators, in order to deliver the goods to the final destinations within Australia for use by local Manufacturing customers.

However, for all of the steel products mentioned above, that are imported on break bulk vessels, most if not all are oversized and cannot be easily or economically placed into containers or flat racks. This oversized cargo has placed subsequent pressure on the Break Bulk receiving ports around Australia.

Current key examples include, The Port of Fremantle, The Port of Newcastle, The Port Of Melbourne, The Port of Brisbane, all of which are exhibiting large volumes of product arriving at the port with subsequent block stacking, making the goods hard to access for further distribution via the domestic transport industry - Generally, Semi-trailers or B-double trailers. The cost impact of this congestion is mounting quickly.

Adding to this supply chain chokepoint is a lack of truck and transport operators due to COVID-19 impacts, such as vaccine mandates and infections/isolation periods. This is further adding to the inability to move the goods from the port to the end users, resulting in large costs applied by the Ports operators for demurrage costs to the major import trading businesses.

As Steel Products are large, heavy and subject to damage, Local transport and logistics operations from the Port to Customers are a key issue for our members. Goods need to be moved from Port to Customer using Transport companies, or moved via 3rd party warehouse operations.

This often involves the moving heavy and long loads, often resulting in long delays due to loading of heavy and long goods.

Port congestion has impacted the Steel Supply chain due to the nature of the goods (large and long) further constraining members ability to manage costs.

Delays for Department of Agriculture Water and the Environment inspections are also having impacts, with cargo reportedly held at Port for 1 month plus while waiting inspection and rectification - Again, this appears to be due to the COVID-19 impacts of workforce availability.



Members have faced considerable additional costs and charges outside of their control, along with the additional time constraints over the past 12-18 months at operations across Australia, both Break bulk and Container Port Operations. This has had an impact on our members capabilities to deliver to their clients in a timely manner and has increase costs to not only Importers, Wholesale Distributors, but also to consumers. Restricted access to reliable, quality international supply chain reduces the capabilities and competitiveness of Australian steel users and directly impacts a range of industries downstream who rely on these steel products to not only remain competitive against fully imported items, such as fabricated steel, but also to remain in production in the case of goods used in Maintenance and repairs and Manufacturing.

The Importance of a Robust and Productive, cost-effective Supply chain as Contingency against Local mill breakdowns or closures cannot be understated

### **Summary of recommendations**

- a) Call for a further and detailed review along with the ACCC, with a key focus to Breakbulk port operations and supply chain costs to all Port users across all major Australian Port Operations. Consideration of an Independent authority to be formed to ensure an overarching view of all Port operations.
- b) Support the FTA/APSA recommendation that the Australian Competition and Consumer Commission (ACCC), or the creation of a federal maritime regulator be considered to safeguard the interests of members.
- c) A detailed and co-ordinated Education of all Port users, with regards to the importance of timely discharge and receiving of goods at end user locations within Australia.
- d) Consideration of the ongoing effects of COVID-19 disruptions to workforce and consideration of workforce replacement – short term ADF support.
- e) A review of Port infrastructure and capabilities of Port operations to manage the volume of cargo required to be imported, with regards to a 5–10 year horizon with a key focus on the current lack of space at the terminals to allow for the efficient discharge of goods.

Contd.



Further the ASA also would like to support the following key recommendations made by the FTA as **detailed in their separate submission**, including the following key points in summary.

- i. **A shipping competition review** – with considering of the impact to ASA Members who represent almost 2Million MT of cargo Imports each year and the subsequent impacts to ASA Member business operations.
- ii. **Minimum service levels and notification periods** –Min 30 days' notice periods.
- iii. **Infrastructure Investment** – as per our submission above ,we further support the FTA's recommendation for increased infrastructure investment at ports to improve supply chain efficiencies ,especially for Steel Cargo's that are difficult and hard to move.
- iv. **Regulation of Terminal Access Charges**
- v. **Regulation of Container Detention Practices-** The ASA supports this recommendation and calls for action urgently.
- vi. **Waterfront Industrial Reform** – a review of the productivity of port operations and times of operation for discharge is of key importance to ASA Members.

The Australian Steel Association would like to thank the Commission for their review and offer our support to engage more deeply with ASA key members, Port users and Shipping companies in a bid to ensure and open an equitable supply chain can continue for steel users.

Yours Sincerely

*David Buchanan*

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**CEO Australian Steel Association.**

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