



IFCBAA

INTERNATIONAL FORWARDERS & CUSTOMS
BROKERS ASSOCIATION OF AUSTRALIA
THE SINGLE VOICE FOR CUSTOMS BROKERS AND FORWARDERS



IFCBAA Submission

**Productivity Commission Inquiry into the
Long-term Productivity of Australia's
Maritime Logistics System**

February 2022



Productivity Commission’s Inquiry into The Long-term Productivity of Australia’s Maritime Logistics System

International Forwarders and Customs Brokers Association of Australia Response Submission

CONTENTS

Introduction

International Forwarders and Customs Brokers Association of Australia Ltd	3
Contact Details	3

IFCBAA Response Submission

Background	4
International Shipping Movement of goods to and from Australia	4
Vertical Integration of Shipping Lines	5
Domestic Freight Movement	6
Port Productivity	6
Digitisation and Data	11
Border Clearance Agencies	12
Air Cargo	12
Conclusion	13

Introduction

International Forwarders & Customs Brokers Association of Australia Ltd. (IFCBAA)

IFCBAA is Australia's leading peak national body, representing members' interests in international trade logistics and supply chain management service provision.

We are committed to being the single voice for international freight forwarders and licenced customs brokers, operators of premises licensed by the Australian Border Force for the holding and movement of goods subject to customs controls, and other associated groups involved in international trade.

IFCBAA represents its members and industry in a diverse spectrum of domestic and international trade committees, forums and discussion groups. In representing its members,

IFCBAA also represents the interests of the customers of its members being importers and exporters and those providing goods to importers and exporters.

As will be clear, IFCBAA represents (whether directly or indirectly) all parties in the international and domestic supply chain and has done so for many years.

IFCBAA was established in 2020 through the merger of the Customs Brokers and Forwarders Council of Australia Ltd. (CBFCA) and the Australian Federation of International Forwarders Ltd. (AFIF).

Further details of IFCBAA, its credentials and its involvement in the movement and clearance of goods in and out of Australia are available at www.ifcbaa.com

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Background

The Australian Government has asked the Productivity Commission to undertake an inquiry into structural issues affecting the productivity of Australia's maritime logistics system.

The inquiry will focus on long-term trends, broad economic impact and operational cost drivers, including industrial relations, infrastructure constraints and technology uptake in Australia's ports and related transport networks. The inquiry will assess the overall competitiveness of Australia's ports. As part of this work, the Commission will look at market power and economic regulation.

IFCBAA was invited to participate in a stakeholder meeting with the Productivity Commissioners and requested to provide a submission to the Productivity Commission's inquiry into the long-term productivity of Australia's Maritime Logistics System.

The observations and commentary in the meeting are encapsulated in IFCBAA's formal response.

IFCBAA Response

The current impacts of COVID are distorting global and Australian supply chains. The maritime logistics system is impacted in many ways due to the disrupted interconnection of the many 'moving parts' involved.

IFCBAA provides the following submission, focussing on transport and logistics productivity constraints in moving goods internationally and through the ports, across Australia's border.

International Shipping Movement of goods to and from Australia

There are a number of factors impacting the transport and logistics movement of goods to and from Australia, including capacity constraints and escalating costs.

As an island nation, Australia relies on ships and aeroplanes only, to transport goods into and out of Australia.

International Shipping lines serving the Australian market are 100% foreign-owned.

Shipping lines are obtaining 2-3 times the rates per km from Asia to USA & Europe where the largest vessels move major volumes. Australia will continue to be buffeted by global competitive forces, with smaller vessels and higher freight rates serving the Australian market.

Shipping lines continue to increase rates significantly and have added surcharges to boost revenues.

Delays of up to several weeks are encountered obtaining a container booking confirmation on a vessel ex Asia, Europe and USA, impacting just-in-time supply chain reliability.

Port congestion overseas and locally has led to shipping lines rearranging schedules and omitting port calls, leading to additional delays and costs as containers are moved from the next port back to the omitted port of destination of the goods.

Importers and exporters have moved from a 'just-in-time' to 'just-in-case' inventory management position. Importers are building up greater stocks held in warehouses and increasing stock turnover cycles.

The (ACCC's Container Stevedoring Monitoring Report 2020-21), 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.

It 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.

“International shipping line movements normally run lean and just-in-time, but a surge in demand and COVID-19 outbreaks that have forced numerous port operations to temporarily shut down have caused congestion and delays with a cascading effect across the globe,” ACCC Chair Rod Sims said.

A stevedore told the ACCC that only 10 per cent of vessels arrived in their designated berth windows in 2020-21, which is their lowest rate on record.

“Pre-pandemic, the sector would have likely been able to manage such a surge in containerised demand, but the simultaneous destabilisation of almost every part of the supply chain has left them without any spare capacity and struggling to cope,” Mr Sims said.

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 margins of Australian importers and exporters are being squeezed, as they are all around the world, and the current situation is very challenging for businesses that rely on container freight,” Mr Sims said.

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 - and more new ship-builds enter service in 2023. However, Australia risks becoming a less attractive destination for shipping lines unless productivity, workplace relations, and supply chain inefficiencies are addressed.

<https://www.accc.gov.au/media-release/global-container-trade-disruptions-leave-australian-businesses-vulnerable>

The *Port Botany Landside Improvement Strategy (PBLIS) Mandatory Standards* system, penalises stevedores and transport operators financially for non-compliance with the mandatory standards performance. IFCBAA supports the expansion of the PBLIS model to all container ports in Australia.

Vertical integration by shipping lines moving from linehaul carriers to end-to-end landside operations, impacting freight forwarders and customs brokers access to space and equipment.

Currently Carriers have unprecedented market power and are uniquely positioned to leverage the current demand for access to sea carriage capacity to control pricing of land-based services as well as sea freight rates. Carriers also generally own or lease the containers that are required to access the ocean carriage service.

The concern of IFCBAA and its membership is that the way in which the carrier market is using its substantial market power could result in the freight forwarders and customs brokers being unable to compete as they are unable to influence or control sea freight, priority access pricing, priority equipment access, priority loading on vessels in the same way that a vertically integrated carrier offering freight forwarding services through a related entity is able to do.

If freight forwarders and customs brokers are unable to remain competitive there is likely to be a substantial lessening of competition for the Australian importers and exporters who rely on freight forwarding services but do not have the volumes attractive to shipping line conglomerates.

Effectively freight forwarders and customs brokers may disappear, and the relevant forwarding and logistics services will only be available to Australian shippers and receivers as tied services available through the Carriers’ affiliated entities and a small number of major non-Australian multi-national forwarders. This is likely to lessen the competition and competitive pricing currently available to Australian exporters and importers. (IFCBAA submission to ACCC ‘*Outline of Competition Issues in Connection with Ocean Carriage of Containerised Cargo*’)

Domestic Freight Movement

Lack of coastal shipping to provide international/domestic connections

Australia's domestic freight movement is heavily reliant on trucking. The rail network is an under-utilised resource. Movement of containerised goods via coastal shipping is limited, representing 0.1% of freight by volume - coastal shipping up and down the East coast in times of emergencies should be considered.

The heavy dependence on trucking is a transport and logistics vulnerability, as over 90% of Australia's fuel is imported and any disruptions or shortages will have major impact on the supply chain.

The recent floods impacting South Australia, which have washed away parts of the Trans-Australia Railway line between South and Western Australia, and flooded the Stuart highway between South Australia, has exposed Australia's dependence and vulnerability on these transport links. Communities have been cut off, impacting transportation, food shortages and telecommunications network outages.

As an island nation with over 98 per cent of its trade moving through our sea Ports along the 'Blue Highway', fully utilising and connecting ports will help all Australians.

Australia needs a reliable, regular coastal shipping service to service the needs of Australians both regionally and in the city.

IFCBAA supports Ports Australia's 'blue Highway' Coastal Shipping reforms proposal.

- *Increase the transparency of freight volumes and flows across all transport modes.*
- *Coastal shipping data is routinely reported and is readily available. Volumes transported by other modes are captured infrequently and are less visible.*
- *Increase awareness of the importance of land allocation close to a port for commodity facilities.*
- *Address artificial regulatory and other impediments to coastal shipping.*
- *Support policy and investment decisions that do not distort modal choice*

Ports Australia Coastal Shipping Factsheet

Port Productivity

Port productivity challenges and inefficiencies have plagued Australia's ports historically.

The ACCC's Container Stevedoring Monitoring Report 2020-21, found, a recent study by the World Bank and IHS Markit showed that even before the pandemic disruption, Australian container ports were relatively inefficient and well below international best practice. The study ranked Australia's largest container ports, Melbourne and Sydney, in the bottom 15 per cent and 10 per cent respectively, of the 351 global ports in the study.

Data published by the United Nations Conference on Trade and Development also shows that in 2019, the median in-port time for container ships visiting Australia was three times longer than Japan, twice as long as China, and 50 per cent longer than Singapore or New Zealand.

"We were told that some shipping lines were already withdrawing services from Australia before COVID hit. Australia needs to take decisive action to remain an attractive destination for global shipping lines," Mr Sims said.

IFCBAA believes there are a number of root cause issues creating inefficiencies and reduced port productivity.

Shipping schedule delays and port productivity constraints impacting performance

Australian ports are at the mercy of international shipping lines and international port performance & schedules. Ship delays, port berthing, discharge and loading delays contribute to disrupted container transport scheduling and increased costs

Australian ports performance is not internationally competitive and is easily impacted by union disruption.

Flawed land-based operations at ports and interface with domestic freight movement

An imbalanced modal share between road and rail is creating port congestion and inhibiting growth. Some ports have no rail connections to a network of intermodal terminals. Sydney and Melbourne are developing a network of intermodal terminals linked by rail, but maximising the movement of containers by rail is constricted by sharing the passenger rail network.

Spread movements and deliveries of containers to and from the port, to and from distribution centres (DCs) and warehouses 24/7.

Typically, DCs receive deliveries of containers in the morning and pick, pack and dispatch deliveries in the afternoon – creating congestion at the stevedores, transport operators holding containers overnight for next morning delivery and bunching of the return of empty containers to ECPs. The challenge is changing business culture to 24/7 operations and the ensuing industrial relations issues, penalty rates, increased costs and residential impacts of noise

Planning by State governments to improve port rail interfaces and intermodal terminals has been slow

Container movement by rail from ports into the metropolitan rail networks is limited due to prioritised passenger services. Overnight movement of freight trains is impacted by noise complaints of local residents, local council and state government regulatory red-tape. The result is increased road congestion around ports.

IFCBAA is a participant on an industry collective representing Victorian exporters, rail operators, logistic businesses, councils, and industry associations on the future continuation of the *Victorian Government's Mode Shift Incentive Scheme (MSIS)* beyond the 2021 year.

Victoria accounts for almost a third of Australia's total food and fibre exports with \$26 billion worth of Victorian goods exported each year. Victoria also remains the nation's largest food and fibre exporter by value, accounting for 28 per cent of the national total product 1.

MSIS investment removes the equivalent of 46,000 truck trips off Victorian roads each year by providing support for railway freight operators to make rail transport costs competitive with road freight and allows exporters to move their goods more efficiently through to the supply chain.

IFCBAA is a member of the *NSW Minister for Transport Freight Logistics Advisory Council. (FLAC)*

NSW has been critical to the function of freight productivity and in the movement of goods across borders by road and rail.

IFCBAA notes that the 28 per cent rail productivity target in the *TfNSW Freight and Ports Plan* needs to consider market restrictions and other factors such as time, infrastructure and price.

- Port Botany Rail Duplication construction commencing - 1 train takes 50 B-Doubles off port area roads.

Capacity issues at the ports inhibiting long term growth and productivity

- *The largest container ships that the Port of Melbourne, Port Botany and the Port of Brisbane can accommodate are in the range of 8,000 TEU to 10,000 TEU, fully loaded.*
- *While investment is being made in Australia to accommodate the larger ships, it has generally been lagging behind the rapid increase in the number of larger ships visiting Australia*
- *As a result, it appears that advances in port infrastructure have not aligned with the use of larger ships to optimise productivity. Market participants have said that currently Australian terminals are not suitable for use with larger vessels and this is resulting in operational inefficiencies.*

ACCC's [Container Stevedoring Monitoring Report 2020-21](#)

Example - Port Botany 30 years plan to 2045 <https://www.nswports.com.au/publications>

- Grow Port Capacity – Containers expected to increase from 2.7 million TEU (today) to 8.4 million per annum by 2045. Challenge: port access to larger +15,000 TEU vessels and will 3 stevedores & 12 berths at Port Botany cope?
- Delivery Destination – 80% Import Containers delivered within a 40 kms radius of Port Botany – most to West & South West Sydney
- Road – Currently 2.27 mil TEU (86%) moving by road. Target 5.3 million (60%) moved by road in 2045. Challenge: roads capacity?
- Rail – Currently 430,000 pa (14%) moving by rail. Target 3 million pa (40%) by rail by 2045.

Conversion of port and industrial precincts to residential areas

Urbanisation Challenges: Conversion of port and industrial precincts to residential areas. Local governments incentivised by increased revenues from public transport, rates and taxes. Pressure from local residents re trucks and container movements, road congestion, noise, pollution, night operations at transport, intermodal terminals and warehouses. Politically challenging for State governments and local council - residents vote, port operators don't.

NSW Ports -

Historically, Sydney has witnessed a significant reduction in industrial land area. Today, only 4% of lands in Eastern Sydney and 7% of lands in Greater Sydney are industrial lands. In a future where technology is advancing quickly and freight demand is expected to increase in NSW at a rate faster than population growth, the impact of poor land use decisions now will be felt even more acutely in the future. A whole-of-system policy to improving, and securing for the future, Sydney's freight and logistics productivity is needed.

IFCBAA has concerns over the long-term capacity and sustainability of existing ports in metropolitan areas, as urban residential encroachment expands into port and industrial precincts.

Port Botany is a particular example of the challenge to accommodate the road and rail targets to 2045. IFCBAA supports the development of Port of Newcastle and/or Port Kembla as an alternate container port operation.

The Federal and State governments need to invest in Australia's ports infrastructure, to accommodate the growth in larger capacity container ships of the future, increased ship visits and growth of container volumes.

Empty container storage and utilisation of operational capacity

Key Issues

- Delays in handling empty containers at peak times at ECPs
- Some shipping lines do not provide paperless e-D/O creating late re-directions
- More shipping lines directing empty containers away from ECPs and rail, direct returns to the stevedores, adding to truck congestion around the port
- Unfair container detention practices impacting importers, freight forwarders and customs brokers

An imbalance of empty containers held in Australia has led to shortages in Asia ports, impacting the availability of certain container types for shipments to Australia and exports from Australia.

A build-up of empty containers has overwhelmed empty container parks (ECPs) and port stevedores in the past 18 months. Container volumes at or over-capacity at ECPs, leading to redirections and a build-up of empty containers at importers and transport companies' premises, awaiting to return the empty containers – adding more costs in delays and demurrage fees in returning empty containers to depots and port stevedores.

For July 2021, the utilisation of operational capacity at sites closest to Port Botany was circa. 94%, including direct returns to the 3 stevedores. However, there was available capacity at sites located in Central and Outer Metropolitan areas (circa. 27% utilisation). Overall utilisation across all sites in Sydney was c. 70% for July 2021 (TfNSW)

A key element to improving the flow of empty containers and minimising redirections, is ALL shipping lines providing pre-advice information (electronic delivery order e-D/O) in ECP booking systems. Some shipping lines do not have electronic delivery order e-D/O and use manual documentation.

IR issues at the stevedores

Port operations and the stevedores are undertaking a structural shift with increased automation and autonomous container handling, impacting manpower resources and job security. Industrial relations issues and actions at Australia's ports have a long history and have escalated during the recent round of EBA negotiations.

ACCC's Container Stevedoring Monitoring Report 2020-21.

Industrial relations are hurting Australian container ports. Restrictive work practices and industrial actions have escalated over the past decade. This has contributed to the relatively poor performance of Australian ports and has caused ongoing disruptions to the entire supply chain.

The ACCC has reviewed the most recent Enterprise Agreements (EA) reached between each of the stevedores and the MUA.

- *A number of provisions limit stevedores' ability to recruit qualified personnel, allocate employees across their operations, outsource tasks and upgrade technology.*
- *The EAs of all other monitored stevedores also contain highly restrictive workplace provisions.*
- *Each time a stevedore's EA expires, the MUA and the stevedore engage in protracted EA negotiations, creating delays and congestion at Australian container ports.*
- *Market participants across the supply chain have expressed concerns to the ACCC that these industrial actions are also causing damage to many Australian businesses that are not parties to the industrial dispute. They advised industrial actions have disrupted their operations continuously over the past 3 years with a consequential impact on the entire supply chain.*
- *As has become evident over the past 12 months, Australia is heavily dependent maritime trade. A more productive waterfront, facilitated by more flexible labour arrangements, would benefit Australian businesses and consumers.*

IFCBAA supports the ACCC findings. IFCBAA has advocated for greater sophistication in the negotiation of EBAs between the respective parties, to ensure the EBAs are fit for purpose in a modern industrial landscape and Australia's port productivity is consistently world class.

Stevedores Terminal Access Charges

Stevedores Infrastructure Surcharge/Terminal Access Charge (TAC) Increased 2,600% in 11 years.

IFCBAA has maintained the TAC is unjustified and a mechanism to shift reducing quayside revenue in the competitive shipping lines stevedoring market, to landside via a non-negotiable fee charged to transport companies. Growing bargaining power of shipping lines through increased consolidation is a key issue.

VICT Melbourne Landside Update 30 January 2019

'As market pricing shifts towards split waterside and landside tariffs, the Infrastructure Surcharge will be revised accordingly. The rebalancing allows VICT to remain competitive in the market, whilst continuing to provide shipping lines and shippers with leading service levels and a viable alternative container terminal in Melbourne. Ongoing access to VICT will be conditional on payment of these charges as per our terms and conditions.'

The transport company must sign up to a Carrier Access Agreement on non-negotiable terms to enable access to the terminal, to deliver or retrieve containers.

The arrangement is patently unacceptable to transport companies and freight forwarders/brokers, however the government agencies with whom IFCBAA has engaged extensively to seek redress are unable or unwilling to take action.

- Australian Competition and Consumer Commission (ACCC)
- National Transport Commission (NTC)
- Federal Department of Transport
- State Government Transport departments

The ACCC's view is that it is understandable for stevedores to seek to recover some costs from landside transport operators given these operators benefit from the investment that the stevedores undertake in their facilities.

However, the use of TACs means that stevedores are earning a growing proportion of their revenues from customers that are limited in being able to respond to those charges, in contrast to the more directly competitive market in which stevedores provide services to shipping lines.

In this scenario, there is a risk that the stevedores will continue to increase their charges, and importers and exporters may pay even higher charges to receive or ship their goods.

The ACCC notes that any regulation of such landside charges would be a matter for state and territory governments.

IFCBAA is encouraged by the Federal and State Transport Ministers' decision at the Infrastructure and Transport Ministers meeting in December 2020 to refer this issue to the National Transport Commission as the national land transport reform agency, to lead this work.

The NTC will 'develop voluntary national guidelines for applying stevedore infrastructure and access charges (both their introduction and increase) at Australia's container ports.'

Whilst the guidelines are voluntary, IFCBAA expects that this national framework and approach will provide more transparency in the application of infrastructure surcharges increases.

IFCBAA will continue to advocate with the ACCC, NTC, national and state governments to **regulate** Stevedore Infrastructure and Access Charges, to eliminate these charges and strictly limit the introduction and escalation of landside charges.

Patrick Stevedores Weight Amendment Fee (Pondus)

Patrick has implemented the fee landside under the auspices of ensuring that containers are handled safely at their terminals as follows –

- SOLAS VGM compliance on Export containers received at the terminal, safe handling at the terminal (equipment & employees) and loading on a ship.
- CoR compliance on Import containers – safe handling at the terminal (equipment & employees), loading on the truck and released onto the state roads.

IFCBAA believes the Weight Adjustment Fee (WAF) should not be applied at all.

- The WAF operation is subjective and open to potential manipulation, commercial favouritism and unconscionable conduct
- The WAF is another unnecessary cost in the supply chain, which will inevitably incur further administration costs as it is passed on through the chain.

IFCBAA met with the National Heavy Vehicle Regulator (NHVR) concerning Chain of Responsibility compliance support of the Pondus operation. NHVR confirmed they were contacted by Patrick but there was no formal engagement or sanctioning of the Pondus charge

IFCBAA will continue to protest the introduction of the fee with Federal and State Governments Transport Authorities, NTC and the ACCC.

IFCBAA's submission to the review of *Port Botany Landside Improvement Strategy (PBLIS) Mandatory Standards* and submission to the *Productivity Commission Vulnerable Supply Chains Inquiry Interim Report* highlighted the need for government intervention in the conduct of stevedores.

Container Detention Fees

The current disruption to stevedores' operations at Port Botany and the stockpile of containers in empty container depots has exposed instances of shipping lines intransigence to extending container detention free periods, when containers cannot be accepted by an ECP due to capacity constraints.

IFCBAA refutes any shipping line that seeks to take advantage of a crisis situation not of the importer/exporter/agent's making and are forced to pay additional fees and charges, such as port congestion surcharges, container detention, container holding costs and redirections.

IFCBAA commends FIATA and the FMC for producing a Ruling and a practical guide to members in dealing with shipping lines on unjust container detention and demurrage.

[Best Practice Guide on Demurrage and Detention on Container Shipping toolkit on the US Federal Maritime Commission \(FMC\) Final Rule on Demurrage and Detention](#)

Government

Interactions between the levels of government and the lack of accountability is a major inhibitor to improving the maritime logistics chain. Transformational change is constrained by various levels of governments' regulations, limitations, duplication and a lack of initiative, vision and 'ownership'. Good ideas either fall through the cracks between government agencies or stall through lack of inertia or government 'red tape'.

No government **owns** issues or legislates on container port performance, ECP performance, urban encroachment and lack of port expansion capability, rail access improvements to improve road/rail imbalance; landside fees levied by stevedores, Weight Adjustment Fees and congestion fees. Leaving it to the incumbent operators to self-regulate fees has failed industry and the country.

Digitisation and Data

Key Issues

- Lack of 100% paperless transport movement
- Lack of interoperability of data interchange between all stakeholders in the marine logistics supply chain is a major weakness.
- National Trade Community System needs to be established and a Single Window for all stakeholders transacting in the maritime logistics supply chain

The inability for businesses to easily share information creates significant inefficiencies and adds unnecessary costs to international trade. Businesses within the same supply chain are often either unwilling or unable to share or access information in a timely manner, frequently leading to a lack of trust in supply chain data.

Australia's economic dependence on efficient international supply chains will increase with the growth forecasts of the National Transport Commission indicating domestic freight growth of 26 percent by 2026. This is amplified further when considering that international freight, both sea and air, is expected to expand over the coming decade. Australia's sea freight is forecast to double over the next two decades, with containerised trade numbers to rise up to 19.4 million by 2032-33. Based on annual growth trajectories for air freight, similar growth is forecast over the next 10-20 years.

Where improvement to Australia's trade infrastructure is not addressed, it will continue to hinder collaboration, communication and value-generation across the supply chain. To counter this risk, a solution is needed that enables easy use and adoption, trusted and secure sharing of data and sufficient technological agility to meet the changing needs of supply chain participants. Where there is a failure to address this, freight infrastructure may in turn become a barrier to productivity growth in Australia. (PWC)

IFCBAA supports the development of a National Trade Community System platform, enabling participants and stakeholders in the supply chain to share information securely and quickly, driving both increased collaboration and productivity and end-to-end visibility.

Border Clearance Agencies

Key Issues

- Inefficient government IT systems and processes need to be addressed
- ICS needs to be replaced by a system interlinked to a Single Window facility in a National Trade Community System
- Department of Agriculture, Water & Environment (DAWE) – There is an urgent need for DAWE biosecurity system reform to speed up the biosecurity clearance process at the border and not be a non-tariff barrier to trade
- Cultural change is required to move from regulator to trade facilitator, including increased
- Investment and action required in ICT, human resources, training and development required

IFCBAA, as the representative industry body for service providers engaged in border clearance, has a long history of engagement with government agencies at the Australian border.

The 2 major border agencies are Australian Border Force (ABF) and Department of Agriculture (DAWE)

The primary IT system for Customs and Quarantine clearance - the Integrated Cargo System (ICS) - is a significant point of vulnerability in the transport supply chain.

The ICS was introduced in 2005 with major disruption and delays to the supply chain. There has been no modernisation upgrade to the ICS since its introduction. There are regular instances of points of failure, outages and delays in the ICS on the ABF side and DAWE side.

Further to the ICS issues, there are ABF delays in processing permits - the ABF represents 40 government agencies at the border.

The ICS needs to be replaced with a robust 'Single Window' cloud-based system, where all trade facilitation, interaction with government agencies, permits, Customs and Quarantine clearance can be processed in real time.

DAWE

DAWE is beset with managing major external biosecurity threats of hitch-hiker pests such as Brown Marmorated Stink Bug and the Khapra Beetle, with a significant shortfall in manpower resources. There are considerable delays in processing import declarations and inspections. Inspections and release of shipments can take over 1 week.

IFCBAA has engaged with the Minister for Agriculture, DAWE Secretary and senior management to allow Licenced Customs Brokers to undertake low level functions on behalf of DAWE to reduce delays.

IFCBAA recommends greater use of shipper/consignee and consignment information intelligence for earlier intervention and the introduction of a 'DAWE trusted trader' program, as exists in the ABF Trusted Trader program, to 'shrink the haystack' of shipment processing by allowing more 'green lane' releases for trusted entities (importers, freight forwarders and licenced customs brokers) with a demonstrated secure biosecurity supply chain. Further supported by trusted entities undertaking cargo inspections on behalf of DAWE.

Air Cargo

Since the closure of the Australian borders to overseas visitors in March 2020, there has been a major reduction in the number of passenger flights and associated cargo carrying capacity.

Some capacity has been provided by additional freighter aircraft and carriers converting passenger aircraft to carry cargo only flights.

The Australian Government (Austrade/IFAM) stepped in with a \$800 million program to provide temporary assistance for exports of horticulture, seafood, lamb, beef, pork and dairy sectors to support maintaining overseas markets – extended through until July 2022.

The Austrade International Freight Assistance Mechanism (Austrade/IFAM) has provided around 450 freighter flights per week to supplement the limited capacity provided by commercial operators.

Overwhelmingly, the current challenges with restricted capacity and meeting demand are driven by the lack of passenger flights.

Most flights are at capacity, the nature of the cargo depends on the capacity of the customer to pay, typically higher value items (apart from IFAM subsidised cargo)

e-Commerce is booming, especially ex USA with the major integrators adding capacity – DHL, Fedex, UPS, etc.

Market rates are sitting at 1.8 to 6 times pre-COVID depending on the destination.

Austrade/IFAM advises a return to normal pre-COVID flights is a long way off and even so, rates will never return to pre-COVID levels.

The high freight rates make it prohibitive for the movement of lower value cargo, thereby creating a vulnerability for importers if an ocean shipping lane fails or is beset with significant delays – airfreight is not a viable option.

IFCBAA urges the government to continue funding the IFAM program beyond June 2022 to provide continued stability of capacity and rates in the market for importers and exporters to access.

Airport curfews are a low-level impact to airfreight movement, as the majority of cargo arrives on passenger aircraft (pre-COVID). Although freighter aircraft which operate globally 24/7 are impacted by airport curfews.

A greater issue is the reluctance by airport operators such as Sydney Airport Corporation to provide Cargo Terminal Operators (CTOs) with adequate real estate to operate. CTOs have to split their operations between on-airport and off-airport terminals, causing a significant impediment to productivity and increasing costs to industry.

IFCBAA has concerns about cargo terminals preparedness for a sudden resumption of air freight. There are significant manpower shortages which limits the CTOs ability to respond quickly – as experienced by the CTOs during COVID in peak demand situations of overwhelming volumes of PPE, vaccine and rapid antigen tests.

Conclusion

The areas outlined in the IFCBAA submission are causing a cumulative, significant impact on the transport and logistics movement of goods to and from Australia.

The submission references IFCBAA's submissions to the *ACCC's container stevedoring monitoring report* and the *Productivity Commission study into vulnerable supply chains*.

The issues and recommendations identified in these Reports provide a strong insight into the challenges in addressing the long-term productivity of Australia's Maritime Logistics System.

IFCBAA supports a free market approach to business addressing supply chain issues, however there are areas where government intervention, oversight or engagement is necessary to ensure appropriate behaviour and equitable opportunity of a level playing field.

The lack of adequate shipping capacity (all foreign owned); vertical integration of the shipping and landside functions inhibiting competition; underperforming port productivity; restrictive work practices and industrial relations issues; ports congestion, capacity and growth limitations; urban encroachment and lack of industrial land; flawed land-based operations, road/rail imbalance; unregulated stevedore fees; lack of 100% paperless transport movement; inefficient government IT systems and processes, are areas requiring urgent attention from government.

IFCBAA believes government action on addressing issues impacting transport and logistics movement of ALL goods into and out of Australia affecting importers and exporters - including capacity constraints and escalating costs is important.

Ports, rail and road transport are State government responsibilities and if anything is to be achieved on and off the wharf and connections to domestic transportation via rail, road and coastal shipping, it could only be done at the state governments level, with support from the federal government by way of infrastructure grants.

There are a number of forums in which industry and government can work together, however market forces have a strong influence over what can be achieved, ie. the influence of COVID-19 on the market.

The NSW Government's PBLIS model of financial penalties applied to stevedores and transport operators for non-compliance with mandatory standards of performance has been a successful approach to increased port productivity.

Previous reforms from a state and national perspective have considered the movement of goods through Australia's ports and domestically by road and rail and associated costs. Though transformational change in addressing the long-term productivity of Australia's Maritime Logistics System is yet to be achieved.

Thank you for the opportunity to provide this feedback in the IFCBAA submission.

Please do not hesitate to contact the undersigned if you require further information.

Yours faithfully,

International Forwarders and Customs Brokers Association of Australia Ltd

Paul Damkjaer
Chief Executive Officer

10 February 2022