

# **Submission by Metcash To the Productivity Commission's review of Australia's Maritime Logistics System**

Dated lodged 11 February 2022

Att: Athena Wicks

## **EXECUTIVE SUMMARY**

This submission outlines the major problems in the maritime logistics system causing delays and adding costs, as viewed by Metcash. These higher costs are feeding into the cost of imported goods, which adversely impacts the standard of living for all Australians.

Metcash encourages the Government to engage in a comprehensive reform agenda to reduce the delays in the maritime logistics chains, where those problems are caused by onshore practices. Delays caused by outdated industrial, quarantine and custom practices, some of which are detailed in this submission, are obvious candidates for reform to improve efficiency and reduce costs in the maritime logistics system.

## **METCASH**

Metcash is a top 100 ASX listed company with annual turnover in excess of \$15B per annum. Metcash's core business is wholesaling goods for resale to the independent grocery, hardware and liquor retailers across all of Australia. Metcash is a significant importer of international goods and for the most part organises its own international shipping of those goods.

Outlined below are the key issues Metcash is currently encountering in international shipping logistics. If any of the information is not clear or you want to interrogate it further, please don't hesitate to contact us via email:

## **INDUSTRIAL ISSUES**

Industrial Action – Since 2020, Australian ports have undergone several instances of union strikes both at DP World and Patrick terminals. This has caused several disruptions, delays and extra costs such as detention and demurrage to the supply chain. Several times this has impacted our ability to bring the stock on the shelves on time and caused periodic delays. Details of the number of union strikes are listed here -

<https://www.shippingaustralia.com.au/union-led-industrial-action-to-disrupt-the-waterfront-the-details/>

## **QUARRANTINE AND BIO SECURITY**

Quarantine delays – Our food containers due for inspection tend to wait for at least 2-3 weeks (up to 1 month in peak season i.e., December), for an AQIS inspector to come out and inspect them. This has a direct impact on the supply of goods to the shelves.

Bio-security inspections – Containers requiring bio-security inspections tend to wait at least 1-2 weeks on average throughout the year.

## AUSTRALIAN PORT PRODUCTIVITY

Reduced Port Productivity – Due to labour shortages across the country, which is self-evident in the ports, containers are dwelling for an additional 2-3 days at the ports. This adds to the delays we’re facing.

All our container ports, except Brisbane, are in the 25% of the worst-performing container ports in the world. In fact, our container ports are not just in the lower 25%, they are near the bottom of the lowest 25%.

Rank	Port	Score (Statistical Approach)	Difference Yokohama vs each Australian port	% difference Yokohama vs each Aus port
1	Yokohama	-5.995	--	--
246	Brisbane	0.569	6.564	242
302	Melbourne	1.676	7.671	355
326	Fremantle	2.716	8.711	531
337	Sydney	3.907	9.902	948
339	Adelaide	4.546	10.541	1,455

Source: "The Container Port Performance Index 2020," IHS Markit / The World Bank, published 2021.

Australian Container Port Infrastructure: While the shipping lines are building 14,000 teus (20’ containers) vessels, Australian ports cannot handle vessels holding more than 7,000 teus. The ports don’t have sufficient draught (deep water) and don’t have the surrounding infrastructure to handle these large vessels. With 98 % of Australian trade being by sea, we need a robust plan to allow for economies of scale through bigger vessels.

## CURRENT MARKET CONDITIONS

Freight Rates are at an all-time high. We have seen a 400 % increase in international freight rates since 2020. In the long term, we expect this will impact commodity prices significantly and lead to inflation. Below is a snapshot of the increase in freight prices in the last 2 years

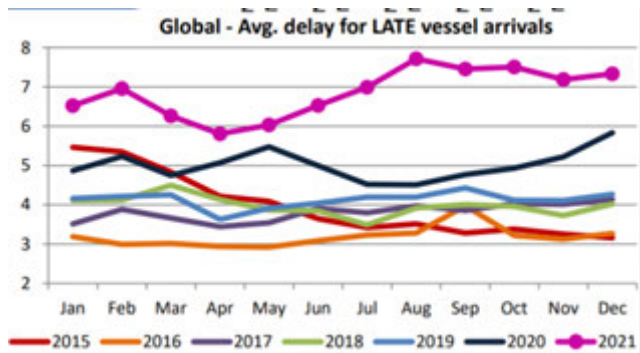
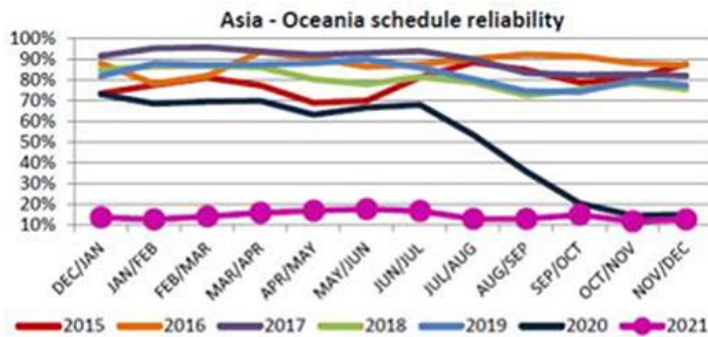
Feb 2020 Average 40’ rate - \$1,468

Feb 2022 Average 40’ rate - \$9,806



Data Source: Freightos Baltic Index (FBX): Global Container Freight Index

While the freight rates are at an all-time high, vessel schedule reliability has been at its worst. Asia to Oceania on time performance is at 12%! Vessels have been delayed into port on average by 7-8 days. This makes the supply chain unpredictable and unreliable, which adds costs into the supply chain. The lack of regulation and accountability among shipping companies is a key factor causing the massive inflation in international shipping costs.



Datasource: Global Liner Performance – Jan 2022, Sea-Intelligence Maritime Analysis