



Maritime Productivity Submission

CEVA Vehicle Logistics

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# Background

- CEVA Vehicle Logistics transports around 800,000 new & used motor vehicles per year, within Australia.
- This submission is regarding the shipping of finished vehicles only.
- CEVA's clients include OEMs, Removalists, Defence Force members, Government, Dealers, Private clients, Car rental , Fleet lease etc.
- The Australian Automotive industry is worth \$160B per year, with a projected increase of 2.2% for 2022.
- New car sales are around 1 m units.
- The used car industry is several multiples of the new car industry.
- There are 91,502 automotive business in Australia.
- The industry employs 297,296 Australians.
- The industry contributes around \$10B per year in taxation revenue.

# Intra Australia Shipping Situation.

- There are no Australian flagged vehicle transporting ships. ( Excepting to Tasmania).
- None of the international ships call into Tasmania, they discharge in Melbourne & the freight is cross docked on to the Tasmanian ships.
- Consequently, there is never a requirement for coastal shipping into Tasmania, as its well serviced already.
- Up until 2019, there were 2 rail company's who transported cars & other vehicles. (Aurizon & Pacific National).
- Aurizon ceased transporting multi modal freight in 2019 (including cars).
- This left 1 supplier, PN, who despite repeated requests have not added any capacity at all to transport vehicles. In fact, they have reduced the available capacity. This monopoly in transporting vehicles by rail has led to higher prices, zero available capacity, leading to an increased requirement for both road & coastal transport. This is particularly pronounced on the longer interstate transport lanes, especially between the eastern seaboard & Western Australia.
- The rail network is historically unreliable, due to force majeure events. There is currently a 4 week outage from the Eastern Seaboard to Western Australia. ( A permit exemption only **into** WA , doesn't make sense at all).

# Intra Australia Shipping Situation (continued)

- There are currently about 20,000 cars transported by coastal shipping per year, the vast majority of them into & out of Western Australia, mostly to & from Brisbane, Sydney & Melbourne.
- The average road trip distance replaced is to Sydney, which from Perth is 3,950 Kilometers, a 5 day road trip.
- To transport the 20,000 coastal shipped vehicles by truck would require around 200 large capacity (B Double & Road Train) truck & trailer combinations extra to be put on the road.
- It's a lot more expensive to transport vehicles by road, especially on the longer trips.

# Coastal Permit

- The requirement for a coastal permit adds about 10 extra days to the transit time of vehicles being transported.
- The transit time from Sydney to Perth, for example – Road 5 to 7 days, Road & rail 7 to 10 days, Coastal shipping 14 to 20 days.
- Without the need for a permit, newly booked cars could be loaded on the ship up until the stevedoring cut off, usually 1 day before the ship is worked., thus reducing the transit time to give the Australian consumer nearly a competitive transit time with road & rail freight.
- The requirement for a coastal permit adds 10 days to the transit time, for the red tape to be processed.
- Under the current requirement for a permit, the shipping lines have to declare the quantity of freight to be transported.
- The market is very dynamic & some of our clients buy 20, 30 or 40 cars at a time. These clients can't understand why these cars then have to sit around. ( They will exceed the allowance on an existing permit for example), so they have to be put on the next permit application.

## Coastal Permit contd.

- The requirement for a permit for vehicle, is particularly baffling, as there are no Australian flagged car transporting ships & there never will be, due to the economy of scale required, which can only be achieved by co-loading on to international ships, or through a government subsidy.
- Given the point above, the permit system for vehicles would seem to be a senseless exercise in red tape & bureaucracy.
- Its CEVAs understanding that the permit isn't linked to paying international crews Australian wages, as the shipping lines are bound to do this under the fair work act.
- If the coastal permit system isn't removed for transport of vehicles, more & more freight will be sent by road. This will mean a lot more trucks on the road & hence accidents & pollution. There will also be a cost burden for the Australian consumer, particularly for remote & rural areas.

# Water Front Direct Costs

- Whilst a vessel is operating with coastal freight, the crew have to be paid Australian award wages, which is considerably higher than their normal rate.
- The stevedore workers are also paid far in excess of the equivalent wage in a non waterfront blue collar position, doing similar work. About double in fact.
- Both of the above costs are passed on to the consumer.
- Double dipping - Around the rest of the world, the ships crew lash & unlash the cars , prior to loading or discharge. In Australia, the stevedores lash & unlash the cars. So in effect the Australian consumer is paying double for lashing & unlashing the cars which are being coastal shipped, which is probably about 25% of the loading/unloading costs. (The international crews have already been paid Australian wages , which includes lashing & unlashing). This double dip also applies to New cars coming into the country.
- It creates the bizarre situation where the customer is paying both sets of wages & the international crew watch on whilst the Australian stevedores perform the work.

# Water Front Direct Costs

- In other countries, the ships crew start to unlash as soon as the ship starts to dock.
- In Australia, there is a minimum 2 hour delay, before the stevedores can enter the ship & start to unlash.
- It costs \$48,000 (AUD) per day to charter a car carrier. So this 2 hour delay costs \$4,000 per port call. Most ships call 4 ports, so that's \$16,000 per voyage. As a very rough guess there would be 250 car carrier voyages per year. So that's \$4M per year wasted from Australian consumers pockets, just with the unlapping time.  
(Also see port congestion below).
- As far as we are aware there is no port in Australia with a car location system. So if we want to find a particular car at any port, we have to go through the sometimes, thousands of parked cars to find it.

# Waterfront Productivity – Australia wide.

- Each port is run by a different port authority & different stevedoring company's.
- As a consequence of this, to gauge the productivity , it is necessary to examine each port on an individual basis.
- Unlike containers, cars do not require the port operator or stevedores to do any hand over to the trucking companies, when they are discharged, they can be collected. (Container trucks need bookings to collect, so that the containers can be unstacked into position).
- Cars can not be collected, until “paperwork” has been submitted. So port operators/stevedores accept electronic lodgement, prior to ship arrival & some insist on physically handing in hard copy at the wharf, during office hours. So, for example a ship discharges after 3pm Friday, with pre lodgement cars can be transported from Saturday morning onwards. Where the port operator insists on hard copy during office hours, cars can not be transported until 8 am on the Monday morning. This is a massive difference in productivity & wharf congestion created.
- There are no dedicated Car Transporter trucks for wharf work in Australia, the same trucks are also used to delivering cars from storage compounds to dealers & also rural deliveries. The peaks & troughs of ship arrivals dictate this.

# Brisbane Waterfront Productivity

- Brisbane port is ultra efficient.
- There are no appointments required to get trucks on & off the wharf.
- The release paperwork can be submitted electronically , prior to the ships arriving. This means that trucks can access the freight, as soon as the ship is fully discharged,
- There are no hold ups when the trucks leave the wharf.
- There is no booking system for cars to be collected or delivered, this is optimum efficiency for road transport operators.
- Brisbane should be used as a template for other ports, because other ports claim things can not be done, which Brisbane does seamlessly.
- The only exception to this, is that the stevedores don't load cargo by consignee, (which they should), this then causes problems at the receiving ports, as all the clients freight off the ship is "jumbled up". This congests the receiving port, as the cars have to be sorted. (The main victim of this is Fremantle port).

# Port Kembla Waterfront Productivity

- The release paperwork can be submitted electronically, depending upon the conditions, sometimes allowing transport to commence promptly, however, if a ship arrives on, for example, a Saturday, transport can't commence sometimes until Monday. This is an opportunity for improvement in productivity, which wouldn't require any investment.
- There is no booking system for cars to be collected or delivered, this is optimum efficiency for road transport operators.
- Storage charge is charged at \$1.95 per day for new cars. For secondhand cars, storage is charged at \$27.90 per day. Clearly new & used cars take up the same footprint. New cars are owned by foreign multinational companies, Used cars are normally cars owned by the Australian consumer.
- The cars have to be transported a long way back to the majority of the consumers, who are in Sydney.
- Other than that Port Kembla is one of the more efficient wharves in Australia.

# Melbourne Waterfront Productivity

- The measures below, which the new port operators have introduced, have destroyed productivity & added costs, which have to be ultimately borne by the Australian consumer.
- A booking system was introduced for the trucks to have an appointment to collect & drop off cars. Whereas before this, trucks could collect cars at any time. This has had several detrimental effects on productivity :-
- The number of bookings for each transport company has been rationed, down to the point, where there are barely enough bookings available to collect discharged cars within the required wharf clearance window.
- The system prior to the new operators, allowed trucks to enter the wharf with export cars, unload those cars & then reload imported cars, all without leaving the wharf, or having any great admin or management input. With this new booking system, the transport companies enter the wharf, drop off cars , then have to exit the wharf & wait for their collection booking, then return to the wharf. We have trucks on some occasions sat around the corner for an hour, until they are allowed back on to the wharf. This doubles the truck movements in & out of the wharf. There is absolutely no need for this, it doesn't happen at any other wharf in Australia. It's the poor I.T. systems of the wharf operator causing unproductive time , extra costs, congestion & pollution on & around the wharf. We have tried to work with the port operator many times to resolve this. 18 months ago they told us they were going to fix the problem, it remains unresolved, with no further communications.

# Melbourne Waterfront Productivity

- Bookings are not allocated to transport companies efficiently.
- For example, Transport company A , may not have enough bookings allocated to clear their freight from the wharf in a timely manner.
- We believe that transport company B are issued with bookings they don't need., this leads to transport companies trying to trade bookings.
- With this inequity of bookings causes huge wharf congestion where trucking company can not collect freight, whilst other companies have booking slots, they don't need or ever use.
- Even when you have a booking, the trucks arrive in time, there is often a large queue to get in. If by the time the truck gets to the gate, the port operator will turn the truck away, saying they have missed their slot ! We then have to turn the truck away & depart with no cargo.
- Storage demurrage charges are in excess of \$50 per car, per day. There is no basis or calculation behind these charges, they are well over double what other ports charge & can be increased by the port operator at will.
- The Receipt & Dispatch department are only open 6 am to 2 pm Monday to Friday Outside of these hours, transport companies can not drop off export cars. More & more cars are being transported by coastal shipping & these restricted hours are a barrier to trade.

# Melbourne Waterfront Productivity

- The afore mentioned booking system has also added to the admin burden of transport companies, its cost CEVA an extra half a head.
- For some reason the Melbourne port operators insist on adding an extra barcode label when the cars are discharged, the transport companies are not permitted to remove cars, until this is done. This delays the start of freight collection by 4 hours or so. It does not happen at any other port in Australia, nor do transport operators have to put extra barcodes on the cars. All the cars arrive from the factory with multiple barcodes already on the cars. Other ports & all the transport operators nationally use the factory barcodes. So you have the situation where there are multiple trucks worth \$500,000 each, waiting for a worker to apply an unneeded label.
- The cars for export are supposed to be loaded in consignee order, so that when they are discharged, the customers can collect without having to sort through & separate their freight. The Melbourne port operators won't do this. So in the case of freight to Fremantle from Melbourne, they may load 500 cars, in completely random order. When the freight arrives in Fremantle, the 500 cars have to be separated into client order, this is very time consuming, costly & has added to the problem of laydown space & late ship berthing in Fremantle.

# Melbourne Waterfront Productivity

- All these inefficiencies introduced by the port operator over the last 2 or 3 years have led to congestion on the wharf, as transport companies struggle to operate efficiently under the onerous & often pointless conditions & red tape which have been introduced.
- Instead of working with the transport companies to make improvements, or return to the prior operators modus operandi, the current operator now seeks to reduce the time that the freight can remain on the wharf, from 4 days to 3 days. Under the proposal, any car left on the wharf after 3 days will incur a penalty of \$50 per car, per day, payable to the port operator.
- To sum this up, the port operator has made it as difficult as possible to collect cars, trying to cut down the intransit free storage days & stands to make huge profits from these actions, regardless of the effect on the consumer.

# Adelaide Waterfront Productivity

- Adelaide port is efficient.
- Documents can be lodged electronically, prior to ship arrival, no truck bookings are required,
- The only big productivity issue is that collections or drop offs can only be done between the hours of 6 am to 6pm.
- Whilst the volume of cars going into Adelaide is small, these hours need extending during periods of high (for Adelaide) inbound volumes.

# Fremantle Waterfront Productivity

- For many years, the Fremantle wharf has been used as a political football, with an argument raging between its use as a working port or as a tourist attraction.
- Pre covid, the wharf used to be closed completely for freight drop off or collection, whilst a cruise ship was loading or unloading.
- Working land has been resumed for tourism, road extensions etc as well.
- Its now got to the stage where there isn't enough land to discharge vehicles on to.
- The ships have to queue up to a week, in order to have space cleared for them to discharge on to. (\$48,000 per day cost).
- The situation has become so dire, that some shipping lines have reduced their port calls to Fremantle, they take the cars to Melbourne & cross dock them on to another Fremantle bound ship. Thus reducing their Fremantle port calls by 50%. This delays the consumers cars by around 3 weeks.
- The industry is wondering if the state government owned port is trying to force the car industry to use another port, as the lack of space has become untenable .

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# Fremantle Waterfront Productivity

- In 2005, there was a public road, named Peter Hughes drive, constructed right through the vehicle laydown area.
- Because of the constant reduction in available working space, the situation has become so desperate, That Peter Hughes drive has to be closed & vehicles which are supposed to be kept in a secure wharf area are simply parked by the stevedores on this public road. The below pictures are from Wed the 9<sup>th</sup> of February 2022.



# Fremantle Waterfront Productivity

- The state government recently announced that they intend to build a movie studio on about 25% of the existing car laydown area.
- If the movie studio goes ahead & there is no extra car space allocated, the Fremantle wharf will cease to become a functioning wharf.
- Infrastructure would have to be built at the only 2 viable alternate ports, being Kwinana & Bunbury.
- Bunbury would mean a 230 KLM transport of cars back to Perth.
- Both alternates would require a lot more trucks to transport the cars, due to the distance.

# Waterfront Productivity in Australia

- To sum up, there are massive improvements which can be made to the maritime logistics industry in Australia, its simply a matter of addressing each opportunity at a time.
- Should you require any more information, please contact me at :-

