

“KEEPING AUSTRALIA’S INTERNATIONAL TRADE MOVING”



Australian Peak Shippers Association Inc. (APSA)

**4 May 2022 - MEDIA RELEASE**

## **COST OF LIVING AND INFLATIONARY PRESSURES – A NEED FOR SHIPPING REGULATION**

**Australians are paying more than one billion dollars per annum in unreasonable international shipping fees in addition to record high freight rates and a spate of surcharges.**

In formal submissions to a current Productivity Commission review, a peak industry alliance has identified that Australian exporters and importers are forced to pay fees to shipping line contracted stevedores and empty container parks for access to container facilities without any ability to influence service or price.

Evidence has also been submitted identifying container detention fees are spiralling out of control, payable when delays occur in returning empty containers within prescribed periods as set by shipping lines.

Paul Zalai, Director Freight & Trade Alliance (FTA) and Secretariat of the Australian Peak Shippers Association (APSA) says the administration of these fees is being unfairly applied in the current environment of “vessel bunching”, limited operating hours of facilities to receive empty containers, delays in Biosecurity releases and inspections, extreme supply chain labour shortages and in many cases, the detention clock starting at a time when cargo is physically unavailable for collection from the wharf.

*“We are operating in incredibly difficult times and adding salt to the wounds is this [container detention] charging regime - a massive blow for Australian commerce and a windfall for foreign owned shipping lines contributing to their multi-billion dollar annual profits”.*

Zalai also draws a parallel to the current cost of living and inflationary pressures being felt across Australia with charges being passed down the supply chain, adversely affecting manufacturers, farmers, rural communities, and consumers.

Zalai explains that nobody is immune *“This is hitting hard – everyone from major retailers through to small businesses. Freight forwarders, customs brokers and transport companies are left with the unenviable position of trying to explain this unbudgeted and unreasonable fee to importers and exporters costing anywhere from hundreds of dollars per consignment up to hundreds of thousands of dollars in some circumstances.”*

The FTA/APSA submissions to the Productivity Commission point to the approach taken by US Regulators who have recently come to the defence of Expeditors, a major international freight forwarder who were subject to significant container detention costs as a direct result of a global cyber-attack. *“Clearly in this instance, the Federal Maritime Commission could see that shipping lines were blatantly exploiting the situation to gain revenue and not using container detention as designed to incentivise timely return of containers”* Zalai said

The submission also highlights a recent FMC decision, whereby container detention fees applied in circumstances when there were not sufficient appointments to return the containers, noting the shipping line’s policy and practices regarding detention charges were *“unreasonable”*. Along with a cease-and-desist order, a US\$822,220 civil penalty was issued for 14 wilful and knowing violations of related US legislation.

*“We don’t normally advocate for increased regulation, however in a marketplace whereby Australian trade is 100% dependent and at the mercy of foreign owned shipping lines, and without genuine competitive tension, we need some form of protection from unwarranted practices. The Productivity Commission has a critical role to play and we await their views with great interest”* Zalai said

The Productivity Commission is scheduled to release its draft report reviewing Australia’s Maritime Logistics System in late May 2022.

# FTA/APSA SUBMISSION TO THE PRODUCTIVITY COMMISSION

## SUMMARY OF RECOMMENDATIONS

FTA/APSA Submission – refer [HERE](#)

**RECOMMENDATION 1 (shipping competition review)** – repeal of *Part X of the Competition and Consumer Act 2010*, with retention of shipper collective bargaining provisions, leaving two options:

- (1) foreign owned shipping lines to operate in line with competition laws faced by other businesses involved in Australian commerce; or
- (2) if deemed necessary for foreign owned shipping lines to have ongoing protections, expand the role of the ACCC (or introduce a federal maritime regulator) to administer processes to safeguard exporter and importer's interests, in particular, monitoring the appropriateness of shipping line (and contracted stevedore / empty container park) surcharges, fees and penalties.

**RECOMMENDATION 2 (minimum service levels and notification periods)** – introduction of an appropriate regulatory framework that provides exporters, importers and freight forwarders safeguards against 'exclusive dealings', ensuring minimum service levels and prescribed variation notification periods (minimum 30 day notice as per US regulation).

**RECOMMENDATION 3 (infrastructure investment)** – increase investment in infrastructure to address inefficiencies in the supply chain caused by larger ships, lack of rail access to Australian container ports and shortage of space in empty container parks.

**RECOMMENDATION 4 (regulation of Terminal Access Charges)** – the scope of the National Transport Commission (NTC) review of Terminal Access Charges be expanded to examine the potential of regulation to force stevedores (and empty container parks) to cost recover directly against their commercial client (shipping line) rather than via third party transport operators.

Refer [Supplementary submission](#) amendment 19 April 2022

*REVISION TO RECOMMENDATION 4 (regulation of Terminal Access Charges) – introduction of an appropriate regulatory framework to force stevedores (and empty container parks) to cost recover directly against their commercial client (shipping line) rather than via third party transport operators*

**RECOMMENDATION 5 (regulation of container detention practices)** – the need for federal government action and potential regulation, similar to US Federal Maritime Commission (FMC), to ensure reasonable container detention policies are administered.

Refer [Supplementary submission](#) 4 May 2022

**RECOMMENDATION 6 (waterfront industrial relations reform)** – the Federal Government to initiate a formal waterfront industrial relations review to provide immediate and future business continuity for what is an 'essential service' and our international gateway for major supply chains.

**RECOMMENDATION 7 (implementation of Biosecurity reform priorities)** – ongoing engagement and reporting between the Department of Agriculture, Water and the Environment and industry to achieve the four reform priorities identified in the Inspector-General of Biosecurity (IGB) report [Adequacy of department's operational model to effectively mitigate biosecurity risks in evolving risk and business environments](#) being:

- (1) Regulatory maturity;
- (2) Risk pathway partnership;
- (3) Frontline focus; and
- (4) Sustainable funding model.

**RECOMMENDATION 8 (extension of IFAM funding)** – the Federal Government should allocate additional funds to maintain the International Freight Assistance Mechanism (IFAM) and / or similar financial relief measures to support the air cargo supply chain sector until the end of 2023 (at minimum), with actual allocation of funds subject to periodic reviews pending the return of international passenger flight services.

## ABOUT FTA / APSA

Freight & Trade Alliance (FTA) is Australia's leading representative body for the international supply chain sector bringing together importers, exporters, customs brokers, freight forwarders, logistics service providers and industry groups. FTA also manages the Secretariat for the Australian Peak Shippers' Association (APSA) being the peak body as designated by the Federal Minister of Infrastructure and Transport to protect the interests of Australia's cargo owners and shippers in respect to shipping and international logistics services.

FTA / APSA represents more than 500 corporate members and provide international trade and logistics advocacy to the following associations:

- Australian Cotton Shippers Association (ACSA);
- Australian Council for Wool Exporters and Processors;
- Australian Dairy Products Federation;
- Australian International Movers Association (AIMA);
- Australian Meat Industry Council (AMIC); and
- Australian Steel Association (ASA).

### CONTACT

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