30 APRIL 2021

INQUIRY INTO VULNERABLE SUPPLY CHAINS

Submission to the Productivity Commission on behalf of Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA)

SUPPORT FOR OUR VULNERABLE SUPPLY CHAINS IS ESSENTIAL TO LEAD AN ECONOMIC RECOVERY

Vulnerabilities exposed by COVID-19

The geopolitical tensions affecting many Australian exporters are justifiably stealing media headlines. Somewhat fading into the background is the fact that our international trade supply chains are in disarray, adding significant costs and jeopardising access to markets for many exporters and importers.

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) welcome the Productivity Commission's *Inquiry into Vulnerable Supply Chains* and the opportunity that was provided to outline concerns at the *Transport and Logistics Roundtable* hosted on 21 April 2021.

As outlined in our roundtable presentation, logistics professionals demonstrated extraordinary skill and resilience during the COVID-19 pandemic period, largely saving Australia from a '*life, and limb'* crisis. The unprecedented events during 2020/21 have also clearly exposed weaknesses in our supply chains including:

- the reliance on Federal Government funding to support the international air cargo sector in facilitating the movement of high value and time-sensitive perishable products to overseas markets;
- substantial increases in e-commerce and sea cargo volumes (import and export) with border and biosecurity agencies re-deploying staff from airport passenger processing to manage the increased cargo related task – a need for ongoing reforms is required to safeguard against risks whilst facilitating trade;
- the increased global demand on sea cargo generating significantly increased freight rates, *'rolled'* (delayed cargo movement) and *'blank'* (cancelled) sailings;
- a significant surplus of empty containers (more import containers coming into the country than leaving) causing severe congestion at our ports and empty container park facilities; and
- Protected Industrial Action on our waterfront.

Pre-existing pandemic inefficiencies

The Federal Government has made significant progress in liberalising trade, particularly in respect of signing key free trade agreements. In 2019-20 the total value of Australian goods and services trade was $873.1 billion[2].

Sustaining this market is increasingly difficult with restricted transport capacity and rapidly increasing costs of international trade jeopardising the viability of some exporters and importers with potential downstream crippling financial impacts on retailers, manufacturers, farmers and regional communities.

High export and import costs are best demonstrated in Australia's Doing Business Ranking as published by the World Bank. In 2020 Australia's overall ranking was an impressive 14[2]. However, its ranking for the sub-category *Trading Across Borders* was 106. While an element of this will relate to location, it is relevant that New Zealand's ranking on *Trading Across Borders* was 63.

Submission scope

Australia has world class manufacturers and producers who are supported by skilled customs brokers and freight forwarders and are ready to take advantage of the opportunities created by free trade agreements and those economies recovering from COVID-19. These opportunities will not be fully realised while the costs of trade are prohibitive. To that end, FTA and APSA provide the following joint submission with an emphasis on: competition in international shipping; sea freight capacity; terminal access charges; container detention fees; the ongoing threat of waterfront industrial action; airfreight capacity; and the need for improved biosecurity and trade facilitation measures.

FTA and APSA look forward to ongoing engagement with the Productivity Commission and supporting its Inquiry. Please do not hesitate to contact me as below.

Paul Zalai
Director, Freight & Trade Alliance (FTA)
Secretariat Australian Peak Shippers Association (APSA)
Director, Global Shippers Forum (GSF)

www.FTAlliance.com.au

[1] *MEDIA RELEASE – The Hon Josh Frydenburg 'Productivity Commission review into Australia's supply chain stability' 19 February 2021*
[2] *The World Bank Doing Business*

SUMMARY OF RECOMMENDATIONS

Recommendations 1, 2, 3, 4 are symptomatic of a larger issue, where in many instances key decisions are being made offshore by foreign owned shipping lines, with inadequate controls, understanding, or oversight, from relevant Australian regulators, despite our vulnerable supply chains being highly dependent on containerised shipping line services.

FTA / APSA see the need for the creation of a new federal regulator, along the lines of the US Federal Maritime Commission (FMC), to facilitate open and competitive international trade while safeguarding the interests of Australian shippers (exporters, importers and freight forwarders).

RECOMMENDATION 1 (shipping competition review) – the Australian Competition and Consumer Commission (ACCC) to progress its review to establish shipping competition policy and associated regulatory framework to: 1) ensure vessel sharing consortia can continue with qualified exemption from normal competition rules administered in Australian commerce; and 2) monitor the appropriateness of shipping line (and contracted stevedore / empty container park) surcharges, fees and penalties.

RECOMMENDATION 2 (minimum service levels and notification periods) – repeal of Part X of the Competition and Consumer Act 2010 to be contingent on the introduction of an appropriate regulatory framework that provides exporters, importers and freight forwarders minimum service levels and minimum notification periods.

RECOMMENDATION 3 (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.

RECOMMENDATION 4 (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.

RECOMMENDATION 5 (waterfront industrial relations reform) – the Federal Government to initiate a formal waterfront industrial relations review to provide immediate and continued business continuity for what is an *'essential service'* and our international gateway for major supply chains.

RECOMMENDATION 6 (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 7 (extension of IFAM funding) – the Federal Government should allocate additional funds to maintain the International Freight Assistance (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.

DISCLAIMER: The data contained within this submission should be read as indicative of the magnitude of the cost rather than an exact figure. While Freight and Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) have used reasonable efforts to ensure that the estimates are reasonable, FTA / APSA do not warrant the accuracy, currency or completeness of the cost estimates. The cost estimates are based on historical and publicly available data. FTA has not verified the accuracy of the publicly available data.

ABOUT THE ALLIANCE

Freight & Trade Alliance (FTA) is the peak body for the international trade sector with a vision to establish a global benchmark of efficiency in Australian border related security, compliance and logistics activities. FTA represents 430 businesses including Australia's largest logistics service providers and major importers.

On 1 January 2017, FTA was appointed the Secretariat role for the Australian Peak Shippers Association (APSA). APSA is the peak body for Australia's containerised exporters and importers under Part X of the Competition and Consumer Act 2010 as designated by the Federal Minister of Infrastructure and Transport.

APSA is also a member and has board representation on the Global Shippers Forum (GSF) that represents shippers' interests and that of their national and regional organisations in Asia, Europe, North and South America, Africa and Australasia.

FTA / APSA 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);
- Australian Steel Association (ASA); and
- Tasmanian Logistics Committee (TLC).

The current APSA Officers and Committee of Management are listed below:

- Olga Harriton (Manildra Group) - APSA Chair
- Kurt Wilkinson (Fletcher International Exports) - APSA Vice Chair
- Flaminio Dondina (Casella) - Treasurer
- Paul Zalai - APSA Secretary
- Stacey McKenna (Australian Meat Industry Council)
- Peter Morgan (Australian Council for Wool Exporters and Processors)
- Brian Wright (Australian International Movers Association)
- Brian Thorpe (Visy)
- Justin Bond (SunRice)

A list of all members and further information about FTA / APSA is available at www.FTAlliance.com.au

1. COMPETITION IN INTERNATIONAL SHIPPING

1.1. Deviation from regular competition law

Other than bulk commodities, the vast majority of import and export goods are transported by containerised freight. Container vessels are getting bigger, the shipping line market is contracting and Alliances (shipping line consortia for vessel sharing arrangements) are dominating.

The question for Australia's exporters, importers and freight forwarders is whether this translates to better services, more competitive pricing and regular access to markets?

The question for our regulators is how much deviation from standard competition law should shipping lines be allowed to facilitate the dominance of Alliances?

The European Union (EU) experience has been detrimental to shippers with trade bodies aggressively arguing against the liberal Consortia Block Exemption Regulation largely exempting lines of regular competition laws. As outlined in **ATTACHMENT A**, formal correspondence was sent on 13 April 2021 to the European Commissioners of Transport and of Competition on behalf of nine separate trade organisations calling for an immediate investigation into the market conditions and the behaviour of shipping lines and the Alliances during 2020 and in the first quarter 2021: "*Only an enquiry will reveal the reasons of the dramatic decline in reliability and consistency of vessel arrivals at European ports, and hence the availability of imported cargoes to shippers and empty containers to exporters.*"

1.2. Part X

In an Australian context, Part X of the *Consumer & Competition Act 2010* has evolved since first introduced as a part of the Trade Practices Act 1974, providing broad exemptions from competition law for registered shipping lines to coordinate with each other in transporting cargo to, or from, Australia.

Shipping line market consolidation plus the emergence of stevedore and empty container park surcharges has resulted in supply chain costs rapidly increasing, exposing significant deficiencies in the effectiveness of Part X in being able to achieve basic shipper protections.

The Australian Competition and Consumer Commission (ACCC) recognised a need for reform in a discussion paper[3] released on 3 December 2019. In response, FTA / APSA provided a formal submission[4] with recommendations listed at **ATTACHMENT B**.

While the focus of this submission has been on shipping line arrangements, a need remains for cargo owners to have access to collective bargaining. As outlined in recommendation 7 of the FTA / APSA submission, there is a need for an ongoing role for a designated peak shippers' body to provide a review (guarantee check on power) and mandate an effective mechanism for consultation to support benefits currently available under Part X.

The Australian International Movers Association (AIMA) is an FTA / APSA member and is the peak industry body representing international removal companies operating in Australia. APSA understands that AIMA is the only existing shipper representative body utilising the Part X exemption to purchase freight from shipping lines.

This has been an established practice for almost 30 years with the major beneficiary being the general public (AIMA member's clients) moving personal / house-hold effects. AIMA is of the view that removal of the Part X provisions would have a devastating effect on the costs of shipping household goods and personal effects overseas and the productive way AIMA members utilise container equipment under the terms of the contracts in place. APSA understands that the ACCC is in the final stages of developing its first '*class exemption'* in relation to collective bargaining by eligible businesses.

Importantly the submission endorsed the need for a federal agency to oversee shipping competition reform, potentially the ACCC recognising its track record of strong compliance enforcement, noting the 2019 criminal cartel prosecution against a major shipping line for price fixing in relation to an unregistered agreement, resulting in an order by the Federal Court to pay a fine of $34.5M.

RECOMMENDATION 1 (shipping competition review) – the Australian Competition and Consumer Commission (ACCC) to progress its review to establish shipping competition policy and associated regulatory framework to: 1) ensure vessel sharing consortia can continue with qualified exemption from normal competition rules administered in Australian commerce; and 2) monitor the appropriateness of shipping line (and contracted stevedore / empty container park) surcharges, fees and penalties.

Proposed Class Exemption for Ocean Liner Shipping
FTA APSA joint response - ACCC Discussion Paper - Proposed Class Exemption for Ocean Liner Shipping

2. SEA FREIGHT CAPACITY

2.1. Unprecedented global demand

The global demand for consumer goods during the pandemic has translated to unprecedented pressure on container bookings, generating unforeseeable operational challenges and placing enormous strain on already vulnerable supply chains.

Shipping lines globally are struggling to meet the demands of their customers to ensure adequate access to containers for the movement of goods. Repositioning of empty containers to where they are needed most in the supply chain will continue to be a demanding challenge for all shipping lines globally given the amount of equipment tied up with vessels waiting outside ports to berth.

Industry wide disruption due to continuous high volumes, low port productivity, capacity constraints and other restrictions is continuing to result in significant congestion around the world and will continue to stress global supply chains. The ongoing and unchanged congestion and delays in European and USA ports are leading to persistent and extreme delays of ocean vessels. Port congestion will impact not only vessel scheduling but also supply chain demand forecasting. As a result of these factors, the rise of shipping line port congestion and other landside stevedoring charges will continue for the foreseeable future.

2.2. Perfect storm of global trade and domestic operational disruptions

In parallel to dealing with increased trade volumes and global disruptions to regular global shipping services, Australian stevedores have been subject to Protected Industrial Action causing terminal operational delays. Flow-on effects have seen shipping lines omitting major Australian ports, increasing costs with the administration of substantial congestion surcharges, delays in container re-use, gridlock at empty container parks and examples of less empty refrigerated container positioning into Australia.

In what has been a *'perfect storm'*, shipping lines have been challenged by the dilemma in how to manage an increase in demand within stevedore offered contracted exchanges (quantum of containers that can be loaded and discharged within allocated berthing windows) creating a new paradigm in priorities and allocation of services.

Australian exporters have in previous years experienced favourable conditions with their cargo being very attractive to shipping lines as they have sought their own version of balance between export laden and export empty for back haul freight contributions. As a result, export rates (depending on the commodity/volume) have always been considered extremely favourable compared to inbound. As a result, over many years commodities such as grain, minerals, timber etc, that had previously only been considered commercially viable to move on bulk vessels, have been cost effectively moved as containerised freight.

2.3. Operational impacts and the requirement for guaranteed minimum service levels

Evidence from APSA members suggests that in the current operating environment, shipping lines are increasingly reluctant to carry export laden cargo that is;

- low margin and therefore lacking sufficient profit or yield;
- requires investment in equipment maintenance and use (upgrade to food quality);
- requires excessive container detention free time (slowing the ability to re-use the container on highly profitable legs); and / or
- is moving to *'non desirable'* ports of destination (e.g India where equipment is in less demand for re-use vs China where equipment shortages are frequent).

In terms of Food Quality (FQ) containers, instances have come to notice whereby exporters have rejected the condition of containers for failing to meet prescribed conditions. In a *'take it or leave it'* environment, some shipping line contracted empty container parks have now ceased the supply of containers to highly reputable exporters without any level of consultation or notice.

There appears to be no legal recourse to address this matter of empty container parks preventing this supply. Examples have been provided whereby the contracted shipping lines have refused to intervene to facilitate a reasonable outcome. Exporters at the best of times can face difficulty sourcing FQ containers, let alone facing a ban placed due to their Authorised Officer meeting their regulatory requirements in assessing the condition of the container for export. Evidence is available to demonstrate the operational, financial and reputational impacts of this scenario.

Industry is engaging with the Department of Agriculture, Water and the Environment to facilitate agreed standards and outcomes.

In terms of capacity in meeting export sailings, experience suggests that even firm commercial arrangements are often not truly safe with numerous examples provided of *'rolled' (*deferred) and *'blank'* (cancelled) bookings, generally as a result of the above causes.

This change in supply and dynamic has again displayed a *'take it or leave it'* approach with freight rate increases plus surcharges as shipping lines juggle long term export customer/prospect strategies versus *'just get the empties back to China'*. We have heard a consistent theme from members with local shipping line offices often having little say in priorities and forced to execute directives from their overseas head offices.

Australian exporters, importers and freight forwarders fear that increased consolidation may mean fewer shipping line choices and less competition, making it more burdensome for Australian shippers to negotiate rates and service levels.

While FTA / APSA see merit in the ACCC review of shipping competition, our vulnerable supply chains require retention of key elements of Part X of the Competition and Consumer Act 2010 protections, in particular minimum service levels and minimum notification periods. It is imperative that Part X is not repealed without first achieving equivalent and strengthened protections for Australian exporters in respect to international sea freight services. To repeal the only protections that exist for Australian exporters, importers and freight forwarders without first having equivalent protections in place, would be pose serious risks to our national interests.

2.4. Jeopardising access to overseas markets and offshoring supply chain activities

The continued lack of sea freight container capacity for Australian exporters has commonly led shipping lines to restrict the number of bookings. This has created a situation where Australian exporters are waiting many weeks, and in some cases months, to obtain an export booking. Given the restricted availability of capacity for exporters this has the potential to lead to substantially higher average spot and contract rates. Exporters could see substantial annual contract increases on major trade lanes, tending to very one-sided negotiations and *'take it or leave it'* offers being made by the shipping lines.

A lack of sea freight capacity places Australian exporters at an increasing risk of failing to meet existing contractual delivery obligations. Where margins are tight due to global market competition, exporters also face the realistic outcome of customers looking at alternate foreign markets to fulfill their requirements.

Of significant concern is the current market dynamics that are forcing Australian exporters to consider moving elements of their supply chain operations to foreign countries to remain competitive within the global market (e.g. potential to move commodities via bulk transportation with further production / manufacturing offshore). This outcome would threaten many onshore supply chain activities and adversely affect the Australian economy through the loss of jobs within specialised business operations.

2.5. A move towards a *'Just-in-Case'* logistics model

Up until recent events, contemporary supply chains have evolved towards leaner, more agile *'just-in-time'* systems. A *'just-in-time'* supply chain is one that minimises costs by procuring and delivering everything at the last possible opportunity, minimising the costs of warehousing and storage. By definition, such forms of business operation have very little flexibility to respond to delays or other operational interruptions. In consequence, industrial action and the lack of reliable shipping services has led many importers to re-consider business models with an increase in onshore warehousing and distribution.

In what is now being referred to as a *"Just in Case"* environment, FTA / APSA have received feedback from importers that they are holding upwards of four times the normal inventory to provide reliable supply of goods.

RECOMMENDATION 2 (minimum service levels and notification periods) – repeal of Part X of the Competition and Consumer Act 2010 to be contingent on the introduction of an appropriate regulatory framework that provides exporters, importers and freight forwarders minimum service levels and minimum notification periods.

3. TERMINAL ACCESS CHARGES

3.1. Deviation away from charging commercial clients

All businesses face a dilemma of how to deal with unavoidable costs such as rent, infrastructure, labour and power. Those same businesses are then forced to either absorb these costs or pass them on to their commercial clients. Similarly, stevedores and empty container parks should be forced to either absorb operating costs or pass these on to their commercial client (shipping lines). Shipping lines then have the choice to absorb or pass those costs onto exporters, importers and freight forwarders through negotiated freight rates and associated charges.

In contrast to the above, transport operators (road and rail) do not have the ability to negotiate and cannot elect to use a different stevedore or empty container park. They must deliver or collect goods from the entity contracted by the relevant shipping line. This means that transport operators are forced to pay an Infrastructure Surcharge to collect and deliver containers – this aligns to an appropriate renaming of the surcharge by some stevedores as a *'Terminal Access Charge'*. Stevedores and empty container parks know that transport operators are trapped into using their services and have consistently increased infrastructure / terminal access charges without negotiation and with little justification.

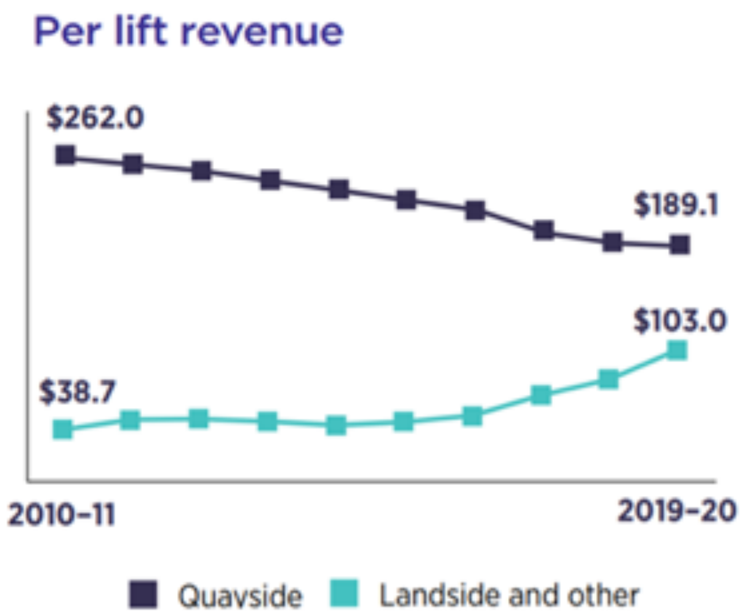
Transport operators will in most cases pass these charges onto their customers (the exporter, importer or freight forwarder). In addition, many transport operators have included administration fees to manage cash flow associated with these charges resulting in cascading costs flowing through the supply chain. Ultimately, Australian exporters and importers pay further inflated prices.

3.2. Duplication of fees

In its most recent container monitoring report[5], the Australian Competition and Consumer Commission (ACCC) highlighted that stevedore *'landside and other'* revenue is significantly increasing; however, this quantum is largely being offset by a correlating reduction in *'quayside'* revenue.

This brings into question whether exporters and importers are paying duplicate landside stevedoring fees; once via sustained high Terminal Handling Charges (THCs) administered by many shipping lines; and twice via Terminal Access Charges (TACs) and vehicle booking systems administered by shipping line contracted parties.

The bottom line is that vulnerable Australian supply chain participants are currently paying an additional $500M+ per year direct to stevedores and empty container parks. These rapidly increasing costs are having particularly devastating impacts on exporters and importers with downstream crippling financial impacts on manufacturers, farmers and regional communities.



3.3. The evolution of TACs

The spreadsheet in ATTACHMENT C shows the evolution and timeline for increases of Terminal Access Charges.

The below summary indicates, in the main, when charges were initially instigated and justification for price rises.

2010 – July

Patrick terminal (Brisbane) commenced reference to the terminology *"Infrastructure Surcharge"* and collection of this fee via the VBS – reference was made to infrastructure costs, in particular lease fees and that these costs could not be continued to be absorbed.

Full correspondence at **ATTACHMENT D**

[5] *ACCC Container stevedoring report 2019-20*

2013 – March

DP World terminal Brisbane advise *"following receipt of our Market Rent review from the Port of Brisbane Pty Ltd"* a change ($28.00) to the infrastructure charge (initially $4.95) was applied.

Full correspondence at **ATTACHMENT E**

2014 – March

Patrick terminals in Melbourne advise *"Rent and rates charges at the Port of Melbourne have increased considerably in the last few years and throughout our current tenancy at East Swanson Dock (ESD)." "From the 10th of March 2014, we will apply an infrastructure surcharge at the Patrick ESD Terminal as part of the basis on which access to the Terminal is granted"* – this was explained due to a large part of their terminal being dedicated to servicing road transport

Full correspondence at **ATTACHMENT F**

2017 – July

Patrick terminals Sydney & Fremantle - advice of infrastructure charges to be commenced citing rent, land tax and council rate increases along with rising terminal infrastructure maintenance costs. This is contrary to advice from NSW Ports that rents had not increased.

Full correspondence at **ATTACHMENT G**

2019 – March

VICT terminal in Melbourne advise an increase to $85 of the infrastructure fee (initially imposed in March 2018 at $48.00) – reference was also made to *"market pricing shifts"* towards splitting waterside and landside.

Full correspondence at **ATTACHMENT H**

2020 – March / May

In March and May respectively Patrick and DP World made similar announcements of adjustments to their infrastructure fees - whilst focusing on a lowering (DPW dropped their export fee by 10 – 18% depending on the port) or maintaining (Patrick kept theirs the same with exception of Fremantle which jumped 233.33%) both operators increased their import fees 23 – 27% and 47-53% respectively.

3.4. The rapid escalation in TACs

Terminal Access Charges nationally have significantly increased since implementation. The ACCC reported in 2017-2018[6], stevedore revenue from infrastructure charges as being $100 million. It is important to note that this was the first full year of the expanded use of charges. According to the ACCC, the charges again significantly increased in 2018-2019 to $167 million.

FTA / APSA have completed a review of Terminal Access Charges for the 2019 and 2020 calendar years using container number sources from the various Port Authorities with charges averaged across the stevedore imposed fees. Whilst container numbers dropped some 300,000 units from 2019 to 2020, stevedores collected approximately $100m in additional revenue during this corresponding period.

	2019	**2020**
Total number of Import Containers	2,683,438	2,404,800
Total number of Export Containers	1,640,814	1,565,307
Infrastructure costs on imports	$157,914,577	$223,510,721
Infrastructure costs on exports	$96,540,107	$123,885,583
TOTAL COSTS	**$254,454,685**	**$346,736,304**

[6] *ACCC Container stevedoring report 2017-18*

It is important to note that the charges are commonly marked-up by transport and logistics operators to cover administration and cash flow costs. This in effect means that costs paid by exporters and importers conservatively exceed $350m per annum.

3.5. Operational Impacts on Shippers

The imposition of Terminal Access Charges has been devastating for Australian shippers who have, in some cases experienced price increases of over 2,000%, in only a few short years.

As outlined in an FTA / APSA 2019 Senate Committee submission[7], a major Australian exporter of flour, starch, gluten and stockfeed, shipping 22,140 containers per annum paid $833,571 in extra costs; similarly an exporter of paper and recyclables, shipping 42,122 containers in 2018, paid $1,585,893.30 in extra costs.

Since this time, FTA / APSA has received extensive correspondence from members outlining further substantial increases and adverse operational impacts.

Below is a sample of correspondence collated during 2019 and included in an FTA / APSA submission to the Victorian government highlighting the impacts of these charge on Australian commerce and regional farming communities:

Paul Goodman-Jones (Shipping manager – Wilmar Gavilon) – 3 December 2019

Full correspondence at **ATTACHMENT I**

"From a trading perspective the Australian Agricultural sector are now faced with higher landside supply chain costs further diminishing our international competitiveness on top of a crippling drought. Historical markets in the Asia / PNG / Pacific Rim now have capability of sourcing agricultural products from competing Black Sea and North America regions. With blue water supply chains from these origin countries now established, these markets, historically sourced from Australia agriculture could be lost permanently to Australian producers. The only way our Australian sector can regain these markets once we return to an exportable harvest is to then buy our way back into the market at the expense of the producer. These infrastructure charges are harmful to the Australian Agriculture sector."

Mathew Kelly (CEO KM & WM Kelly & Sons) – 8 December 2019

Full correspondence at **ATTACHMENT J**

"The recent harvest(s) has been lower than expected due to drought, however in 2017 we packed 5,500 containers through our Tocumwal facility and other packing houses through-out Victoria. With the current Terminal Infrastructure Fee at DP World of $83.50 per container, the impact is $459,250/mt being moved from regional communities. With our potential to increase our container out-put to 15,000 annually the flow on effects are stifling further investment with the entire container supply chain market."

Mark Lewis (General Manager – Riordan Grain Services – RGS) – 13 December 2019

Full correspondence at **ATTACHMENT K**

"Net result across 8,000 TEU's and assuming worst case increase in pricing from $3.50 per TEU to $98.00 per TEU has = $756,000 per annum in additional cost to RGS. This cost must be passed back to the price that RGS pays for grain as we operate in a very competitive local and global market. Many other international origins are now heavily competing for market access to traditional Australian customers and destinations. We see the net result of these cost increases having the following impacts: 1. RGS pays less for grain to growers and local regional communities. 2. RGS opts out of investment opportunities in expanding container packing capacity. 3. RGS looks at alternate supply chains for grain export movements eg loading on bulk vessels. 4. The Australian Grain industry loses export competitiveness for Australian grain."

[7] *FTA / APSA SUBMISSION : Inquiry into the Policy, Regulatory, Taxation, Administrative and Funding Priorities for Australian Shipping*
[8] *FTA / APSA SUBMISSION : Independent Review of the Victorian Ports System*

Jack King (Commercial & Procurement Manager – Malteurop Australia) – 27 December 2019

Full correspondence at **ATTACHMENT L**

"Since our Geelong Malthouse was established in 1998 we have been a significant end user of Malt Barley for the Victorian grain producers. Recently we have expanded our Malthouse capacity to more than double its previous output so we now export approximately 8000 TEU's from our Geelong plant via the Melbourne Port(s) per annum. When these surcharges are applied across that number of containers it becomes a significant cost to doing business into the ever competitive Asian Malt markets. That is not something we can sustain going forward and it flows back down the chain to growers - if we cannot sell our Malt then we simply buy less Barley from the growers."

3.6. Trial of voluntary performance models

As outlined in the Deputy Prime Minister's response to our May 2020 formal submission[9] and by the ACCC[10] in November 2020, it is noted that the onus is on state governments to act.

Following this advice, FTA / APSA again wrote to relevant state ministers last year reiterating a position that stevedores and empty container parks should be forced to either absorb operating costs or pass these on to their commercial client (shipping lines). This outcome would give shipping lines the choice to absorb costs or pass these onto shippers (exporters, importers and freight forwarders) through negotiated freight rates and associated charges.

As determined by the Ministers at the Infrastructure and Transport Ministers meeting held on Friday 20 November, the National Transport Commission (NTC) was tasked to lead reform and the development of *'voluntary national guidelines'* to apply to stevedore infrastructure and access charges (both their introduction and increase) at Australia's container ports.

Recent events are fuelling our scepticism as to whether a '*voluntary'* arrangement will adequately protect the interest of the international trade sector, adding resolve to our advocacy that regulation is required to wind back and eradicate TACs, leaving market forces to determine price and service between commercially contracted entities.

The Victorian government introduced their Voluntary Port Performance Model (VPPM) last year at which time FTA / APSA received formal correspondence from the Hon Melissa Horne - (Victorian) Minister for Ports stating:

"In January 2020, when I released the summary of our Port Pricing and Access Review to stakeholders, I advised stakeholders that the Victorian Government was not intending to move towards heavy-handed regulation, but would instead work towards establishing a new Voluntary Port Performance Model for the Port of Melbourne in partnership with all port users. I also said that if voluntary standards didn't improve pricing transparency, it was open to the Victorian Government to consider mandatory standards. "

On 15 March 2021, DP World Australia (DPWA) announced an increase in their TAC nationally; specifically in context of their Port of Melbourne operations, the increase scheduled for 1 May 2021 is 11% for import containers and 12.5% for exports.

FTA / APSA sought prescriptive detail as to whether this is a measure to offset a further reduction in quayside rates to DPWA commercial client shipping lines and / or necessitated by other specific operational factors.

In the absence of any commercial ability to influence the quantum of the TAC (being a '*take it or leave it'* proposition as referenced by the ACCC) and in line with the intent of the VPPM, FTA / APSA requested a further detailed explanation for the increase including disclosure, supporting information and data justifying the full cost structure of the total fee to be applied effective 1 May 2021.

While a constructive meeting was subsequently held with DPWA executive, follow up correspondence did not provide the specific data requested, instead provided a general commentary with a broad reference to activities and capital expenses.

[9] *Status report - Container Stevedore Imposition of Terminal Access Charges*
[10] *Container stevedoring monitoring report 2019-20*

3.7. Advocacy for regulatory reform

The VPPM or any similar voluntary monitoring process will mean that stevedores will continue to receive revenue from the transport sector with the minor inconvenience in the form of another level of bureaucracy before implementing each increase. Continuation of such voluntary performance arrangements also poses the significant risk of giving tacit approval to this unwarranted cost recovery method on third parties.

We are also witnessing that empty container parks are also rapidly increasing their charges on transport operators following the lead from stevedores that have demonstrated a very effective model to collect revenue from vehicle booking systems rather than negotiating increases with commercial clients.

Perhaps as indicated by Minister Horne, a voluntary approach had to be tested before heading towards '*heavy handed'* regulation. On Friday 9 April 2021, FTA / APSA wrote again to Minister Horne urging her, ideally in partnership with relevant state ministers, to move towards regulation to force stevedores (and empty container parks) to cost recover directly against their commercial client (shipping line).

RECOMMENDATION 3 (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.

4. CONTAINER DETENTION

4.1. Incentivisation to return empty containers

Container detention is a charging practice deployed by shipping lines globally to incentivise the return (dehire) of the empty container within contracted periods from the time of import. While shipping lines have every right to be recompensed for extended equipment use, shippers should not be forced to pay for events that are outside of their control.

In an extended period from September 2019 to March 2021 we have witnessed a surplus of containers being imported versus those exported causing at times sever congestion at empty container parks contracted to shipping lines. In normal operating conditions, shipping lines would be proactive in commissioning 'sweeper vessels' to evacuate surplus empty containers for repositioning back to suppliers, primarily across Asia. Limited opportunities for this action existed in 2020 with tight windows at stevedores utilised by shipping lines to discharge large volumes of imports and to service our export market recovering from drought and bushfires and finally having produce after much needed rain.

4.2. Logistics complexity in de-hiring containers

The congestion at empty container parks forced transport operators to store containers at their own premises and complete multiple lifts to access containers within stacks with no recompense from shipping lines. Rubbing salt into the wounds, rather than offering blanket extension to detention free periods, most shipping lines continued to issue detention penalties with the importer, transport operator, freight forwarder and / or customs broker having to demonstrate evidence of the inability to de-hire to seek a refund with assessment completed by shipping lines on a 'case-by-case' basis. The charging of container detention in these circumstances is a totally unacceptable measure, only increasing the workload for industry to maintain data supporting the need for relief and then shipping line staff having to validate the claims.

During this period, transport operators have also reported a growing number of issues in respect to the way shipping lines are managing empty container movements, with a surge of 're-direction' notices (where the shipping line instructs a transport operator to return a container to a certain empty container park, then changes the direction to a different empty container park). Again, without any level of compensation provided by shipping lines, the issue has reached a crisis point where Australian transport operators have now applied an industry-wide broad surcharge to recover costs of related inefficiencies (futile truck trips, more truck kms travelled, extra handling costs, etc.)

4.3. Unfair penalty imposition

Detention charges caused by Australian Border Force (ABF) imposed *'border holds',* or containers being inspected at the Container Examination Facility (CEF), are a major and recurring issue for importers, freight forwarders and customs brokers. While the ABF has arrangements in place with stevedores to offer free storage arrangements if the cargo report was lodged within statutory timeframes, shipping lines will still apply detention fees for late container de-hire, even though the importer, freight forwarder or customs broker has no control over the container during that time. If container detention and demurrage practices were *'just and reasonable',* the container detention clock would start from the time the container becomes available after CEF processing, not from the time the container is discharged from the vessel.

The US Federal Maritime Commission (FMC) has recently launched a formal investigation into the shipping lines use of 'unfair and unreasonable' practices imposed on importers and exporters in relation to empty container returns and shipping line container demurrage- detention charges. FTA and APSA had the privilege of interviewing[11] Commissioner Rebecca Dye on 8 April 2021 who has responsibility for leading the FMC investigation.

The Commissioner noted: "*there are good charges and bad charges"; "We are no longer going to allow the ocean carriers and the ports to push-off port inefficiencies to shipper, truckers and intermediaries"; and "And if a trucker attempts to return an empty container within the time allocated, and is prevented by congestion from returning it, then he doesn't pay."*

Administering container detention penalties in situations where the shipping line contracted Empty Container Park (ECP) is closed or is at full capacity should not be permitted. To impose these charges and then expect the importer to justify a claim for refund adds unnecessary administration both on the importer and the shipping line.

[11] *FTA / APSA podcast with Rebecca Dye (Commissioner US Federal Maritime Commission)*

In line with this position, the Commissioner noted during the recent congestion at Los Angeles – Long Beach USA, a major shipping line waived all detention and demurrage charges with the rationale *"they understand it is unreasonable to impose charges in situations of such extreme congestion"*

It is disappointing that during the recent congestion issues at ECP's in Sydney that not all shipping lines applied a general waiver of this nature and instead imposed a more rigorous regime of applying a case-by-case basis of review for refund of container detention charges imposed.

FTA / APSA see the need for regulation to enforce the following rules:

- shipping lines to start the container detention clock from the time that the import container is physically available to collect from the stevedore (some currently commence the detention clock from when the container is discharged from the import vessel);
- shipping lines to provide a minimum of seven days to de-hire containers to facilitate staged movements of containers (extended periods to be available and negotiated on a commercial basis);
- the detention clock to apply only after border and biosecurity intervention have been completed (in prescribed circumstances when the importer has completed all necessary pre-arrival regulatory requirements);
- the detention clock to stop on week-ends and public holidays when many nominated de-hire locations are unavailable; and
- the detention clock to stop in the event that the nominated dehire location is at capacity and not physically able take receipt of the container.

RECOMMENDATION 4 (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.

5. INDUSTRIAL ACTION

5.1. Sustained waterfront industrial action

The Maritime Union of Australia (MUA) [and the Communications and Electrical Plumbing Union (CEPU) at DP World Australia (DPWA)] implemented a range of protected industrial actions at Australian ports, specifically during 2019 [DPWA and Hutchison Port Holdings (HPH)] and 2020 [DPW, HPH and Patrick Stevedoring] with the effect of significantly reducing the stevedores' ability to operate its normal operations as well as the flexibility to increase production in light of increased demand by the supply chain and assist reduce bottlenecks and congestion.

Between November 2020 and January 2021 the MUA also initiated protected industrial action against Svitzer and their towage operations which included bans on overtime; use of Svitzer Australia's planned maintenance system; use of Svitzer Australia's online training courses; and bans on the performance of work on selected shipping line vessels.

In 2021 Victorian International Container Terminal (VICT) experienced similar stoppages and work bans from the MUA [and the Communications and Electrical Plumbing Union (CEPU) and Australian Maritime Officers Union (AMOU], it was only stopped when the matter was raised to the Fair Work Commission and an interim order was set for no industrial actions for a period of two months.

5.2. Protected Industrial Action and operational impacts

The range of actions across the ports has included one or more of the following with stevedores reporting the following impacts:

- **Bans on shift extensions:** if a vessel or task is not competed within a shift, there is no ability to extend the shift in order to finish the task – this causes major disruption on the planning of the next shift, where labour and equipment must be redeployed;

- **Ban on overtime:** restricts the ability to resource additional labour at short notice due to unexpected disruptions in production. This results in the inability to deploy additional crane gangs to vessel delays, train delays and the road program that may have fallen behind for numerous reasons. This action causes particular hurdles on the weekend but is also a restriction during weekdays;

- **Various stoppages:** disruptions of one, two, four, eight and twenty four hours. At DPWA in Melbourne there was an example of a 96 hour stoppage. These restrictions apply across all equipment, placing a significant limitation on available crane hours and also affecting vessels and road transport. One and two hour stoppages per shift appear to have been designed to cause maximum damage to the supply chain whilst still providing income to employees participating in the industrial action. At VICT this consisted of one, four and 12 hour stoppages. A 4 and 12 hour stoppage occurred prior to the Fair Work Commission interim order, without the interim order there was plans for a complete stoppage at the terminal for 36 hours having significant impact to the supply chain and shelf life for imports and exports.;

- **Bans on the performance of upgraded positions:** this has the effect of significantly reducing the ability to deploy skilled labour to operating equipment. In some cases, 50% of the workforce cannot be deployed to equipment required to be used to perform a normal shift.

- **New PIA measures:** disruption implemented against nominated vessels and sub- contracted vessels to and from other stevedores. These bans have been approved by the FWC and have the effect of stopping any work on vessels being performed by stevedores. These types of bans appear to be designed to have the same effect as stoppages but attempt to preserve earnings for employees allocated to a shift;

- **Vessel bans:** where nominated vessels have not been worked by stevedores for a nominated period of time; and

- **Bans on working subcontracted vessels:** where vessels that are subject to subcontracting arrangements from competing stevedores;

- **Bans on interacting with parties outside of Australia:** where certain Union members will not communicate with customers or parties that are located outside of Australia.

5.3. Impacts of industrial action on trade

Feedback received from container stevedores is that normal planned production is significantly affected, reducing capacity to increase production which enables recovery for delayed vessels or normal interruptions in the production cycle. However, the cumulative consequence of disruptions can snowball if the outturn disruptions exceed stevedore's ability to catch up, and that it can take several months to recover from a major disruption.

Shipping lines reported other impacts including reduced capacity as a result of vessel sliding to recover schedule delay, container shortages due to increased container turn-time and restrictions to reposition empty containers to demand locations as a result of reduced terminal productivity and vessel waiting times of up to 19 days.

This was evident during the period from September 2020 whereby several shipping lines in quick succession administered a 'Port Botany Container Surcharge' ranging from US$285 to $350 per TEU. It is conservatively estimated that this surcharge alone cost exporters and importers in excess of A$330 million.

While the above provides some indication of the impacts of industrial action, the reputational damage and supply chain costs remains unquantified. Importantly, APSA has provided a submission to the Australian International Trade & Transport Industry Development Fund Ltd (AITTIDF) to fund an economic assessment of the impact of 'disruptive events'. As well as supporting advocacy for business continuity, the consultation, research and paper will also be a vital resource should industry representatives be called as an expert witness to quantify economic impacts of waterfront industrial action before the FWC.

RECOMMENDATION 5 (waterfront industrial relations reform) – the Federal Government to initiate a formal waterfront industrial relations review to provide immediate and continued business continuity for what is an 'essential service' and our international gateway for major supply chains.

6. BIOSECURITY

6.1. Systemic problems

A change of import dynamics (increased import sea containerised volume and e-commerce via airfreight) and 'work from home' pandemic operating conditions during 2020 highlighted inefficiencies in document processing and inspection programs administered by the Department of Agriculture, Water and the Environment. Importers, freight forwarders and customs brokers suffered significant delays adding considerable costs aligned to contractual failures in meeting supply commitments and shipping line administered container detention penalties for the late dehire of the empty container.

As outlined in an independent report[12] completed by the Inspector-General of Biosecurity (IGB) in February 2021, the biosecurity system is not in a strong position to address the diverse and evolving biosecurity risks and business environment expected to prevail in 2021 and through to 2025. '*This assessment is based on an examination of the systemic problems, including the department's regulatory maturity, its approach to co-regulation, inadequate frontline focus, and the absence of an appropriate funding model.'*

6.2. Reform with the goal of setting global benchmark of biosecurity best practice

The release of the IGB report coincided with a February 2020 meeting between FTA / APSA representatives and the Hon David Littleproud (Minister for Agriculture, Drought and Emergency Management) resulting in the Minister producing a media release[13] acknowledging performance failures, outlining necessary proactive initiatives and making the following affirmative statement *"I have asked my department to work with industry groups on other short-term and medium-term system and process improvements, and on setting a global benchmark in biosecurity best practice through co-design."*

Interim measures developed in consultation with industry and delpoyed by the department in early 2021 have provided a level of relief and must be sustained until longer term underlying causes are addressed, adequate resourcing levels are in place and longer term reforms are iimplemented.

RECOMMENDATION 6 (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.

[12] *Adequacy of department's operational model to effectively mitigate biosecurity risks in evolving risk and business environments*
[13] *Minister Littleproud Media Release: Biosecurity is Top Priority*

7. AIR FREIGHT CAPACITY

7.1. Capacity reduction resulting from closure of international borders

Aviation has been one of the hardest hit sectors by the pandemic, devastated by the restrictions affecting passenger movements.

Approximately 80% of Australia's international air cargo volume is usually carried in the belly of passenger aircraft. With dedicated freighter aircraft operating at capacity, airlines are increasingly deploying passenger aircraft for freight purposes and have initiated some new freight only services. This has been complemented by freight forwarders who have also initiated chartered services utilising what would otherwise be idle passenger aircraft.

Air freight costs have understandably substantially increased without the cross-subsidisation and demand of passenger traffic.

7.2. Government financial assistance

While industry has been proactive, continuity of service could not have been sustained without the combination of Federal Government initiatives being the International Freight Assistance Mechanism (IFAM) administered by the Australian Trade and Investment Commission (Austrade), Cash Flow Boost and JobKeeper Payment schemes.

The combined efforts of commerce and government has facilitated continuation of access to global markets for Australian exporters, importation of time-sensitive goods (including medical, PPE and other essential supplies) and has maintained residual Australian jobs in the aviation sector by keeping aircraft flying.

IFAM in particular has played a critical role in maintaining global air connections and protects hard fought market share, while targeting support where it is needed most and buying Australian businesses time to align their operating models to 'new-look' supply chains.

According to Austrade[14], IFAM has already reconnected Australia to almost 70 international destinations and helped the movement of high-value perishable Australian products to international customers on more than 11,000 flights. The program has also enabled the import of nationally important goods, aiding Australia's pandemic response.

IFAM complements other government support options, as businesses transition from reliance on emergency assistance and adjust to a recalibrated international trading environment.

7.3. Adapting to the new trade environment

On 11 March 2021, the Australian Government announced a further funding to extend IFAM to the end of September 2021, giving Australian businesses reliant on airfreight extra time to adapt to the new international trade environment.

As indicated throughout this submission, utilisation of sea cargo may assist to some degree but also faces its own complexities, costs and capacity limitations.

While it is imperative that our borders are only opened when it is safe to do so, the longer this is delayed, the further the Australian trade sector will fall behind other global economies who will be in a position to forge ahead with open travel and trade.

Current reports are that the Australian population may not be fully vaccinated until 2023, jeopardising the opportunity for a widespread opening of international borders by the Australian Federal Government.

While we commend the Federal Government for the IFAM initiative and its highly successful deployment, it is imperative that the mechanism continues beyond September 2021.

RECOMMENDATION 7 (extension of IFAM funding) – the Federal Government should allocate additional funds to maintain the International Freight Assistance (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.

[14] *https://www.austrade.gov.au/news/news/international-freight-assistance-mechanism*

ATTACHMENT A

Ms Vestager
EU Commissioner for Competition
Ms Adina-Ioana Vălean
EU Commissioner for Transport

European Commission
Rue de la Loi / Wetstraat 200
1049 Brussels
Belgium

By email only

Brussels, 13 April 2021

Dear Commissioner Vestager and Commissioner Vălean,

The undersigned associations call on the European Commission to investigate the behaviour and practices of container carriers over the last year in view of the problems and disruptions in the maritime logistics supply chain.

The associations recall that it is now one year ago the European Commission decided to renew the Consortia Block Exemption Regulation (CBER) with four years allowing carriers to exchange commercially sensitive information between shipping lines operating in consortia in order to permit the sharing of space on vessels and the co-ordination of sailing schedules. During the last year our collective membership, including European importers and exporters, shippers, freight forwarders and logistics service providers, deepsea terminal operators, barge and inland terminal operators/owners and port workers have suffered from worsening levels of capacity availability and service quality, which is currently at all-time low levels.

We appreciate the recognition from container carriers that the current surge of import cargoes has resulted in challenges across the entire supply chain, affecting not only ocean carriers, but also port terminals, combined transport operators and the entire hinterland supply chain. The associations however reject the claims from carriers that the challenges are not caused on the water but occur only because of challenges on the land side to handle the sustained surge.

One of the reasons for the current port terminal congestion and the lack of container capacity is that carriers, contrary to their narrative, have over the last months been extremely selective in allocating capacity, hauling containers back to Asia empty to collect better freight rates for import freight, which has led to dysfunctionalities and prevented European exporters from supplying trades.[1] As a result of this, there are irregularities in the arrival of vessels, which is creating problems, operational issues affecting port workers and delays in the hinterland connectivity and additional costs for shippers, forwarders, barge and inland terminal operators and owners and other service providers, handling containers in European ports or seeking to transport them.

While the withdrawal of shipping capacity may have been justified in the second quarter of 2020, in view of the decreased demand for transport, carriers continued to cancel many calls in the second semester of 2020, which saw an increase in demand for transport.[2] It would be justifiable in this respect to request an explanation from carriers about the reasons of an all-time low schedule reliability, which has been creating congestion and other issues in many port operations. The associations are of the view that the claim that carriers had no alternatives will need to be seriously investigated. All parties in the maritime and hinterland logistics supply chain suffer from the carriers' failure to provide reliable updates on ship and container status.

The associations note that the lifeblood of European business are small and medium sized companies, who under these difficult circumstances cannot provide volumes, which can be guaranteed by large multinationals. It is therefore with surprise that the associations note that carriers are pointing to the other players in the supply chain to explain the current situation, whereas much of the problems are of their own making.

In this regard, we would also like to highlight that carriers are benefiting of the CBER, which allows them to jointly manage capacity at their leisure and without conditions in time. When the Commission decided that the CBER remains relevant, it did so because of ensuing benefits for customers. We consider that customers have not benefited from the renewal of the CBER in view of the evolution of the freight rates and the simultaneous fall-back in frequency, reliability, and connectivity. Notably, efficiency improvements for the carriers have led to decreasing efficiency for the other parties down the supply chain.

Equally, carriers are benefitting from state aid and a privileged tonnage tax regime, which is quite exceptional since the other parties in the chain are not benefiting from similar benefits. In our view, the application of EU Competition rules to the maritime transport sector is too one-sided, affecting market power significantly and not benefitting consumers.

We appreciate the joint initiative of your services to organise a Maritime Forum to discuss some of these problems, but we call on the EU Commission to act and proceed with a proper investigation about the developments these last months. We believe that the current situation requires more than a "listening mode" attitude from your services.

[1] Note the Drewry two-year spot freight rate trend for the World Container Index

[2] Vessel deployments during Q4 2020 added only 4% extra capacity to East-West routes compared to Q4 2019. Growth in trade increased 9.5% over the same period. The 'capacity crunch' was met by greater utilisation of available space and a reduction in the number of port calls. As shown in the recent report of MDS Transport

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Whereas the pandemic has brought economic difficulties to all parties in the supply chain, we recall that the root-cause of the current problems is not the pandemic. The pandemic was only the trigger to the current problems which can be attributed, inter alia, to a one-sided regulatory regime which encouraged shipping lines to increase their investments in ultra large container vessels. The result for land-based infrastructure is a level of pressure that is difficult to sustain.

The transport and logistics companies we represent have repeatedly called on the European Commission to finally do justice to its task as a guardian of the EU treaties and to take measures that would restore the free movement of goods.

The undersigned associations call on the European Commission to proceed promptly to a factual enquiry about developments on a monthly basis during 2020 and in the first quarter 2021 in order to establish the real causes of the disruption in the maritime logistics and hinterland logistics chain. Only an enquiry will reveal the reasons of the dramatic decline in reliability and consistency of vessel arrivals at European ports, and hence the availability of imported cargoes to shippers and empty containers to exporters.

We look forward to receiving a reply with respect to our legitimate request and thank you for the attention you will give to our joint demand.

Yours sincerely,

Nicolette van der Jagt
Director General
CLECAT

Godfried Smit
Secretary General
European Shippers' Council

Lamia Kerdjoudj-Belkaid
Secretary General
FEPORT

James Hookham
Secretary General
Global Shippers Forum

- 3 -

Stephane Graber
Director General
FIATA

Anna Maria Darmanin
Secretary General
European Tugowners Association

Theresia Hacksteiner
Secretary General
European Barge Union EBU

Livia Spera
Acting General Secretary
European Transport Federation

Ralf-Charley Schultze
President International Union for Road-Rail
Combined Transport

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ATTACHMENT B

In response to the Proposed Class Exemption for Ocean Liner Shipping published by the ACCC on 3 December 2019, FTA / APSA provided the following nine (9) recommendations:

RECOMMENDATION 1 – APSA recommends repeal of Part X with a block exemption regime administered by the ACCC that allow shipping lines to collaborate on operational matters only to achieve efficiencies in supplying jointly organised services.

Comment: Shipping lines should be subject to generic competition laws and upon application to the ACCC, be permitted to combine resources with demonstration of economies of scale, provision of lower-cost services, enhanced frequencies breadth of destinations.

RECOMMENDATION 2 – APSA recommends alignment with the block exemption arrangements established in New Zealand to form a regional approach to shipping line competition law.

Comment: Learnings need to be assessed from deficiencies of elements of European Union (EU) block exemption regime.

RECOMMENDATION 3 - APSA recommends that the block exemption regime retains minimum levels of service (MLS), negotiable shipping arrangements and minimum notification periods as currently provided by Part X.

Comment: An important element of Part X is that it provides minimum service levels and reduces the frequency and instances of blank sailings.

RECOMMENDATION 4 – APSA recommends the block exemption regime to exclude an ability to fix or coordinate freight prices and surcharges; pool or apportion earnings, losses or traffic; or restrict capacity (slots) offered.

Comment: These exclusions would minimise the risk of market manipulation. 4 I FTA / APSA response to the ACCC Discussion Paper - Proposed Class Exemption for Ocean Liner Shipping

RECOMMENDATION 5 – APSA recommends the block exemption registration process to mandate incorporation of stevedore supplier fees to be administered direct and solely against shipping lines (negating the practice of stevedore-imposed *"Infrastructure Surcharge"* administered against the transport sector).

Comment: This provision would reduce the adverse impacts of Infrastructure Surcharges by forcing commercial negotiations of services and price to be negotiated between commercial interests (i.e. stevedore with shipping line / shipping line with shipper).

RECOMMENDATION 6 - APSA recommends that the terms of the block exemption arrangements are drawn as narrowly as possible to permit the desired activities to be operationalised, and no more.

Comment: It is essential that shippers are not exposed to the risk of anti-competitive practices.

RECOMMENDATION 7 – APSA recommends the block exemption regime to introduce a registration process supplying core information to the ACCC to ensure compliance with any new statutory provisions.

Comment: A registration process would mandate the supply of key operational data to assess compliance with block exemption requirements.

RECOMMENDATION 8 – APSA recommends that it maintains its designated peak shippers' body status to support the ACCC review applications for block exemption arrangements.

Comment: A continued role for APSA (and as required, secondary peak bodies as per Part X) would support the ACCC in assessing registrations in a contemporary operating environment.

RECOMMENDATION 9 – APSA recommends continuation of legal instruments to allow shippers to negotiate collective freight contracts with shipping lines.

Comment: This may be achieved via the new ACCC class exemption allowing collective bargaining by eligible businesses.

ATTACHMENT C

DATE	VBS SURCHARGE		SYDNEY				MELBOURNE				BRISBANE					FREMANTLE			ADELAIDE	
			DPW	PAT	HUTCH		DPW	PAT	VICT		DPW	PAT	HUTCH	AAT		DPW	PAT		FLINDERS	
IMPORTS / EXPORTS																				
23/8/10											$4.95									
1/10/10												$17.75								
1/7/11												$18.30								
4/3/13											$28.00									
10/3/14								$3.50												
23/2/15							$3.50				$31.00									
11/1/16											$32.10									
1/7/16												$28.75								
1/1/17											$32.74									
3/4/17	INFRASTRUCTURE		$21.16				$32.50						$32.00							
10/7/2017	INFRASTRUCTURE			$25.45	10.45			$32.00				$32.55	$32.60				$4.76			
1/1/2018	INFRASTRUCTURE		$37.65				$49.20				$38.75					$8.22	$7.50		28.50	
12/3/2018	INFRASTRUCTURE			$41.10				$47.50	$48.00			$38.25								
	INFRASTRUCTURE				35.84								$33.10							
11/2018	INFRASTRUCTURE													$38.70						
1/1/2019	INFRASTRUCTURE		$63.80				$85.30				$65.15									
4/3/2019	INFRASTRUCTURE			$77.50				$82.50	$85.00			$71.50							28.96	
19/8/2019	INFRASTRUCTURE												$50.00							
18/11/2019	INFRASTRUCTURE				$63.11															
1/1/2020	TERMINAL Access		$91.00				$98.00		$121.80		$89.00					$45.00				
9/3/2020	INFRASTRUCTURE			$114.50				$125.80				$110.00					$50.00			
8/5/2020	TERMINAL Access		$112.10				$125.00				$109.50									
1/7/2020	INFRASTRUCTURE													$39.63					$29.60	
27/7/2020	INFRASTRUCTURE												$94.78							
1/8/2020	INFRASTRUCTURE								$131.03											
8/9/2020	INFRASTRUCTURE				$88.83															
1/1/21	TERMINAL Access						$125.00		$131.03		$109.50					$42.00				
1/3/21	INFRASTRUCTURE			$117.85	$135.65			$129.50				$113.20	$133.08				$53.85			
1/5/21	TERMINAL Access		126.60				139.20				124.00									
1/7/21	INFRASTRUCTURE																		$75.00	
	Increase $ on original		105.44	92.40	125.20		135.70	126.00	83.03		119.05	95.45	101.08	0.93		33.78	49.09		46.50	
% Increase on original			498.30	363.06	1198.09	%	3877.14	3600.00	172.98	%	2405.05	537.75	315.88	2.40	%	410.95	1031.30	%	163.16	%
EXPORTS																				
9/3/20	INFRASTRUCTURE			82.50				82.50				82.50					25.00			
8/5/2020	TERMINAL Access		79.50				79.50				79.50						42.00			
1/1/21	TERMINAL Access																			
1/3/21	INFRASTRUCTURE			84.90				84.90				84.90					26.92			
1/5/21	TERMINAL Access		89.50				89.50				89.50									

ATTACHMENT D

Patrick Terminals
Patrick Stevedores
Operations Pty Limited
ABN 33 086 375 840
PO Box 734, Wynnum QLD 4178
Berth 10 Curlew Street
Port of Brisbane QLD 4178

Patrick Brisbane Autostrad Terminal – Infrastructure Surcharge

On 21 July, 2010 the Divisional General Manager of Patrick Container Ports, Mr Paul Garaty, wrote to clients in relation to unsustainable cost increases in the Port of Brisbane. This correspondence was subsequently circulated locally under cover of Patrick Brisbane Client Advice No. 9 of 22 July 2010 and broadcast to the road transport industry by the Queensland Trucking Association via their Waterfront Carriers News Brief No. 5 of 28 July 2010.

Through this correspondence Patrick indicated that the level of increase it had sustained in infrastructure costs, principally lease costs, could no longer be absorbed within operating margins and as such an infrastructure surcharge was under active consideration.

It is a fact that our lease costs per square metre have risen 400% since December 2005, a rate of increase which is excessive relative to other Australian ports and, notwithstanding the Company's efforts to offset this by way of productivity and efficiency enhancements, beyond our capacity to bear.

The ACCC endorsed Independent Price Expert in the recently completed review of Terminal Operator AAT's pricing at Fisherman Islands, made the following observations in regard to property values at the Port of Brisbane;

> *"As a result of the May 2008 review PBC claimed that the value of these assets, and hence the base on which the rent is calculated, increased by 390%"*

Accordingly it has been decided to include an infrastructure surcharge at the Patrick Brisbane Autostrad Terminal from 1 October 2010 as part of the basis on which access to the Terminal is granted.

The infrastructure surcharge will be applied to road transport operators for all full container movements, both import and export, made at the Terminal. The rate of the infrastructure surcharge will be $17.75 per container which will be invoiced electronically via One Stop. The surcharge will be covered by the existing terms and conditions of the Vehicle Booking System, including payment terms, with ongoing access to the Terminal conditional upon prompt settlement. It is important to note that a substantial part of our Terminal, including our dedicated Truck Marshalling Area, is devoted to the servicing of road transport and that the cost of providing this specialist infrastructure has, like the Terminal as a whole, been subject to the level of increase indicated above.

All full containerised cargo moving to and from the Terminal will be subject to the infrastructure surcharge. This includes under the VBS system, bulk runs of full containers and transfers of containers from Cargolink and the Brisbane Multimodal Terminal.

Patrick sincerely regrets that this action has become necessary however it is important to realise that we have borne increases in infrastructure costs for several years and that we are no longer in a position to do so. Accordingly the increased cost of container terminal infrastructure in the Port of Brisbane needs to be passed on through the transport chain.

The Patrick Yard Management staff and I are happy to provide clarification in relation to this development as necessary.

Yours sincerely

Matt Hollamby
Terminal Manager - Brisbane

ATTACHMENT E

DP WORLD
Brisbane

Fishermen Islands Terminal
Port Drive
Port of Brisbane QLD 4178
PO Box 702
Wynnum QLD 4178

Tel: +61 7 3895 9222
Fax: +61 7 3895 1221
www.dpworld.com

19th February 2013

NOTICE TO DP WORLD CUSTOMERS

By e-mail

Dear Customer,

Re: Infrastructure Surcharge

DP World Brisbane provides notification to all customers of a change to the Infrastructure Surcharge with effect 4th March 2013 following receipt of our Market Rent review from the Port of Brisbane Pty Ltd.

The Infrastructure Surcharge will be $28.00 (excluding GST) per full container and will be applicable to all container movements handled via gate operations. Charges shall continue to be levied via the Vehicle Booking System and covered by the existing Carrier Access Arrangements including payment terms.

DP World Brisbane regrets the increase in the Surcharge, however have been left with no alternative but to pass on the increases we have experienced following this review.

Yours sincerely,

Mark Hulme
Director and General Manager
DP World Brisbane

DP World Brisbane Pty Limited
ABN: 86 130 876 701

ATTACHMENT F

Patrick Terminals

Patrick Stevedores Operations Pty Limited
ABN 33 065 375 840

Level 6, 15 Blue Street
North Sydney NSW 2060

Telephone: 61 2 8484 8000

New Infrastructure Surcharge East Swanson Dock from 10 March 2014

Rent and rates charges at the Port of Melbourne have increased considerably in the last few years and throughout our current tenancy at East Swanson Dock (ESD). Since 2006, the combined cost of land tax, rental and council rates at ESD has increased in excess of 90%. Whilst we have implemented a number of initiatives to improve efficiency and productivity in order to avoid the imposition of additional costs on the supply chain, we can no longer absorb all of these excessive charges.

From the 10th of March 2014, we will apply an infrastructure surcharge at the Patrick ESD Terminal as part of the basis on which access to the Terminal is granted. The surcharge will be applied to road transport operators for all full container movements (VBS and Bulk Runs), both import and export, handled at the Terminal. The surcharge of $3.50 per container will be invoiced electronically via One Stop.

The surcharge will be covered by the existing terms and conditions of the Vehicle Booking System, including payment terms. Ongoing access to the Terminal will be conditional on payment of the charges as per our conditions. It is important to note that a substantial part of our Terminal, including our dedicated Truck Marshalling Area, is devoted to the servicing of road transport and that the cost of providing this specialist infrastructure has, like the Terminal as a whole, been subject to the cost increases indicated above.

It is important to note that we have absorbed previous increases in infrastructure costs for several years however this is no longer sustainable. Patrick will apply the surcharge to all road transport operators on exactly the same basis. The charge will be reviewed annually along with our other terms and conditions.

Patrick will continue to strive to maintain exemplary service to all transport operators ensuring rapid turnaround of trucks.

Please contact Chris Brewster on (03) 9688 5680 with any queries.

Regards

Peter Nash

GM, Sales and Marketing

Terminals and Logistics

Head Office

Level 6, Blue St
North Sydney 2060

www.patrick.com.au
ABN 44 007 427 652

ATTACHMENT G

PATRICK

Patrick Terminals – Infrastructure Surcharge and Ancillary Charges: effective 10 July 2017

Rent, land tax and Council rates continue to increase considerably across Patrick's Terminals. We have been notified of rental increases within our property portfolio of over 140%, with some being backdated to 1 July 2015. These increases place a significant additional cost burden on our operations. The new management at Patrick has rigorously pursued a number of initiatives to improve efficiency and productivity but, faced with the current market conditions and the ongoing consequences of the port privatisations, we can no longer absorb these excessive charges over and above CPI within our operating margins.

In addition to the below charges, Patrick also incurs rising Terminal infrastructure maintenance costs relating to the landside interface operations. This maintenance is essential to continue to provide our customers with superior service levels. Since 2015, Patrick's investment in dedicated landside infrastructure of over $285m across all of our Terminals has resulted in material improvements in the efficiency of the landside operations including reduced truck turn-around times and congestion. To date, none of these investment costs have been passed on to our customers.

Accordingly, from 10 July 2017, it has been decided to:

- introduce an infrastructure surcharge at the Sydney and Fremantle Terminals; and
- increase the existing infrastructure surcharge at Fisherman Islands and East Swanson Dock Terminals,

as part of the basis on which access to the Terminals is granted. The new surcharge at Sydney and Fremantle brings these Terminals into line with Patrick's other Terminals.

The infrastructure surcharge will be applied to both road and rail transport operators for all full container movements, both import and export, made at the Terminals. Road operators will be invoiced electronically via 1-Stop while rail operators will have the surcharge separately itemised on their rail invoice. Patrick recognises these charges may impact our transport and logistic customers' working capital requirements. We will, therefore, be extending the credit terms for all Patrick 1-stop charges (including VBS and infrastructure surcharges) from the current 7 day terms to 30 day terms for all customers. Ongoing access to the Terminals is conditional upon prompt payment in accordance with Patrick's conditions.

The rates of the surcharges are as follows:

- Sydney $25.45 per box
- Fremantle $4.76 per box
- Fisherman Islands $32.55 per box
- East Swanson Dock $32.00 per box

Furthermore, increased labour and energy costs have forced us to increase all Ancillary Charges from 10 July 2017. The new rates have been published on Patrick's website (www.patrick.com.au).

We regret this change to our cost structure but without sacrificing infrastructure investment and further performance improvements, we have been left with no alternative.

Please contact your Patrick representative should you wish to discuss these changes.

Yours sincerely

Ashley Dinning
Chief Commercial Officer

Port Botany
Gate B105a Penrhyn Road
Port Botany NSW 2019
PO Box 695, Matraville
NSW 2036

patrick.com.au

ABN 33 085 375 840

ATTACHMENT H

Victoria International Container Terminal Limited
78 Webb Dock Drive, Port Melbourne, VIC, 3207
PO BOX 5032, Garden City, VIC, 3207

VICT Landside Update

Issued: 30th January 16:25hrs

Customers are advised that from 1 March 2019, VICT will be increasing the Infrastructure Surcharge to $85.00 per container (exclusive of GST) and will apply to all full containers, received or delivered to VICT.

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.

Please contact the VICT Commercial team on 03 8547 9700 should you wish to discuss these changes further.

To subscribe to these notifications please go to www.vict.com.au/#/subscription

ATTACHMENT I

3rd December 2019

Mr. Paul Zalai
Director and Co-Founder / Freight & trade Alliance (FTA)
Secretariat / Australian Peak Shippers Association (APSA)
Director / Global Shippers Forum (GSF)

REF : TERMINAL INFRASTRUCTURE SURCHARGES

Dear Paul,

We would like to highlight the impacts to the supply chain costs that Wilmar International and our associated companies are incurring with the increasing fees applied by container terminals in relation to infrastructure surcharges / levies.

About us:

Wilmar Gavilon is a 50/50 Joint Venture between Wilmar International and Gavilon LLC, a 100% owned entity of Marubeni Corporation

Operations in Australia and New Zealand

Part of a vertically integrated feed ingredients supply chain group.
Importing edible oils, Palm Kernel Meal, Specialty Fats and Molasses into Australia and New Zealand.

Exporting Fats, Protein Meals, Grains, Oilseed and Pulses from Australia and New Zealand
Own and operate a dry bulk, bulk liquid and container packing facility in Brisbane called Queensland Bulk Terminals.

Wilmar International also own Goodman Fielder International – brands include White Wings, Pampas, Ernest Adams, Helgas, Wonder White, Praise, Cornwells, Meadow Lea, Gold n Canola and Crisco Oils; and Sugar Australia – CSR Sugar brand.

In Australia, our group handles in excess of 20,000 containers annually, import and export through the five main container ports. Current infrastructure fees represent additional costs exceeding AUD1.5million p.a., with further increases advertised from 1-JAN-2020 at some terminals.

With our integrated vertical supply chain, commodities and ingredients supplied to Goodman Fielder milling and production facilities are exposed to all incremental costs. Currently these infrastructure charges represent additional AUD4-5 per metric tonne which are passed through the cost of production and ultimately the retail price of these staple foods in Australia, and the wider Pacific region.

Level 1, 26 Kiln Street, Darra Queensland, 4076 | PO Box 220, Archerfield, Queensland, 4108
Phone: +61 7 3713 8700 | Fax: +61 7 3713 8717

From a trading perspective the Australian Agricultural sector are now faced with higher landside supply chain costs further diminishing our international competitiveness on top of a crippling drought. Historical markets in the Asia / PNG / Pacific Rim now have capability of sourcing agricultural products from competing Black Sea and North America regions. With blue water supply chains from these origin countries now established, these markets, historically sourced from Australia agriculture could be lost permanently to Australian producers. The only way our Australian sector can regain these markets once we return to an exportable harvest is to then buy our way back into the market at the expense of the producer. **These infrastructure charges are harmful to the Australian Agriculture sector.**

Another point that needs raising is the "double-dipping" these landside infrastructure charges represent to Australian cargo owners. Terminal Handling Charges, vastly higher than our nearest Asian trading partners, are already recovered from shippers and importers by shipping lines along with ocean freight. Cargo owners are paying stevedore's charges twice.

For decades Australian cargo owners have been subjected to the duopolistic practices that existed on the Australian waterfront from the two main stevedores. The addition of a third terminal operator on the main east coast ports has resulted in this new practice designed to increase stevedore revenue through cargo owners by avoiding discussion with their contracted customers – the shipping lines. Cargo owners have no direct consultation as to which terminal the carriers use, and shipping lines deny any responsibility in regards to these additional costs. The result is that the cargo owners have no recourse against terminal operators and despite claims of increases in efficiencies with quayside operations, the cost of shipping through Australian container ports continues to escalate with no real benefit to cargo owners.

A summary of the latest infrastructure charges around the main Australian ports are attached for your reference. Without regulation, there is every sign these charges will continue to be increased in pursuit of stevedoring profit without accountability.

Sincerely

…………

Paul Goodman-Jones
Shipping Manager
Wilmar Gavilon Pty Ltd

Level 1, 26 Kiln Street, Darra Queensland, 4076 | PO Box 220, Archerfield, Queensland, 4108

Phone: +61 7 713 8700 | Fax: +61 7 3713 8717

ATTACHMENT J

K M. & W. M. KELLY & SONS

Grain Merchants

A.B.N. 43 509 690 736
P.O. Box 244 Finley NSW 2713
30-32 Berrigan Road Finley, N.S.W. 2713
Phone (03) 5883 3422
Email: info@kellygrains.com.au

December 8th 2019

Mr Paul Zalai
Director and Co-Founder | Freight & Trade Alliance (FTA)
Secretariat | Australian Peak Shippers Association (APSA)
Director | Global Shipper Forum (GSF)

Subject: Terminal Infrastructure Surcharges at the Port of Melbourne

Dear Paul,

I am writing to you in support of the advocacy work in relation to the surcharges in Terminal Infrastructure Surcharges. Also, to show you the impact on supply chain costs that KM & WM & Kelly Sons (Kelly Grains) are incurring as a result.

Kelly Grains are is a family owned and operated company with 80 years as Grain Merchants and Logistics Specialists. The business commenced in Tocumwal (NSW) and has developed a 250,000mt grain storage facility. We have a direct rail link via the Tocumwal-Melbourne line which we supply bulk rail and containers to Melbourne ports. We also use have storage and container packing arrangements throughout the rest of regional Victoria along with metro packing houses.

In the last 20 years we have shifted the operations of the business from bulk rail loading primarily for export to containers. This has been due to the deregulation of the Australian grains industry. This has enabled us to develop niche markets primarily into SE Asia. This has had a significant positive flow on effect to regional farming communities.

The recent harvest(s) has been lower than expected due to drought, however in 2017 we packed 5,500 containers through our Tocumwal facility and other packing houses through-out Victoria. With the current Terminal Infrastructure Fee at DP World Melbourne of $83.50 per container, the impact is $459,250/mt being removed from regional communities. With our potential to increase our container out-put to 15,000 annually the flow on effects are stifling further investment within the entire container supply chain market.

Recently we have been shipping grain (wheat) north to bulk rail loading sites to rail destinations in Northern NSW as a result of the infrastructure terminal fees. With the recent rail upgrades by the NSW government for the rail freight network and funding for Fast bulk rail loading facilities, this same rail pathways can be easily directed to bulk shipment ports in NSW at Port Kembla or Newcastle in exportable surplus years. The current and proposed terminal infrastructure fees allow for their catchment zone to only increase.

Kind Regards,

Matthew Kelly
CEO
KM & WM Kelly & Sons

Riordan
Grain · Transport · Storage

13/12/2019

Mr Paul Zalai
Director and Co-Founder / Freight & trade Alliance (FTA)
Secretariat / Australian Peak Shippers Association (APSA)
Director / Global Shippers Forum (GSF)

RE: TERMINAL INFRASTRUCUTRE LEVY SURCHARGES

Dear Paul

We are writing in support of the work undertaken by FTA / APSA & GSF in respect to the significant issue of recent increases in Terminal Infrastructure Levy Surcharges at the Port of Melbourne.

Riordan Grain Services (RGS) is a family owned integrated storage handling and logistics business based in Lara, Victoria. RGS has recently celebrated 23 years in business and has constantly innovated and challenged logistical supply chains in the grain handling industry. This has included being an early adopter of the activity of packing and export of Australian grain into international markets since 2002. Over this time RGS has packed into containers for export an average of 8,000 TEU's each year, subject to crop size and seasonal conditions. Peak packing was 11,500 TEU's in a calendar year.

In recent years there has been a substantial change in the cost of infrastructure levy charges at the Port of Melbourne from the terminal operators. Below is a capture of these changes which have occurred in the past three years:

	LEVY CHARGED PER TEU		
DATE	**DP World**	**Patricks**	**VICT**
1/01/2017	$3.50		
3/04/2017	$32.50		
10/07/2017		$32.00	
12/03/2018	$47.50		
27/03/2018			$48.00
1/01/2019	$85.50		
1/03/2019			$85.00
4/03/2019		$82.50	
1/01/2020 Pending	$98.00		$121.80

Net result across 8,000 TEU's and assuming worst case increase in pricing from $3.50 per TEU to $98.00 per TEU has = $756,000 per annum in additional cost to RGS. This cost must be passed back to the price that RGS pays for grain as we operate in a very competitive local and global market. Many other international origins are now heavily competing for market access to traditional Australian customers and destinations.

Riordan Group Pty Ltd trading as **Riordan Grain Services**
A.B.N. 35 076 271 148
Correspondence:
LARA: PO Box 27 Lara, VIC 3212 **Telephone:** (03) 5220 8888 **Facsimile:** (03) 5282 3543
E-mail: exports@riordangrains.com.au **Website:** www.riordangrains.com.au

We see the net result of these cost increases having the following impacts:

1. RGS pays less for grain to growers and local regional communities.
2. RGS opts out of investment opportunities in expanding container packing capacity.
3. RGS looks at alternate supply chains for grain export movements eg loading on bulk vessels.
4. The Australian Grain industry loses export competitiveness for Australian grain.

RGS operates in a very competitive supply chain environment. The market is mature, and margins are thin as we handle a relatively cheap agricultural commodity. We are not able to increase what we charge our customers, nor can we work with our competitors to facilitate increases in what we charge our customers. We have seen little benefit from the increased infrastructure charges imposed on us in terms of improved logistics or efficiencies.

Thanks again for your continued efforts and we hope to see some common sense prevail in the levy arrangements going forward.

Thanks & Regards

Mark Lewis
General Manager
For and on behalf of Riordan Grain Services

Riordan Group Pty Ltd trading as **Riordan Grain Services**
A.B.N. 35 076 271 148
Correspondence:
LARA: PO Box 27 Lara, VIC 3212 **Telephone:** (03) 5220 8888 **Facsimile:** (03) 5282 3543
E-mail: exports@riordangrains.com.au **Website:** www.riordangrains.com.au

ATTACHMENT L

Malteurop
Groupe VIVESCIA

27th December 2019

Mr. Paul Zalai
Director and Co-Founder / Freight & trade Alliance (FTA)
Secretariat / Australian Peak Shippers Association (APSA)
Director / Global Shippers Forum (GSF)

REFERENCE: TERMINAL INFRASTRUCTURE SURCHARGES

Dear Paul,

Given the recent and continuous increases to the Terminal Infrastructure Surcharges charged by Port Terminals we are keen to flag the flow on effect to our supply chain costs as a result of this. As an exporter we bear the full impact of these fee increases which challenges our prospects of remaining competitive in a global market.

Since our Geelong Malthouse was established in 1998 we have been a significant end user of Malt Barley for the Victorian grain producers. Recently we have expanded our Malthouse capacity to more than double its previous output so we now export approximately 8000 TEU's from our Geelong plant via the Melbourne Port(s) per annum.

When these surcharges are applied across that number of containers it become a significant cost to doing business into the ever competitive Asian Malt markets. That is not something we can sustain going forward and it flows back down the chain to growers - if we cannot sell our Malt then we simply buy less Barley from the growers.

When the increase in these surcharges is quantified it seems extremely hard to justify how they can jump by such significant amounts in a relatively short time frame – that suggests something other than covering costs in our opinion.

We trust this letter adds further weight to the growing protests against these Surcharge increases.

Regards,

Jack King
Commercial & Procurement Manager
Malteurop Australia

Malteurop Australia Pty Ltd ABN 48 068 420 244
Po Box 235 / 32 Crowle Street, North Geelong, Victoria 3215 T: +61 (0)3 5277 1950 F: +61 (0)3 5277 1960