victoriantransportassociation inc.

Supplementary Submission by the Victorian Transport Association into the Long-Term Productivity of Australia's Maritime Logistics System

November 2022

Introduction

The Victorian Transport Association (VTA) has already made a detailed submission to this inquiry in which it highlighted many of the landside issues that affect the road transport operators that work within the port supply chain and in particular the Container sector.

While that submission in February 2022 covered many points, there are a number of issues the VTA believes need further information and insight.

Unproductive and Biased operating procedures.

There are a number of processes and procedures that have been created by the stevedores and shipping lines that create unproductive outcomes and are detrimental to the efficient management of the port supply chain.

These procedures have no avenue for review, are unreasonable in their application and are biased in their nature towards individual stakeholders that have greater market power.

They include the following:

Fines and penalties

All landside carriers are forced to sign a Carrier Access Agreement with each individual stevedore. If they do not sign the Agreement, they are threatened with not being given access to the port facilities. Within these Agreements are a long list of fines and penalties.

Each stevedore lists the infringements that attract a specific fine in their Carrier Access Agreements with road carriers. The Carriers must agree to these fines and their application or they will not be granted access to the stevedore operation. These fines have no quantifiable value and have been generated arbitrarily by the stevedore upon which every carrier receives the fines on a regular basis.

It is incredulous to think that a wharf carrier who has been moving containers for over 50 years is still receiving these fines every day and every week, after 50 years.

All container stevedores have the same structure of fines and penalties with values varying from state to state. Except for the PBLIS system in NSW there is no level of responsibility taken by the stevedore for any services failures that may be created in their own operation.

But it isn't about creating fines but rather taking this outdated and one-sided perspective of operational efficiency away from the stevedore and to create a system of normal behavior that is in harmony with the level of operation of the entire port supply chain.

An example of the fines that a wharf carrier regularly incurs from VICT follows based on published schedule from July 2022.

Tariff Item Rate (AUD) – exclusive of Goods and Services Tax (GST)

Registration Fee	$200.00	per annum
Join Fee	$200.00	per annum
Re Join Fee	$250.00	After being locked out by stevedore.
Slot Fee	$30.75	per container
SMS	$0.95	per container
List Fee	$79.50	per container
No Show	$205.00	per truck
Off Slot Fee	$79.50	per truck
Non Service	$165.00	per truck
Stack Run In Slot (Empty)	$15.00	per container
VGM Weighing Fee	$35.00	per truck
VGM Weight Discrepancy Fee	$120.00	per truck
Export Turn Fee	$32.00	per container
Export Reefer Turn Fee	$160.00	per container
Import Turn Fee	$107.00	per container
Infrastructure Surcharge	$161.35	per container
Slot Direct Empty Return	$30.75	per container
Premium Slot Fee	117.00	per container
Storage Fee – per day	$130.00 +	per container
Hazardous Storage – per day	$585.00+	per container
Late Receival Export	$325.00	per container
Maritime Security Levy	$12.95	per container

All of these fees are passed on to the customer unless an operator has had their own catastrophic event.

Free Time
Another misnomer within the port supply chain is the concept of Free Time that is provided for the movement of containers.

Free time at the wharf of three days is provided by the stevedore before the container then goes into daily storage fees payable by the wharf carrier. Lack of clearance documentation, lesser slot availability and even late arrival by a ship all create issues for wharf carriers that then puts pressure on the available free time.

Managed through to the minute via technology the free time concept only creates additional cost and not operational efficiency.

Additionally, shipping lines will fine customers at exorbitant rates for the non-return of an empty container within their free time availability of ten days from the container is available.
When the average time a empty container spends within Australia is at nearly 8 weeks a fine of $150.00 to $250.00 per day for a “late” return does not improve supply chain efficiency. In fact, it creates additional journeys and greater cost.

An example of the inappropriate application of this concept is based on the following incident.
“A shipping line who regularly delivered approx. 30 containers a month from Shanghai to Melbourne left three months of containers in Singapore and then moved to Australia all at once.

Upon arrival in Australia all 100+ containers had to be de-hired at the shipping lines empty container park within ten days. The wharf carrier told the customer they did not have the resources over the Christmas period to destuff and de-hire this large volume of containers in this time frame and it took over 25 working days to complete the logistics task.

The customer incurred a fine exceeding $180,000.00 from the shipping line for late return of empty containers. The customer is trying to make the carrier take on the fine.”

This example illustrates the imbalance and lack of coordination within the maritime supply chain and landside logistics. It demonstrates the specific self interest that generates additional revenues that have a direct effect on the value of goods coming into Australia.

Additionally,
With the increasing size of ships coming to Australia, there is a lengthening and compounding effect of service time to unload and load these ships which places even greater pressure on the landside “free time” that is available to return containers.

The condition of Free Time is unnecessary, heavy handed and mismanaged to generate additional revenues.

Empty Container Parks – ECP's

Most of these facilities are managed under direction from international shipping lines. They do not operate with the same hours as the stevedores and their slot availability for trucks does not match the volume of containers that may arrived within Australia. That is, their period of Free Time will naturally be exceeded and thus incurring additional charges against the carrier and customer.

Additionally, ECP's do not allow containers from rival shipping lines to be de-hired in their own park. Therefore, a carrier will need to consolidate most containers in their own facility. This creates additional trips and greater cost int what should be a straightforward transaction.

There is no reason why a carriers own container yard could not become a registered ECP with shipping lines. Containers would still be trackable through technology and a registered inspection would then need to be implemented.

Balanced Loading

The key to driving carrier efficiency is to gain greater utilization of assets. That is, ensure that the truck is carrying to its capacity as often as possible. Sadly, this is apparently not possible in the port supply chain.

Stevedores will not allow or encourage balanced loading of trucks. (Bringing in empty containers and pick up a full container and vice versa). They will, in fact, charge extra for the privilege to balance load.

As previously stated in the last submission, balanced loading would save tens of thousands of truck trips in the Melbourne port precinct.

With simple technology changes through 1-Stop, a process could be introduced that would see the number of truck trips reduce exponentially. Currently, according to the VPPM, the PoM has over 120,000 containers moving through the three international stevedores. Of those, 18,000 transported on a balanced load basis. Therefore, of the 120,000 container trips, these were doubled as road trips – 240,000 individual trips. Minus the 9,000 trips that were saved in the existing balanced loading means that there was an approximate total of 231,000 truck trips for the month.

Even a 10% improvement on balanced loading would see a huge reduction in trucks trips and marked improvement in port productivity. Additionally, this would see greater amenity throughout neighbouring suburbs to each pot, reduce emissions and ease the burden on road infrastructure due to fewer heavy vehicle movements for the volume of loads to be carried.

Ship Bunching

The start of all landside logistics issues within the port supply chain begins with the of window arrival of an international ship. There are many reasons why a ship is late including late dispatch from previous port, weather and emergencies. However, there Is currently no parameters or penalties for these late/early ships when they arrive. This means that the disruption that is created by an off-window ship to the landside activities has no consideration.

The costs to wharf carriers operations can be huge if a ship arrives off window. Rearranging truck driver movements, staff administration, customer expectations, incurring fines and penalties and poor utilization of equipment are just a few of the consequences a wharf carrier must manage.

As with the current landside system, if the shipping lines were to incur a late fine and penalty of off-window arrival without due notice then the basis upon the negative impact within the landside disruption would dissipate dramatically.

The master of an International ship is as much a businessman as a sea captain. It is that persons responsibility to reduce the costs of maintaining the workings of the ship as it is to travel safely. However, the nature of the landside logistics disruption from arriving off-window has no direct financial penalty.

A penalty system could be implemented by the state or federal authorities and have these parameters placed within the Tariff Schedule that currently operates in each port.

Shared Responsibility

Currently Australia's Maritime Logistics industry operates under a hierarchy that has the shipping Lines securely at the top of the "food chain". The stevedores and port operators sit at the next level and the other stakeholders, that are predominantly Australian owned businesses, sit at the bottom of this chain.

Productivity, efficiency and safety are managed by individual companies with little to no regard for any other stakeholder within the process of freight movement. Exception is found where there is a single commodity and port operator. Eg: coal or iron ore.

The model that has been created in Melbourne that collects stevedore data (Voluntary Port Performance Model) is a good start in gaining accurate data and should be replicated in all ports that manage the movement of international containers.

There needs to be a degree of Government intervention that would see a balance of responsibility to the overall supply chain within an Australian international containers facility.

Unfair contract terms, misaligned operations and systematic commercial imbalance has led to a continual reduction to container port efficiency in Australia and therefore a growing burden of additional and unnecessary cost.

8. VTA Recommendations

1. It is important to note that there a desire from all stakeholders to improve current processes and provide options for operations. Freight transport planning is complex and costly.

There needs to be an integration of planning areas that incorporate the expectations of all stakeholders that enables stronger and deeper outcomes and does not just satisfy one group.

2. Leadership should be through a third party or authority. It would therefore have direct input and have full understanding of the concept and activity of any recommended changes.

Additional regulation needs to be encouraged that would fit into existing areas of responsibility such as the Reference Tariff Schedule system as a Prescribed Rate.

3. Create an integrated Freight Strategy. It would link together with any number of existing projects and acts as a conduit with relevant departments whilst maintaining relative independence.

4. Create an industry driven set of benchmarks, actions and objectives designed to improve the landside operations of the Port.

5. Create a stakeholder shared interest discussion on supply chain systems and processes that can be used to drive effective solutions.

6. Implement specific changes to improve the throughput of freight, for example, within the Port of Melbourne and associate supply chains.

Summary

The increase in the port of Melbourne flow of containers has incrementally increased over the decades since its first movement in 1969. The exponential growth of the state of Victoria places greater emphasis on the port related activities to become more efficient, productive and flexible.

Many of the older systems that are currently in place to manage the operational requirements do not allow for the change in volume, accountability and service demands.

Increased capacity and improved productivity can be achieved by looking at the above issues, investigating the recommendations and making change.

Peter Anderson
Chief Executive Officer