WE NEED CONTROL

Australia needs to take control of its international supply chain

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Since 1998, with the sale of Australian National Line (ANL) to French giant CMA CGM, Australia has not owned its own container shipping fleet. In more recent times, we have privatised the Port of Melbourne, NSW Ports (Port Botany and Port Kembla) and the Port of Brisbane, the largest container ports in the country. This all begs the question: are we losing control of our international supply chain costs?

Our domestic supply chain costs are inextricably linked to our international export competitiveness. The Australian Grain Export Innovation Centre (AEGIC) predicts that 'supply chain costs are consistently about 30% – 35% of the total cost of grain production'. The Australian Logistics Council (ALC) believes that for every 1% increase in efficiency in the sector, GDP will be boosted by $2 billion.

A number of current events are pointing towards increasing volatility in Australia's domestic and international supply chain costs, most of which are beyond the control of Australia's importers & exporters. This is typified by the recent introduction of an 'Emergency Global Bunker Surcharge' by the world's largest container shipping lines, with Maersk first introducing the charge of USD 60 per twenty-foot equivalent unit (TEU), quickly followed by ANL (USD 55 per TEU), CMA CGM and others.

While the US Government was able to enforce a mandatory notification period for American shippers, no such requirement was placed on the shipping lines operating in Australia. The shipping lines have presented an argument that the extra surcharges are justified with increases in bunker fuel prices (Maersk has claimed increases of 20% since January), but shippers have rejected these claims on the basis that this should be captured in their freight rates.

The global shipping line market is experiencing a period of aggressive consolidation, which is making any pushback on rates and charges much harder. According to Sea Maritime Intelligence, the 10 largest carriers now operate around 80% of global capacity, compared with a little over 10% in 1998.

There is some risk in Australia's dependence on foreign shipping lines. According to the Department of Infrastructure, Transport and Regional Development, 99% of Australia's trade by volume is carried via sea freight.

The Australian Peak Shippers Association (APSA) is the peak body for Australia's sea freight exporters, designated under Part X of the Competition and Consumer Act 2010 and by the Federal Minister of Infrastructure of the Day. APSA was first designated by the Minister in 1994 with the specific role of protecting the access of Australian exporters to regular and affordable shipping line services. With the major consolidation of shipping lines, this role is more important than ever.

APSA also has a role in negotiating the 'Minimum Levels of Service' that foreign shipping lines provide to the Australian market, including the frequency of sailings, the TEU capacity and the reefer capacity.

In addition to shipping lines, importers and exporters are also seeing major increases in 'infrastructure charges' imposed by the major stevedores in Sydney, Melbourne, Brisbane, Adelaide and Fremantle. In the case of DP World Australia in Melbourne, this represents an increase of more than 1000% in a 12-month period. The stevedore charges have been introduced to 'tax' port users for entry to the terminal. While this is not directly connected to the privatisation of our ports (the ports lease land to the stevedores), some freight commentators have drawn a connection between the two events.

Major supply chain cost increases don't just sit with the private sector. The Federal Government has recently introduced a 'Biosecurity Levy' in this year's Federal Budget. The Biosecurity Levy has been announced as $10 per TEU on every laden or empty container imported into the country. This fee will be levied by the stevedores. Industry is concerned that this revenue will not be used to improve frontline services at the Department of Agriculture and Water Resources (DAWR) but will instead be funnelled to general consolidated Government revenue. Industry was not advised of this budget measure before the announcement.

Ultimately, global markets are becoming more competitive. The Black Sea Region is competing with Australian grain exporters in our traditional markets. If our domestic supply chain costs – our toll roads, our stevedores, our shipping line rates – are more expensive than our competitors, it makes life hard for our exporters.

At a time when the Federal Government is developing a National Freight & Supply Chain Strategy, these conversations are more important than ever.

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