

A call for a broad ranging reform

We are in the midst of an international shipping crisis, with high costs and poor performance; Freight & Trade Alliance's Paul Zalai says it's time for big reform

GLOBAL DEMAND FOR

containerised shipping capacity is at an all-time high. This demand is primarily generated by the pandemic-driven surge of import cargo, limited shipping capacity and poor operational performance in many key international ports. This has caused the erratic positioning of container equipment, spikes in freight rates, escalation of surcharges and an all-time low in service reliability.

Australian exporters are fighting over available equipment and capacity to reach key markets. Importers are failing to get regular supply, resulting in the emergence of new models of onshore stockpiling and resultant inflationary pressures being felt across the Australian economy.

There is no relief in sight in an environment of consolidation and stronger consortia of shipping lines entering vessel-sharing agreements creating significant barriers for new entrants into the global market, let alone successfully compete in a somewhat isolated Australian trade lane.

There is significant merit in the comments made by the Australian Prime Minister at the recent World Economic Forum, calling on world leaders to do more in the form of new partnerships between countries, governments and businesses to increase the resilience of global supply chains.

The main beneficiary of the current crisis are shipping lines. They are proudly reporting staggering multi-billion-dollar profits at a time when traders are on their knees.

It is happy days for them; they can charge what they like in a take-it-or-leave-it environment.

Who can blame them? Shipping lines servicing our entire container trade are after all commercial, foreign-owned businesses that are profit driven. What is extremely evident is that Australia's national interest is very much a secondary consideration.

In a submission to the Productivity Commission's independent review into

long-term structural issues affecting the productivity of Australia's maritime logistics system, Freight & Trade Alliance, the Australian Peak Shippers Association and affiliated associations provided evidence of long-term trends that are adversely impacting the overall competitiveness of Australian exporters and importers.

The submission cites examples of the introduction of foreign-owned shipping line surcharges and freight rates increases, stating if not collusion, it is clearly a case of follow-the-leader facilitated by a market without genuine competitive tension.

It is not sustainable for our exporters and importers to absorb this additional impost of hundreds of millions of dollars annually

FAIR COMPETITION?

The submission does not advocate for the federal government to interfere with price setting, acknowledging the need for foreign-owned shipping lines to continue to be incentivised to service Australian trade in a free and open market.

The alliance does, however, question whether shipping line vessel sharing arrangements should continue to be protected and exempt from competition laws faced by others in Australian commerce.

FTA/APSA is of the view that should exemptions continue for foreign-owned shipping lines, the Australian Competition and Consumer Commission, or the creation of a federal maritime regulator, is required to oversee proceedings to safeguard the commercial viability of Australian traders.

The submission notes that shipping lines are not only squeezing importers, exporters and freight forwarders, but they are also benefitting from significantly reduced quayside charges administered by their

contracted stevedore providers. Savings that are clearly not being passed on down the supply chain.

With less quayside revenue, stevedores and empty container parks have resorted to a ransom model, forcing transport operators to pay designated fees or be denied access to container collection/dispatch facilities. It is not sustainable for our exporters and importers to absorb this additional impost of hundreds of millions of dollars annually whereby they cannot influence service or price.

The FTA/APSA submission also calls for minimum service levels and notification

periods, infrastructure investment, regulation of container detention practices, waterfront industrial relations reform, implementation of biosecurity reform priorities and an extension of short-term aviation funding.

Australia has world class manufacturers and producers who are supported by skilled customs brokers and freight forwarders ready to take advantage of the opportunities created by free trade agreements – these opportunities will not be fully realised while physical access to market and costs of trade are prohibitive.

A well-regulated economy will help Australia to prosper. ■



Paul Zalai, director, Freight & Trade Alliance; secretariat, Australian Peak Shippers Association

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