The Port of Oakland ranked 397 in the Container Port Performance Index 2023

# Global benchmark of port landside charges: A comprehensive analysis

The latest Container Port Performance Index highlights an opportunity to improve port efficiency and operations, writes **Sal Milici** of the Freight & Trade Alliance

**THE LATEST REPORT FROM THE** World Bank, titled *The Container Port Performance Index 2023: A Comparable Assessment of Performance Based on Vessel Time in Port*, was released in June this year. This comprehensive report provides an in-depth analysis of port performance worldwide, offering valuable insights into the operational efficiency of ports around the globe.

From an Australian perspective, the findings are quite sobering. Out of a total list of 405 ports, here's how our major ports rank:

- Melbourne: 311th
- Port Botany: 324th
- Brisbane: 337th
- Adelaide: 352nd
- Fremantle: 374th

These rankings highlight significant opportunities for improvement in efficiency and operations within our ports. As we look towards enhancing our global competitiveness, it is crucial to address these challenges and work towards better performance.

While commentators have questioned the validity of the report, what is undisputed is that Australia is the world leader in landside port costs with stevedore terminal access charges alone costing our exporters and importers more than $1.3 billion over the last three calendar years.

Freight & Trade Alliance and the Australian Peak Shippers Association see merit in the Productivity Commission's December 2022 review of Australia's maritime logistics system recommending a mandatory code with the Australian Competition and Consumer Commission to act as the pricing regulator with special provisions to keep stevedores highly accountable for any charges imposed on the landside logistics sector.

To support our advocacy for reform, FTA and APSA have commenced examination into the intricacies of these charges, benchmarking them against other regions, and exploring potential strategies for improvement.

## BENCHMARKING LANDSIDE PORT CHARGES

### NEW ZEALAND

In New Zealand, almost every port has an access charge, commonly referred to as vehicle booking system (VBS) charges. These charges, typically borne by transport operators delivering or receiving containers, vary based on the port and the time of day. For instance, some ports offer discounted VBS charges during off-peak hours to incentivise deliveries outside peak times.

Unlike Australia, where operations are often managed by separate contracted companies, most New Zealand ports employ their own stevedoring staff. Consequently, the access/booking fee is charged directly by the port. Rail access also incurs a fee. Recently, Napier Port extended its access charge to include log trucks, charging the forest owner after pushback from cartage companies. This move, justified as a congestion management measure, has been criticised as a potential money grab.

Historically, charges like infrastructure and insurance levies have been passed from ports to shipping lines, allowing cargo owners to negotiate rates. However, access charges are invoiced to transport operators, possibly because they are seen as easier targets than shipping lines.

The New Zealand Council of Cargo Owners (NZCCO) has been focusing on the steep increase in port charges without corresponding productivity or service level gains, particularly at the Port of Auckland. The port has openly stated its intention to double its dividend by hiking charges, despite productivity remaining at pre-covid levels, impacting the broader port rotation.

NZCCO is looking to replicate the ACCC studies on the cost of poor port productivity to quantify the economic impact of escalating port charges on New Zealand.

Port of Oakland

## UNITED STATES

In the United States, marine terminals operators (MTOs) have historically charged ocean carriers directly for services, with charges documented in confidential contracts. Ocean carriers, in turn, bill beneficial cargo owners (BCOs) for terminal handling charges, storage, demurrage and other fees, passing on their incurred costs.

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Security fees emerged after 9/11, reflecting increased costs that MTOs passed on to ocean carriers, who then billed BCOs. However, a notable shift occurred during Covid-19, when MTOs and port authorities began billing BCOs directly for exceptional storage fees to incentivise the removal of freight from congested piers. This move set a precedent, despite controversy and concerns over double-dipping, as ocean carriers were already billing for storage.

Currently, some ocean carriers have announced that certain terminals will bill BCOs directly for storage fees, while carriers continue to bill for "carrier demurrage." This situation is complex and has raised concerns about double billing and the lack of direct contractual relationships between BCOs and MTOs. In the US, port authorities can either be operators, handling stevedoring and terminal activities directly (for example, Port of Virginia), or landlords, leasing property to individual MTOs (for example PANY/NJ with Maher Terminal, PNCT, Port Liberty).

Furthermore, the US has implemented PierPASS, a program designed to address congestion and reduce traffic around port areas. Despite this, the sentiment remains that "the price should be the price," which includes the cost to pick up and drop off containers.

If there is no option to avoid these extra fees, they should be included in the overall price. The only exception to this would be a premium service, such as a front-of-the-line concierge service, where containers are ready to roll out within hours of the vessel's arrival. However, this idea was never formally implemented and remains a discussion point rather than a standard practice.

## ASIA

In South Korea, shippers face restrictions on the allowed date of entry for export containers, usually limited to three days ahead of the estimated time of berth. For early entry, shippers must buy an "early gate-in ticket", costing US$30 to US$80 per container. This additional cost and the need for temporary storage when schedules change increase logistics expenses.

Similarly, in Thailand, Laem-Chabang Port has faced congestion for many years due to terminals operating over capacity. To alleviate this, empty containers are stored at inland depots, and there are proposals to increase storage fees for long-stay containers.

Shipping lines have shifted the cost of stevedore services at depots to shippers, adding significant costs while maintaining the same freight rates. The Thai National Shippers' Council is currently discussing these cost increases with the Ministry of Commerce.

In Hong Kong, the principle of "all-in freight charges" is advocated to eliminate surcharges and other fees. Despite this, various charges persist, such as gate charges for handling containers at depots, which have increased significantly over the years. There are also charges for booking and terminal access, which are argued to be unnecessary and driven by current market conditions. Shippers in Hong Kong continue to push for transparency and fair pricing.

## EUROPE

In Europe, the implementation of landside port charges is less prevalent, with fees often associated with peak time bookings. European ports tend to focus on optimising efficiency and managing congestion through strategic pricing mechanisms. The limited uptake of direct landside charges in Europe contrasts with practices in regions like Australasia and the Americas, highlighting different approaches to port management and cost recovery.

## UNITED KINGDOM

The DP World London Gateway provides a clear and comprehensive public tariff of charges, which contrasts sharply with the lack of transparency in Australia. The UK tariff explicitly differentiates between charges for vessel services and landside VBS-related fees. For instance, the infrastructure charge per TEU on the landside is £12.65 ($24), a modest amount compared to the much higher fees in Australia.

This transparency is partly due to UK legislation, which mandates public documentation of such tariffs. In contrast, in Australia, only shipping companies and stevedores have visibility on the charges for vessel services. Landside stakeholders remain in the dark until the ACCC releases its annual container stevedore monitoring report, which provides highly aggregated data. The UK's approach sets a benchmark for clarity and fairness in port charges, suggesting a potential model for Australian ports to emulate.

## CLOSING THOUGHTS

Australia must enhance operational efficiency, optimise labour costs, invest in infrastructure, simplify regulations, promote competition and foster collaboration. Implementing a mandatory code to regulate port charges will prevent unchecked increases and support economic growth.

By learning from global practices, Australia can improve its port performance and maintain its competitiveness in international trade. We look forward to sharing our findings with the federal government as a key element of our advocacy for essential operational and regulatory reform.

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