

23 September 2020

Michael Jovicic
CEO Patrick Terminals
PO Box 695
MATRAVILLE NSW 2036

"KEEPING AUSTRALIA'S INTERNATIONAL TRADE MOVING"



FTA
FREIGHT & TRADE ALLIANCE



Australian Peak Shippers
Association Inc. (APSA)

www.FTAlliance.com.au

Via Email

SYDNEY WATERFRONT INDUSTRIAL ACTION IMPACTS ON TRADE AND THE AUSTRALIAN ECONOMY

Michael,

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) have been inundated with serious concerns expressed by members in terms of the impacts of port congestion in Sydney.

A summary of the main areas of concern are listed below:

Delays in receiving goods

- Vessels are now by-passing Port Botany, discharging goods interstate and leaving importers to organise and pay significant logistics costs to move freight across state borders back to Sydney; and
- delays in cargo receipt are affecting 'just-in-time' orders and threaten to leave consumers short of product as we enter the peak demand retail season.

Sydney congestion surcharges

- Those with cargo discharged in Sydney are now subject to extensive delays at the port itself and are facing 'Sydney congestion surcharges' imposed by four international shipping lines ranging from USD 285 to 300 per twenty-foot equivalent unit (TEU);
- we understand that these surcharges have been initiated to cover operating costs including \$25,000 per day for vessels waiting offshore to berth; and
- these surcharges have been implemented without any consultation and with insufficient lead times negating the ability for importers and exporters to factor in 'landed costs' in contractual arrangements.

Spread of congestion and costs to other ports

- We have serious concerns that congestion will soon spread to other major ports which are also facing industrial action and are now forced to manage an increased task in handling Sydney destined cargo; and
- should shipping lines incur additional operating costs, precedent would suggest that they will also impose similar congestion surcharges at these ports.

Empty Container Park congestion

- Once cargo is received and unpacked, importers are then facing the difficulty of returning the containers to empty container parks contracted by the shipping line;
- this empty container park congestion has been caused by the fact that more than 30,000 TEU were imported than were exported through Port Botany over a three month period (May, June and July 2020);
- we understand that this container import / export imbalance is continuing due to shipping lines avoiding Port Botany and minimising the use of 'sweeper' vessels to evacuate the surplus quantum of empty containers; and
- as a result, Sydney's empty container parks are at capacity leaving transport operators to pass on operating costs for re-directions, waiting times, futile trips and storage of containers.

Penalties for late dehire (return) of empty containers

- Some shipping lines have now issued notices that they will not be accepting certain types of container for dehire and are asking importers to hold onto them;
- others have suggested returning empty containers to Melbourne or Brisbane; and
- disappointingly, we have seen only one shipping line offer relief through extension of the 'free time' before container detention penalties commence.

Shortage of empty containers in Asia to service Australian import demand

- While we have a glut of empty containers, freight forwarders are reporting a direct correlation of shortages in required container types in Asian ports, essential to meet import demand to Australia.

Insufficient vessel capacity to meet NSW export demand

- Arguably of most significant concern is that NSW exporters are faced with a critical reduction in available capacity and irregular services to meet current commercial obligations, jeopardising forward contracts with overseas customers;
- while contract penalties are of serious concern, a greater threat for Australian exporters is that customers may be lost due to delivery failures caused by an erratic supply chain; and
- recovering these relationships may not be possible in what is a highly competitive international trade environment.

Impacts on export perishables

- Australia's air freight sector has been decimated as a result of COVID-19 with 80% of volume traditionally moved in the belly of passenger aircraft, further contributing to the reliance for the efficient movement of containerised sea cargo;
- historically, Sydney is the third largest port nationally for beef exports and second largest for pork and sheep meat;
- according to the Australian Meat Industry Council (AMIC), sheep meat will be exposed to disruption with a peak over the next two months;
- alarmingly, the perishable nature and safe transporting of these goods cannot be guaranteed for the foreseeable future; and
- some overseas customers will reject meat if held in refrigerated containers beyond prescribed contractual periods.

Bumper crop for minimal financial return

- Forecasts are for a 'bumper crop' which is a welcomed relief to farmers and rural communities after years of drought and last summer's bushfires;
- a major blow is that the new congestion surcharges significantly reduces (and in some cases eliminates) margins, crushing the ongoing commercial viability for many reliant on international export revenue; and
- adding salt to the wounds are the cascading costs for waiting times for trains, staged storage of containers and related logistics costs directly attributable to the port congestion.

RECOMMENDED ACTION

We note the Media Release titled 'SYDNEY WATERFRONT INDUSTRIAL ACTION' from the Deputy Prime Minister, Trade Minister and Attorney General on 12 September 2020 urging all parties involved in Sydney's waterfront industrial dispute to work together on a quick resolution to minimise the impact on workers, freight and the nation.

FTA / APSA echo these sentiments and recommend that Patrick Terminals take national action to immediately and permanently resolve outstanding industrial relations matters between the parties via the Fair Work Commission.

This is essential as a starting point to ease port congestion, avoid further disastrous impacts to New South Wales supply chains, prevent a 'domino-effect' of congestion at other ports and to avoid ruinous implications to the Australian economy already suffering a recession due the implications of the global pandemic.

Your sincerely

A handwritten signature in black ink, appearing to read 'Paul Zalai', with a stylized, cursive script.

Paul Zalai

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