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AUSTRALIA  
ABN 33 065 375 840

20 August 2024

Mr Paul Zalai  
Director  
Freight & Trade Alliance (FTA) Pty Ltd  
68 Brooker Avenue  
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Dear Paul,

I refer to your recent commentary suggesting that supply chain costs and stevedore fees are contributing to cost-of-living pressures, and that this supports the need for regulation of stevedore fees.

Recent analysis undertaken by Synergies Economic Consulting concludes that it is misleading to suggest cost-of-living pressures can be alleviated by intervening in the market for container terminal services.

The analysis observes that the operating margin of stevedores contributes approximately \$0.40 per week (0.016%) to average household expenditure, an amount that cannot be credibly maintained to have an effect on cost-of-living pressures.

The causes of cost-of-living pressures lie elsewhere: in higher mortgage costs, and in the increase cost of services such as health, education, insurance and financial services.

Set out below is some further information to assist in your understanding of these matters:

1. *supply chain costs are a small amount of the total cost of imports* - import supply chain costs are c. 7% of the total landed cost of containerised goods (put another way, 93% is product value).
2. *container terminal fees are less than 10% of supply chain costs, meaning our fees are a very small amount of total cost of imports* - of the 7% total import supply chain costs, **total** container terminal charges (both quayside and landside (including TACs)) account for approximately 8%, implying that total container terminal charges account for around 0.6% of the total cost of containerised imports;
3. *a modest amount of household expenditure is on imported goods* - containerised imports account for approximately 13% of total household expenditure.
4. *the contribution of total container terminal operating margins to household expenditure is infinitesimal* - this implies that **total** container terminal charges (both quayside and landside (including TACs)) account for approximately 0.06% to the cost of living for an average household. Container stevedores' operating profits, as measured by the ACCC in FY23, account for approximately 25% of total container terminal costs, or 0.016% of average household expenditure. This implies that stevedores' operating margins contribute approximately \$0.40 per week to average household expenditure.

Synergies modelling also identifies that overall import supply chain costs have reduced by around 50% in real terms over the last two decades and that it is investment by container terminal operators that has made an important contribution to this reduction.

I am also pleased to confirm that Patrick Terminals has formally committed to enhancements to the Voluntary Pricing Protocol for landside fees following engagement with Freight Victoria. We look forward to these enhancements being published by Freight Victoria soon.

Patrick Terminals remains committed to enhancements that could support shippers to make more informed business decisions.

Patrick Terminals also welcomes continued engagement with industry bodies on Patrick's ongoing landside investment program and efficiency benefits.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Jovicic', is positioned above the printed name.

**Michael Jovicic**  
Chief Executive Officer  
Patrick Terminals