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# Media Release

**18 July 2023**

## Despite Lower Freight Demand, Landside Container Transport Costs Are Very Much Under Pressure

International container trades have been on a roller coaster ride these past two years, with flow-on impacts to landside container logistics in Australia.

We've come from the dizzying heights of the COVID pandemic-induced high import demand in 2021 and the first half of 2022 when international shipping rates spiked and supply chains were severely delayed, while export trades remained buoyant.

We then witnessed unprecedented over-stocking of imported goods mid last year as importers took a "just in case" approach to try to combat continued international supply chain volatility. This led to a significant scarcity of warehousing space, and a marked slow-down in the velocity of containerised goods movement through the supply chain, exacerbated too by labour shortages.

Since then higher interest rates and inflation in Australia, combined with the end of Government COVID incentive payment injections into the consumer and business sectors, has seen the rise of cost-of-living pressures. This has dampened container freight demand and contributed to a massive correction of international container shipping rates to and from Australia. We are not witnessing a traditional "peak season" this year.

The pendulum has certainly swung, bringing with it the age-old debate: "*I can ship a container all the way from overseas to Australia for less than half of what it costs me to move it landside from the Australian container port!*"

CTAA has heard of importers, exporters and freight forwarders now pushing back on the payment of high landside charges levied by container stevedores and empty container parks, which continue to escalate unabated.

And the angst doesn't end there. Shippers and freight forwarders are also putting pressure on transport operators to lower their own landside rates or lose the work. The negotiating power of importers, exporters and freight forwarders is certainly higher due to the relative downturn in trade and a sluggish landside logistics demand marketplace.

**Higher Operating Costs Need to be Highlighted:**

What's not fully appreciated however is the competitively thin margins of most container transport operators, which continue to be put under enormous pressure by a sharp rise in operating costs, including for labour, fuel, land rents & taxes, transport equipment purchasing, registration, maintenance and compliance costs, road tolling, and road congestion.

**Labour Costs & Skills Shortages:**

Wages for transport workers covered by the transport sector's dominant Modern Awards, such as the *Road Transport and Distribution Award 2020* and the *Clerks - Private Sector Award 2020*, increased by 5.75% from 1 July due to the Minimum Wage ruling of the Australian Fair Work Commission (FWC).

The significance of this increase is considerable given that the Annual Wage Review in 2021-22 already increased Modern Award minimum wages by up to 4.6%.

Thus, over the last two years, Modern Award minimum wages have increased by up to 10.35%.

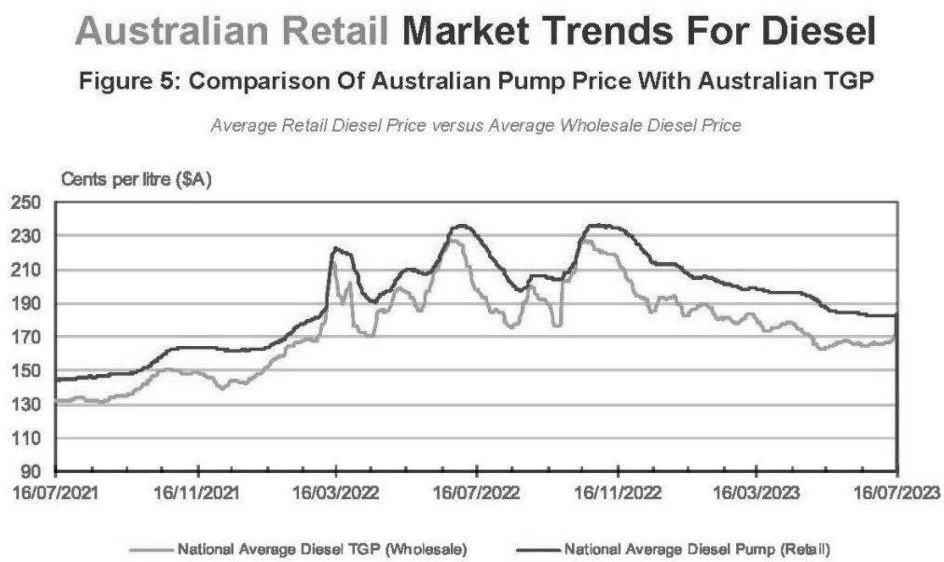
Skills and labour shortages still bite deeply, ranging from a lack of quality truck drivers (including those with the necessary security clearances to undertake wharf work), through to mechanics, warehouse operators and container packing / unpacking staff.

The smaller selection pool is also applying upward pressure on labour costs to attract suitable candidates, with reports that some transport operators are having to pay almost double the Modern Award increases to attract labour with the right skills and qualifications.

**Fuel & Registration Costs:**

While the Terminal Gate Price (TPG) for diesel has reduced since the height of the pandemic in mid to late 2022, the price is approx. 40 cents per litre (cpl) more in July 2023 compared to July 2021.

*Figure below sourced from the Australian Institute of Petroleum (AIP) – Weekly Diesel Prices Report as @ 16 July 2023:*




However, what customers of container transport operators don't see directly is the decision of Federal & State Governments to increase fuel excise and registration charges levied on heavy vehicles **by 6% per year** from July 2023 through to July 2026.

This means that from 1 July 2023, container road transport operators are paying 6% more for fuel excise (known as the Road User Charge levied on fuel used in heavy vehicles operating on public roads) and 6% more for prime mover and trailer registration (State tax).

A further 6% rise is locked in for both the 2024 and 2025 Financial Years as well.

The 6% increase in fuel excise for heavy vehicles from 1 July 2023 is equivalent to a 1.63 cent per litre increase in the Terminal Gate Price (TGP) of diesel fuel.

The fuel excise rates applied to heavy vehicles are also indexed twice a year – in February and August – based on the upward movement of the consumer price index (CPI).

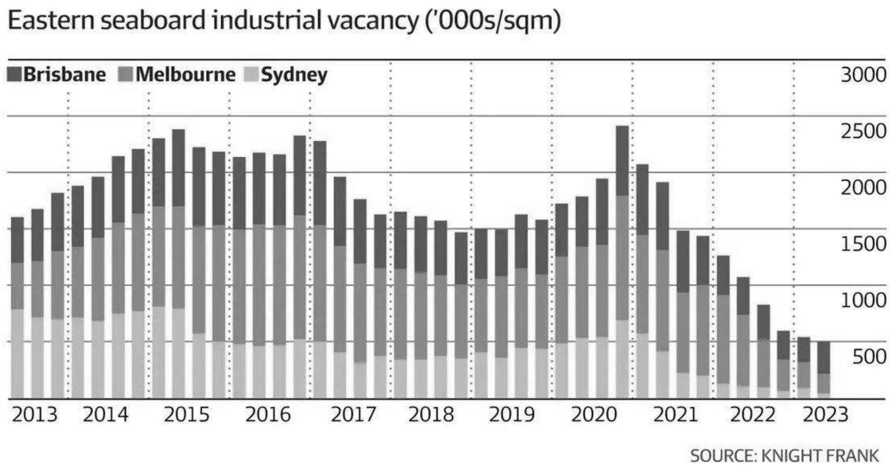
**Industrial Land Vacancy Rates & Rent Increases:**

Vacant industrial space is at a record low across the eastern seaboard after soaring demand and a lack of supply according to the commercial property consultancy arm of Knight Frank, and leading corporate property strategists, ResolveXO.

In Sydney, the country's tightest industrial market with a reported vacancy rate of only between 0.5-1% in Q1, 2023, prime rents have jumped 38% over the past year.

Industrial rents in Victoria have increased 15-20% in the past 12 months, and are forecast to increase a further 5-10% over the next 24 months.

Queensland rents have increased by up to 15%, with a vacancy rate in Brisbane being below 0.6%, while in Western Australia the Perth industrial market vacancy rate is between 0.7-0.9%, with rents increasing 21% since 2022.




The cost to container transport operators of quality yard, container hardstand and warehouse space is very significant and becoming more expensive as the demand for facilities intensifies.

Modern and safe operations also require significant investment in forklift and container reach-stacker equipment, as well as enhanced technology systems and trained staff.

**Road Tolling and Road Congestion:**

As container road transport is predominately an urban freight task, the sector is at the mercy of the toll roads operating within the urban limits of Sydney, Melbourne and Brisbane.

In many instances, especially when operating Higher Productivity Freight Vehicles (HPFVs), there are no legal route alternatives.

The former Australian Competition & Consumer Commission (ACCC) Chairman, Professor Allan Fels AO, in evidence to the current NSW independent inquiry into road tolling this week observed that "*Sydney is the most tolled capital city in Australia and possibly the world*."

In Victoria, a return trip for a heavy vehicle combination from the Port of Melbourne to/from Dandenong currently is just short of $67.00, the cost of which is amortised across the freight being delivered.

In NSW, a trip for a heavy vehicle from Port Botany to (say) Prestons in Sydney's west and return is over $80!

Unfortunately, independent studies (i.e. by the University of Sydney Business School) observe high levels of congestion on a growing number of tolled roads, especially during the peaks, which were meant to deliver noticeably better travel time savings than non-tolled routes. The M4 is a good example in Sydney, as is the M1 in Melbourne.

Road congestion caused by significant road works over the last few years continues to add to the cost of container transport in Australia.

There is no better example than the disruption caused by the West Gate Tunnel Project, which according to CTAA Alliance companies has added at least 45 minutes to a heavy vehicle round trip between transport yards in Melbourne's outer western suburbs such as Truganina or Altona North and the Port of Melbourne.

**Conclusion:**

A “race to the bottom” on landside container transport rates wouldn’t be in anyone’s longer-term interests.

Container transport operators offer a vital service in the supply chain, which must be undertaken safely, efficiently and sustainably.

Container transport customers need to better understand the direct operating cost increases being endured by operators, as well as the cost burdens foisted on them by third parties in the initial instance which they must carry for some time before reimbursement.

Let’s not lose sight of the fact that the container logistics supply chain needs a strong landside transport sector in Australia, with profitable participants.

The alternative would be a sector plagued by a reduction in efficiency, service standards and safety, which no one should desire.

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Queries about this Media Release should be directed to Neil Chambers, Director, CTAA, 0413 662 263 / neil.chambers@ctaction.com.au

***About CTAA: Container Transport Alliance Australia (CTAA) is strong Alliance of leading businesses engaged in the container transport logistics industry. CTAA Alliance companies account for the majority of containerised freight handled in capital city ports in Australia.***