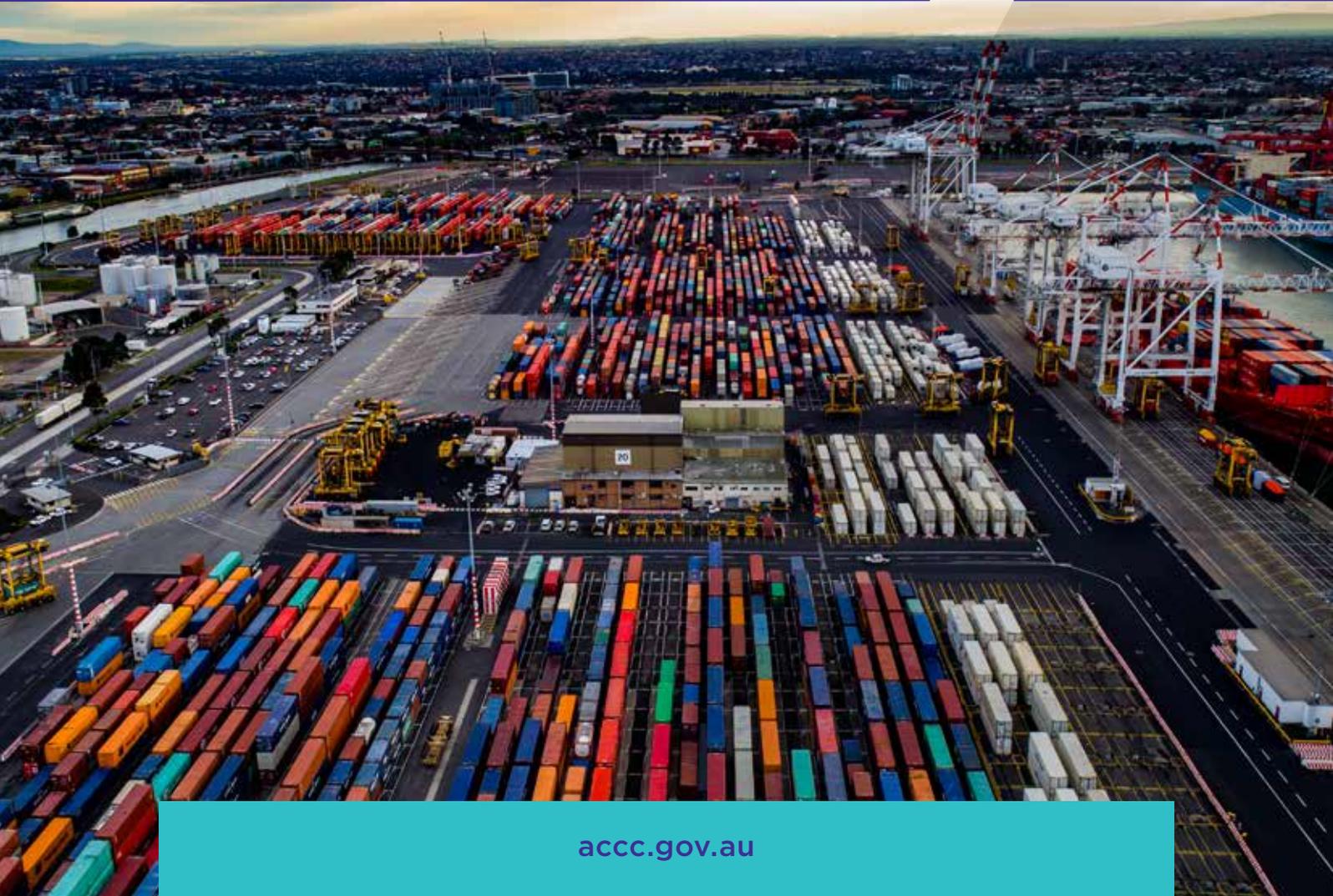




Container stevedoring monitoring report

2019-20

October 2020



Australian Competition and Consumer Commission
23 Marcus Clarke Street, Canberra, Australian Capital Territory, 2601
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ACCC 11/20_20-37

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Glossary

Berth	A ship's allotted space in a stevedore's container terminal.
Cargo owner	Importers and exporters, also known as shippers.
Crane intensity	Total number of allocated crane hours divided by the elapsed time from labour first boarding the ship to labour last leaving the ship. Crane intensity is an input to calculating 'net crane rate' and 'ship rate'.
Crane rate	An indicator of capital productivity and reflects the intensity to which quayside cranes are worked. It is measured by dividing the total number of containers (TEUs) handled by the crane by the 'elapsed crane time'.
DP World	DP World Australia Ltd operates container terminals in Brisbane, Fremantle, Sydney and Melbourne.
Elapsed crane time	The crane time allocated by the stevedores. It is computed as the total allocated crane hours less operational and non-operational delays. Elapsed crane time is an input to calculating the 'crane rate'.
Elapsed labour rate	An indicator of labour productivity. The elapsed labour rate is computed as the 'number of containers handled' divided by the 'elapsed labour time'.
Elapsed labour time	The elapsed time between labour first boarding the ship and labour last leaving the ship, less any time the labour has not worked, including non-operational delays. Elapsed labour time is an input to calculating 'elapsed labour rate'.
Empty container park	Companies whose business is to store empty containers. They may also provide ancillary services such as container cleaning, repairs and repositioning.
Flinders Adelaide	Flinders Adelaide Container Terminal Pty Ltd, fully-owned by the South Australian port operator, is the sole container stevedore at Port Adelaide.
Hutchison	Hutchison Ports Australia, a member of Hutchison Ports Holdings Group. Hutchison operates terminals in Brisbane and Sydney.
Infrastructure access charge	Now referred to as 'terminal access charge' (see below).
Land transport operators	Truck or rail operators under contract with cargo owners to transport container goods from the stevedores' container terminals to the cargo owner and vice versa.
Landside activities	Activities facilitating the exchange of containers between land transport operators and container stevedores.
Lifts	A 'lift' refers to the lifting of a single unit of container.
Monitored port	Ports under Part VIIA of the CCA subject to monitoring by the ACCC; the international container ports of Adelaide, Brisbane, Burnie, Fremantle, Melbourne, and Sydney.
Operating profit	Measured by earnings (revenue less cost) before interest, taxation and amortisation.
Patrick	Patrick Terminals operates container terminals in Brisbane, Fremantle, Melbourne and Sydney.
Profit margins	In this report, this is the ratio of EBITA (earnings before interest, taxes, and amortisation) to total revenue.
Quayside activities	The lifting of containers on and off container ships at berth.
Real terms	A value expressed in the money of a particular base time period (e.g. 2019–20 dollars). Values in real terms remove the impact of inflation and provide a better comparison of values over time.

Ship rate	An indicator of labour and capital productivity while the ship is being serviced by stevedores. It is calculated by multiplying the net crane rate by crane intensity.
Shipping lines	These companies facilitate the ocean-borne transport of containerised cargo from one port to another. Shipping lines may be directly under contract from cargo owners or through intermediary logistics companies. Shipping lines are the primary customers of stevedores.
Stevedores	Firms under contract with shipping lines and port authorities to operate specialist equipment that lift containerised cargo on and off ships in Australia's monitored container ports.
Tangible assets	The physical infrastructure used by stevedores to provide container stevedoring services e.g. cranes, straddle carriers or automated stacking cranes.
Terminal access charge (TAC)	Previously known as Infrastructure access charge. Charges collected by stevedores on land transport operators when collecting or delivering laden (i.e. not empty) containers.
TEU	20 foot equivalent unit. TEU is the standard unit of measurement for shipping containers. One TEU is equivalent to one 20 foot shipping container. One 40 foot shipping container is equivalent to two TEUs.
VBS	The 'Vehicle Booking System'. The VBS is an online software tool that enables truck operators to book a time to pick up or drop off a container at the terminal.
VICT	Victorian International Container Terminal Ltd, wholly owned by International Container Terminal Services Inc. VICT operates a container terminal in Melbourne.

Container stevedoring monitoring report 2019-20



COVID-19

COVID-19 impacted the second half of the monitoring period, likely affecting productivity and causing a build-up of empty containers awaiting transfer offshore.



As expected, the industry also faced weaker demand, with the largest annual decrease in total lifts recorded over the past decade.



Despite significant economic impacts and costs reducing only slightly, industry revenues rose, leading to the first increase in operating profit margins in a decade.



Total revenue from Terminal Access Charges* increased significantly.



Operating profits varied significantly amongst the stevedores over the monitoring period.



Investment was lower, but some major projects are going ahead, including Patrick's investment in infrastructure across all terminals and the Port of Melbourne Port Rail Transformation Project.

* Formerly known as 'infrastructure charges'.

Key industry results 2019-20

Revenues, costs and profits

Total revenue

\$1,427 m

▲ 2.8%

Revenue per lift

\$292.2

▲ 7.5%

Cost per lift

\$263.2

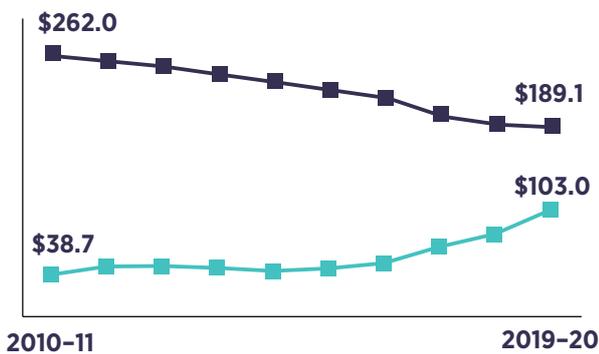
▲ 2.8%

Profit margin*

9.9%

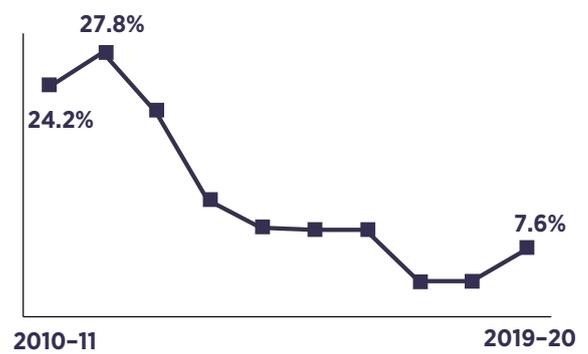
▲ 4.1 pp

Per lift revenue

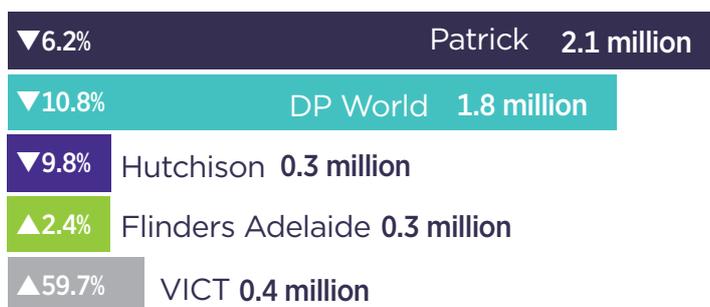


■ Quayside ■ Landside and other

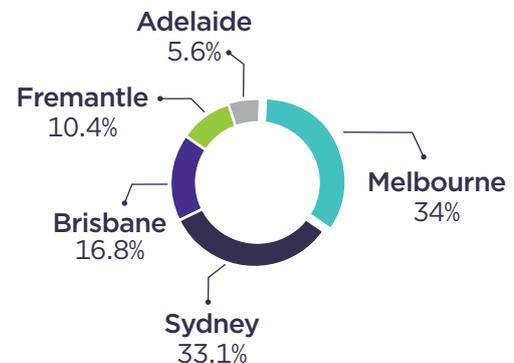
Return on tangible assets



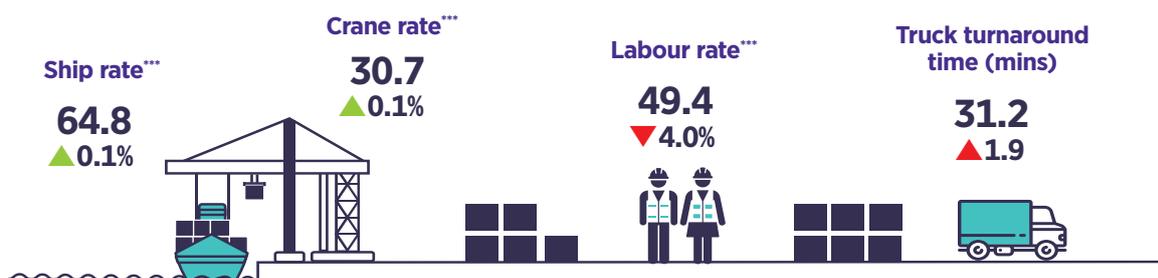
Lifts per stevedore**



TEU per port**



Container terminal productivity



* Earnings before interest, tax and amortisation (EBITA) as a percentage of total revenue.

** Includes international container terminal volumes only.

*** Containers per hour.

Executive summary

The Australian Competition and Consumer Commission's (ACCC) 2019–20 Container Stevedoring Monitoring Report is provided in the context that the second half of the monitoring period was, as with the economy as a whole, impacted by COVID-19.

Stevedores' total revenues at monitored ports increased by \$38.9 million, or 2.8 per cent, despite a significant drop in container volumes.

It appears the main driver of increased revenues, despite a moderate reduction in costs and reduced volumes, was further increases in Terminal Access Charges (TACs, formerly called 'infrastructure charges'). TACs on aggregate have increased by \$87.6 million, or 51.9 per cent, since 2018–19.

The ACCC is concerned that the benefits of greater competition between stevedores to provide services to shipping lines will be eroded by increasing TACs, although any regulation of these charges is a matter for state and territory governments. Because importers and exporters contract with shipping lines to send cargo and the shipping lines then choose the stevedore, TACs are to some extent a 'take it or leave it' proposition. Since landside port users cannot directly choose their stevedore there is little effective constraint on these rising charges.

Although COVID-19 did not affect the Australian economy until the second half of the monitoring period, container volumes for the full financial year fell by 4.4 per cent on a total lifts basis and by 4.0 per cent on a TEU basis compared to 2018–19. On both of these measures, this represents the largest annual decrease in container volumes since the ACCC commenced its monitoring program in 1998–99.

With costs reducing slightly by 1.7 per cent, operating profit margins for the industry increased for the first time in a decade, from 5.8 per cent in 2018–19 to 9.9 per cent in 2019–20, largely due to revenue growth from landside charges. EBITA in real terms also increased by 76.8 per cent at an aggregate level. Overall return on tangible assets also grew, due to increased revenues and lower investment. Some substantial investment proceeded, including infrastructure upgrades across all of Patrick's terminals valued at \$150 million, and the commencement of the Port of Melbourne port rail transformation project in June 2020.

Productivity measures derived from data from the Bureau of Infrastructure, Transport and Regional Economics (BITRE) showed that over the past year, capital and multifactor productivity remained unchanged, while labour productivity fell by 4.0 per cent. With the constraints on employees in the COVID-19 environment, this does not seem unexpected.

Since the reporting period, the ports have been impacted by other matters, including industrial action, as well as congestion at Port Botany in part due to empty container parks being at capacity. For reasons that were not clear at the time of drafting this report, some shipping lines have imposed a 'congestion charge' on senders and receivers of up to US\$350 per standard container in Sydney, which they attribute to congestion at Port Botany. The ACCC is watching developments around congestion charges closely, noting that we consider these should be temporary (and only if justified and reasonable) and not become embedded fees borne by importers and exporters.

1. Introduction

The port supply chain is a key component of the Australian economy. Every year, billions of dollars of goods are transported through container ports on their way to Australian households and workplaces. Goods produced in Australia are also transported through container ports to global markets. A supply chain that works efficiently brings goods to businesses and consumers at the lowest possible cost, and helps ensure the competitiveness of our exports. Container stevedores, which facilitate the transfer of containers between ships, trucks and trains, are a vital cog in many supply chains.

This is the 22nd container stevedoring monitoring report by the ACCC. The ACCC is required by the Australian Government to monitor prices, costs and profits of container stevedores at international container ports in Adelaide, Brisbane, Burnie¹, Fremantle, Melbourne and Sydney. These reports provide information to governments and the community about the operating performance of the container stevedores, as well as the level of competition, investment and productivity in the industry.

We acknowledge the cooperation of the following organisations in the production of this report:

- container stevedores DP World, Flinders Adelaide, Hutchison, Patrick and VICT
- the Bureau of Infrastructure, Transport and Regional Economics (BITRE).

Three important terms used regularly throughout the report are:

- cargo owners—importers and exporters, also known as shippers
- quayside—activities directly related to the movement of containers on and off ships therefore the interaction between stevedores and shipping lines
- landside—activities related to the storing of containers at the terminal and the transfer of containers to and from truck and rail operators.

All prices and price movements in this report are in real terms unless otherwise specified.

1.1 Container stevedoring in Australia

Container stevedores are responsible for lifting containerised cargo on and off container ships at ports. They use ship-to-shore cranes for this purpose. Equipment such as straddle carriers, rubber-tyred gantries, and automatic stacking cranes may be used to facilitate the transfer of containers from the quay to the yard stack and to land transport operators and vice versa.

Quayside services to container shipping companies

Container stevedores compete for contracts to supply container handling services to liner shipping companies. The contracts require stevedores to provide berthing facilities in accordance with a specified sailing schedule. The contracts also require the provision of sufficient cranes, labour and other equipment, and may contain terms for the stevedore to agree to certain key productivity standards. Once a ship has berthed, stevedores provide services such as the discharging and loading of containers on ships. Typically, the length of stevedore contracts with shipping lines ranges from around two to five years.

Landside services to land transport operators

Cargo owners contract with land transport operators to deliver their containers to and from ports. Land transport of containers to and from Australia's ports is facilitated primarily by trucks on road, while a smaller share is handled by rail.

1 Burnie does not currently have an international container terminal, however it did have one that was monitored by the ACCC until its closure in 2011.

Each stevedore is the sole provider of landside access to its respective terminal. They provide services such as receiving and delivering containers, yard services, storage, and other ancillary services to land transport operators. Stevedores use platforms such as the Vehicle Booking System (VBS)² to allocate time slots for trucks to collect their cargo at the terminal. Rail operators are offered access via rail windows.

Stevedores have standard agreements in place with truck operators for access to their VBS. These agreements allow truck operators to access stevedore VBS platforms and book timeslots but they are unable to negotiate their own individual terms of access (including pricing). Prices paid by land transport operators are overwhelmingly set on a take-it-or-leave-it basis, however some are subject to oversight such as rail handling fees in some states.

The container freight supply chain

Container stevedores provide a crucial input in facilitating the transport of containerised freight from its origin to destination. The stevedores are part of a broader freight supply chain with many participants, each of which can influence or be influenced by the performance of the stevedores. These include shipping lines, port authorities, cargo owners (importers and exporters), road and rail transport operators, related infrastructure operators such as intermodal terminals or empty container parks, as well as governments.

The main aspects of the container supply chain are illustrated in figure 1.1. The top half of the diagram shows the interaction between the many parties involved in the supply chain. Blue lines indicate there is some degree of choice in the supplier of the service, while red lines indicate the acquirer of the service does not have a choice. This lack of choice may be because there is only one supplier available (e.g. the port) or that the choice of supplier is made by another party along the supply chain. The bottom half of the diagram looks at the physical flow of containerised goods (whether imported or exported) along the supply chain. Figure 1.2 specifies the stevedores in operation at each of Australia's monitored container ports.

2 Hutchison employs a similar platform but calls it the 'Truck Appointment System'.

Figure 1.1: Container freight supply chain

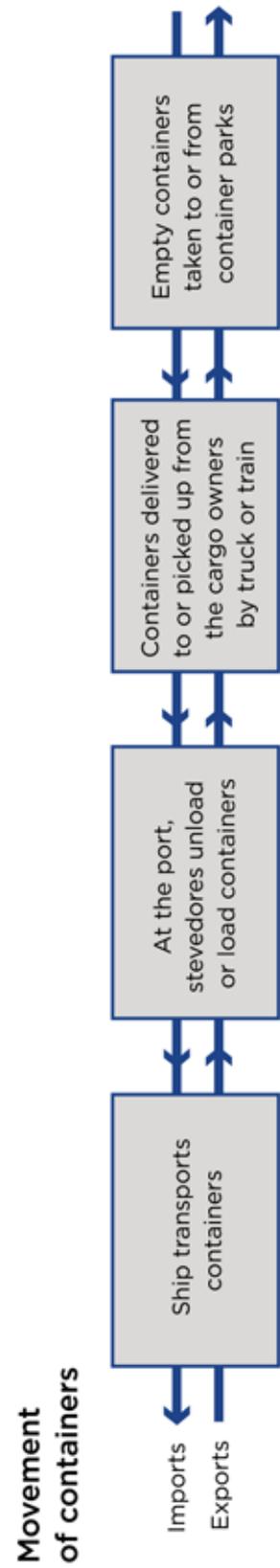
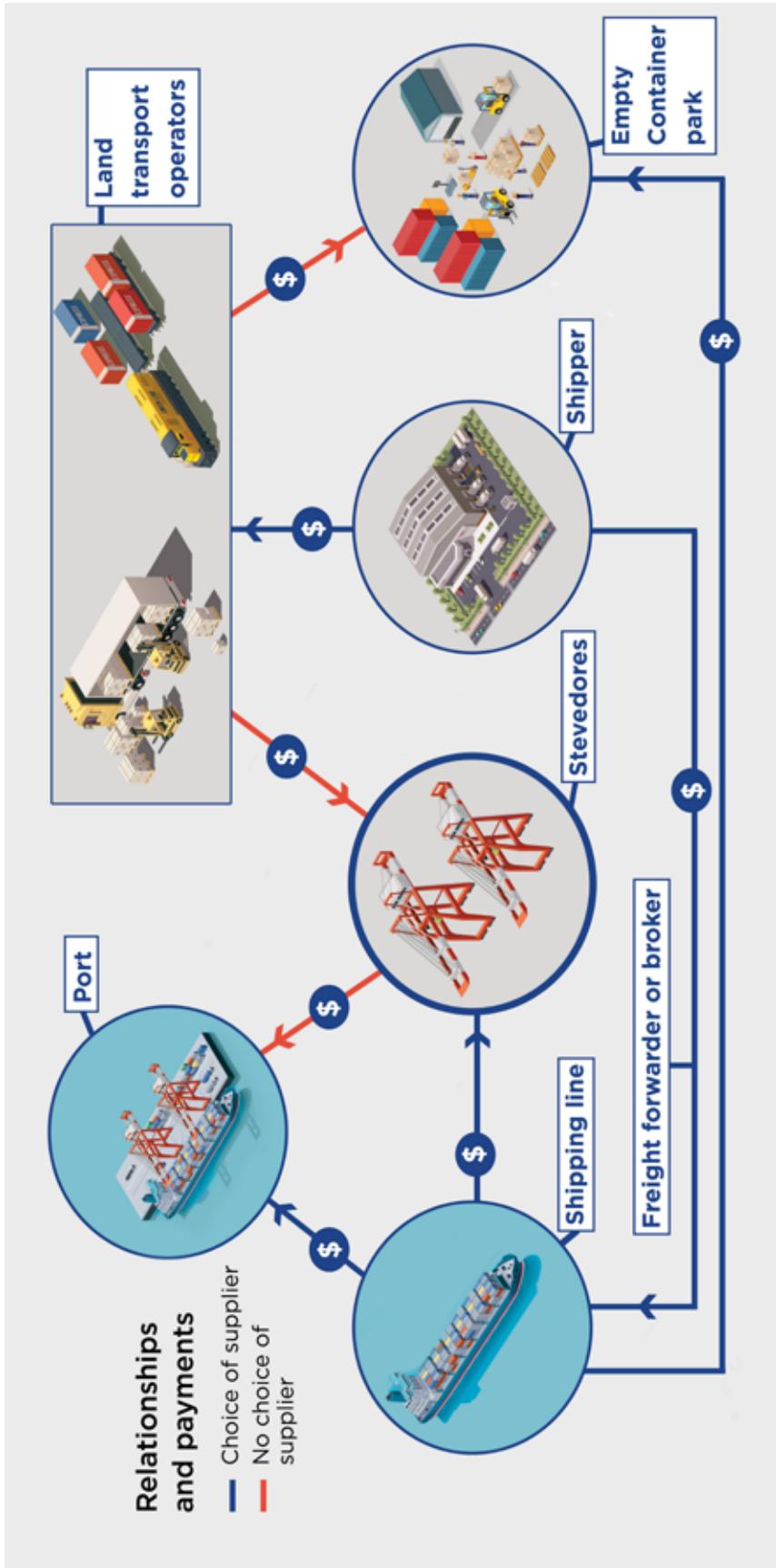
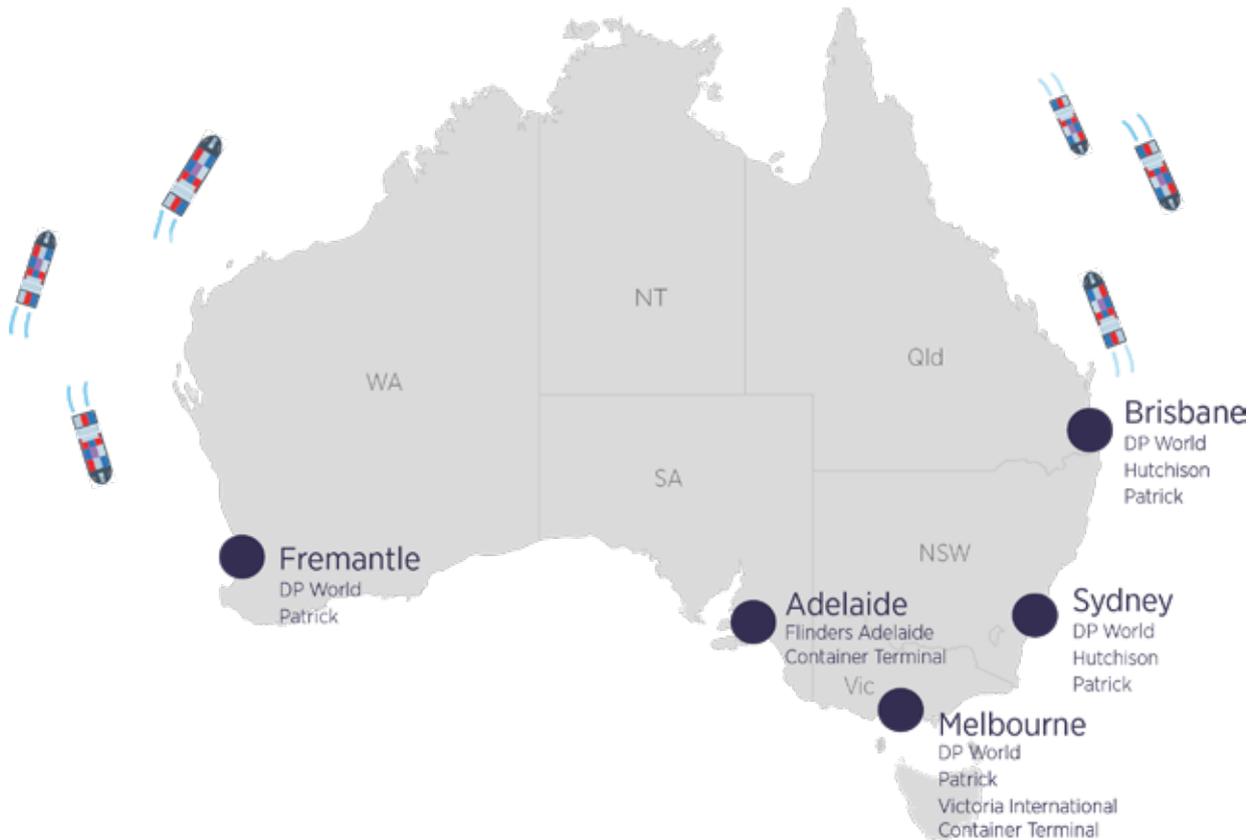


Figure 1.2: Container stevedores in Australia's monitored ports



1.2 The ACCC's container stevedoring monitoring program

Part VIIA of the *Competition and Consumer Act 2010 (CCA)* provides for the Australian Government to direct the ACCC to monitor prices, costs and profits in a particular industry and report its findings to the relevant Minister. In fulfilling this role, the ACCC must have particular regard to the following matters:

- the need to maintain investment and employment, including the influence of profitability on investment and employment
- the need to discourage a person who is in a position to substantially influence a market for goods or services from taking advantage of that power in setting prices
- the need to discourage cost increases arising from increases in wages and changes in conditions of employment inconsistent with principles established by relevant industrial tribunals.

In 1998, there was a protracted labour dispute between Patrick Terminals and the Maritime Union of Australia (MUA). Following the introduction of a workplace reform package by the Australian Government, the Government directed the ACCC on 20 January 1999 to monitor the industry and provide a report to the Minister within a specified period after every financial year.

The Federal Treasurer directed the ACCC under s. 27A of the *Prices Surveillance Act 1983* to monitor prices, costs and profits of container terminal operators companies at the ports of Adelaide, Brisbane, Burnie, Fremantle, Melbourne and Sydney. The Prices Surveillance Act has since been repealed and the price surveillance provisions are now contained in Part VIIA of the CCA. The direction under the former s. 27A of the Prices Surveillance Act is now deemed a direction under s. 95ZE of the CCA.

Given the environment at the time the direction was made, the initial purpose of the monitoring regime was to assess the impact of the reforms and to monitor the potential for wage-driven cost increases. Since then, the ACCC's reports have focussed more on the degree of competition between the

stevedores, investment, and developments in productivity. The program also explores issues affecting the broader supply chain, including road and rail connections to container terminals.

Usefulness and limitations of the price monitoring framework

The ACCC does not consider a price monitoring framework to be an effective constraint on market power unless there is an associated credible threat of regulation. However, in the case of container stevedoring, monitoring can:

- inform governments' freight policy and planning
- facilitate better decision making by industry participants by disseminating information that would otherwise be difficult or costly to collect
- scrutinise industry developments that may be a source of widespread concern or uncertainty.

2. Developments in the stevedoring industry and the container freight supply chain

2.1 Impact of COVID-19 on the industry

Like many others, the container stevedoring industry has been significantly impacted by the COVID-19 pandemic. However, due to the capital intensive nature of operations and less need for close contact between people, the health impacts have been relatively less severe³ for the industry compared to some others, such as cruise liners or passenger aircraft. Port services are also considered an essential service, meaning that operations could continue throughout the last quarter of 2019–20, although the slower economy has resulted in a number of flow on impacts across the supply chain.

The main impact evident was a reduction in container volumes as a result of dampened economic activity, following what was already slower growth during 2018.⁴ The precise impacts of COVID-19 are not observable, but container volumes for the full financial year fell at all ports except for Adelaide, with national lift volumes reducing by 4.4 per cent and TEU volumes down by 4.0 per cent compared to 2018–19. These changes represent the largest annual decrease in container volumes since the ACCC started monitoring the ports.

The initial outbreak reduced the volume of imports arriving in January and February. By the end of March 2020, manufacturers in China had resumed operations and imports were returning to normal levels, although this was met with a reduction in demand as the pandemic reached Australia.⁵

The reduction in demand has meant cargo owners have had to wait longer for goods to be transported due to 'blank sailings', which is where a scheduled trip does not go ahead. This has contributed to significant congestion at container parks in both Melbourne and Sydney and forced some parks to close, adding to import fees⁶, also causing delays for exporters. Earlier this year, Maersk announced a suspension of their Asia-Australia YoYo service until the end of the calendar year due to poor market demand. This followed the original announcement of a suspension until the end of September.⁷

Measures of productivity from data provided by BITRE indicate that over the past year capital and multifactor productivity remained unchanged, while labour productivity fell by 4.0 per cent.

Despite these supply chain impacts, revenue per lift increased at a rate of 7.5 per cent over the year while costs per lift increased at a relatively more modest rate of 2.8 per cent. This is due to landside and other revenue (including TACs) increasing by 30.7 per cent per lift.

The extent to which COVID-19 impacts on the industry will in part depend on when consumer and business confidence improve to pre-pandemic levels. The outbreak of a second wave of cases in Melbourne in July led to the imposition of Stages 3 and 4 restrictions on Victoria and further dampened the outlook for the economy. This was alongside an increase in the unemployment rate to 7.5 per cent

3 Shipping Australia, 'COVID-19: Shipping companies focus on protecting crew health to keep freight moving' <https://shippingaustralia.com.au/covid-19-shipping-companies-focus-on-protecting-crew-health-to-keep-freight-moving/>.

4 Australian Competition and Consumer Commission, 2018–19 Container Stevedoring Monitoring Report.

5 Port of Melbourne, 'Port of Melbourne Covid-19 Port Supply Chain and Contingency Planning Update' <http://ctaction.com.au/wp-content/uploads/2020/04/0424-Port-of-Melbourne-COVID19-Port-Supply-Chain-and-Contingency-Planning-Update.pdf>.

6 The Daily Cargo News, 'Congestion Issues Around Port Botany', <https://www.thedcn.com.au/congestion-issues-around-port-botany/>, 21 August 2020.

7 Maersk, 'Continued Seasonal Capacity Adjustment on Asia-Australia Services due to COVID-19 Impact' <https://www.maersk.com/news/articles/2020/08/13/continued-seasonal-capacity-adjustment-on-asia-australia-services-due-to-covid-19-impact>, 13 August 2020.

in July 2020.⁸ The July 2020 Economic and Fiscal update indicates the unemployment rate will remain elevated for some time.⁹

In particular, the strength of the construction industry is a key driver of imported goods and container movements. Prior to COVID-19, forecasts for the industry were mixed, but these have been revised downwards to reflect the significant impact of the pandemic.¹⁰ However, ABS data for July identified a rise in total dwelling approvals by 12.0 per cent after falling to an eight year low in June¹¹, which may provide some respite.

Investment was lower, although Patrick followed through with its pre-COVID investment program valued at \$150 million. This has been used to conduct capital improvement works at all of its terminals (see section 2.5 for more details).

2.2 Industrial action and congestion since the monitoring period

While outside the monitoring period, the expiry of a number of enterprise agreements at the end of December 2020 elicited industrial action at Port Botany from early September 2020. In particular, stoppages occurred at Patrick, DP World and Hutchison's Port Botany terminals protesting a range of workplace matters. While these stoppages were paused in October 2020, industrial action remain a potential issue in coming months as there was no agreement on a new Enterprise Bargaining Agreement.

Congestion at Port Botany has been caused in part by empty container parks being at capacity and delays in repatriating empty containers offshore. Similar congestion issues have also been experienced at empty container parks in Melbourne.¹²

Some shipping lines have imposed new charges of up to US\$350 per TEU in Sydney, which they have attributed to congestion at Port Botany.¹³

Some shipping lines have also changed their services, by offloading Sydney-bound containers in Melbourne instead. It has been suggested they were then charging receivers to have their goods trucked to Sydney.

On 21 September 2020, Maersk announced a suspension of all new bookings to Sydney, from all global locations except the Americas for the remainder of the month due to congestion and industrial action.¹⁴

2.3 Competition between the stevedores

VICT has further grown its market share in 2019–20, with an increased national market share at the expense of DP World and Patrick. This is due to a range of factors, including VICT's highly automated system and location at Webb Dock that offers good access for larger vessels. VICT's emerging strength in the market and investment into fully automated terminal infrastructure has been driving greater competition between the stevedores coming after recent amalgamation that increased the bargaining power of shipping lines.

Price pressure from shipping lines has contributed to a downward trend on quayside revenue across the industry, which fell further in 2019–20 (see section 4.1 for more information). Over the year,

8 Australian Bureau of Statistics, Labour Force, Detailed—Electronic Delivery, cat. no. 6291.0.55.001, July 2020.

9 Commonwealth of Australia, Economic and Fiscal Update, July 2020, p. 2.

10 Debelle, Guy, 'Housing and the Economy' <https://www.rba.gov.au/speeches/2019/sp-dg-2019-10-17.html>, Reserve Bank of Australia, 17 October 2019.

11 Australian Bureau of Statistics, Building Approvals Australia, cat. no. 8721.0, July 2020.

12 Jacks, T. 'Freight Industry Running Out of Space due to Covid-19' <https://www.theage.com.au/national/victoria/freight-industry-running-out-of-storage-space-due-to-covid-19-20200409-p54il1.html>, 12 April 2020.

13 MSC, 'Sydney Port Congestion Surcharge' <https://www.msc.com/aus/notices/2020-september/sydney-port-congestion-surcharge>, 8 September 2020.

14 Maersk, 'Temporary Booking Restriction—World (except Americas) to Sydney, Australia' <https://www.maersk.com/news/articles/2020/09/21/temporary-booking-restriction-world-except-americas-to-sydney-australia>, 21 September 2020.

there have been reports from some stevedores of an unprecedented number of shipping line service cancellations and changes.¹⁵ That is, a number of stevedoring contracts were ended by shipping lines who then restructured services, which led to shipping lines forming new consortiums for new services and renegotiating with stevedores in the market for new terms. This included a few changes in Sydney, such as a move of the Southern Star service at Port Botany from Patrick to DP World starting in October 2020.¹⁶

Table 2.1 summarises the performance of individual stevedores. It shows that there was a wide variance in the changes in financial performance of the five stevedores compared to last year; however, all reported an increase in total revenue per lift. The number of containers lifted also varied, with some stevedores reporting a decrease, while newer entrant VICT reported an increase of 59.7 per cent.

Importantly, percentage changes in operating profits or losses as reported in table 2.1 are a measure of change from the previous year. They need to be considered in the context of historical movements and with reference to companies' annual reports for actual results. A large percentage change in profit from the previous year does not necessarily indicate a high level of profits, it may in fact be a reduction in losses.

Similarly, businesses that have recently entered a market may not immediately embark on further large expenditure programs after their initial investment, as they would have existing untapped capacity and equipment will not require replacing for some time. More generally, investment in stevedoring capital can vary significantly for a company year to year.

For example, DP World reported a large percentage increase in operating profit in 2019-20, but this followed a substantial decrease in profits in 2018-19. As a relatively new player in the market, VICT invested very significant start-up expenditure in terminal capacity and as such has not capitalised on new tangible assets in 2019-20.

Hutchison recognised a substantial impairment charge of its fixed assets, which worsened its reported net profit or loss in 2018-19. However, this has not affected Hutchison's operating profit or loss in 2018-19, and therefore is not reflected in this table.

Patrick's asset additions were notable at 6.2 per cent for the year, which reflected its investment programs (further details can be found in section 2.5).

Table 2.1: Key 2019-20 results: Individual performance of monitored stevedores, change from previous year

	Lifts ^(a)	Total revenue per lift ^(a)	Total cost per lift ^(a)	Operating (EBITA) profit or (loss) ^(a)	Asset additions ^(b)
Patrick	-6.2%	+6.3%	+11.2%	-16.0%	+6.2%
DP World	-10.8%	+7.6%	+4.4%	+113.8%	+1.5%
Hutchison	-9.8%	+7.9%	-1.2%	(-23.3%) ^(c)	+3.4%
Flinders Adelaide	+2.4%	+2.7%	-1.6%	+46.1%	+0.4%
VICT	+59.7%	+18.0%	-33.4%	+162.6% ^(d)	0.0%

Note: (a) Percentage changes are calculated relative to 2018-19 figures (financial values in 2019-20 dollars).
 (b) Additions as a percentage of opening value of tangible assets in 2019-20.
 (c) Hutchison's year-on-year change is a reported reduction in operating losses since 2018-19.
 (d) VICT's year-on-year change includes a reported reduction in operating losses since 2018-19.

15 Qube, 'Half Year Investor Presentation' <https://qube.com.au/wp-content/uploads/2020/02/Half-Year-Investor-Presentation-1.pdf>.

16 'Southern Star Update: Change of Terminal in Sydney, Australia' <https://www.maersk.com/news/articles/2020/09/16/southern-star-update-change-of-terminal-in-sydney-australia>.

2.4 Further increases in terminal access charges

Stevedores significantly increased their TACs in 2019-20, despite concern from both industry stakeholders and some state governments. TACs, formerly called infrastructure charges, are fees applied to trucks and trains for dropping off or picking up a laden container at the terminal.

While these charges were either non-existent or just a few dollars in all ports other than Brisbane prior to 2017, stevedores at the three largest ports of Melbourne, Sydney and Brisbane now have charges in excess of \$100 per full container. Table 2.2 shows the current charges for each stevedore across the different ports, while figure 2.1 charts the rapid rise in these charges over the last few years.

A new development this year was that DP World and Patrick began applying different charges depending on whether the container was for import or export. This was in response to views that the charges had a more notable impact on exporters, especially primary producers exporting lower value products for a world market (such as containerised grain). Despite these different rates, exporters still generally faced a higher TAC at the end of 2019-20 than they did at the end of the previous year.

All stevedores other than Flinders Adelaide have increased their charges for imported or all containers by around \$40-50 since June 2019. The highest charges are in Melbourne, where all three terminals charge in excess of \$125 for an imported container. Fees at Sydney and Brisbane are not far behind. Perhaps the most notable increases were at the Port of Fremantle, where charges for imported containers rose from below \$10 to \$45-50. In contrast, Flinders Adelaide applied a minor increase on 1 July 2020 to \$29.60.

As an industry, the stevedores collected \$256.4 million in revenues from TACs in 2019-20. This figure is 51.9 per cent higher than the \$168.8 million recorded in the previous year.

The stevedores have pointed to a number of reasons for the increase in these charges in recent years, with the most prominent being:

- falling prices being charged to shipping lines because of both greater competition between stevedores and a stronger bargaining position of shipping lines as a result of industry consolidation
- sustained and significant increases in their property-related costs
- the need to maintain adequate returns required to recover past investments and justify future investments in quayside and landside terminal facilities.

The stevedores have also said that despite these charges, total costs along the whole supply chain (i.e. including land transport, shipping and port) have typically been falling for importers and exporters.

The ACCC's view is that it is understandable for stevedores to seek to recover some costs from landside transport operators given these operators benefit from the investment that the stevedores undertake in their facilities. However, the use of TACs means that stevedores are earning a growing proportion of their revenues from customers that are limited in being able to respond to those charges, in contrast to the more directly competitive market in which stevedores provide services to shipping lines. In this scenario, there is a risk that the stevedores will continue to increase their charges, and importers and exporters may pay even higher charges to receive or ship their goods.¹⁷ The ACCC notes that any regulation of such landside charges would be a matter for state and territory governments.

Not only have charges increased each year, but higher landside revenues are now more than offsetting any fall in quayside revenues collected from shipping lines (see section 4.1 for further information).

Over the last decade, greater competition from the introduction of a third terminal in Brisbane, Sydney and Melbourne had resulted in falling revenues from shipping lines for each lift. This development also resulted in stevedores collecting less total revenue per lift, even when the industry first began to use landside charges to offset some of the falls from quayside operations. However, the magnitude of the increase in landside charges has now resulted in the stevedores collecting more total revenue per lift. Indeed, the average revenue per lift recorded in 2019-20 (\$292.2) is the highest since 2012-13. This

¹⁷ A more fulsome examination of the likely impact of these charges can be found in the 2018-19 container stevedoring monitoring report.

compares to an average cost per lift of \$263.2, which represents the largest variance from revenue since 2016–17.

Some state governments have taken action in response to criticism of the charges:

- Following a review of port pricing and access by Deloitte Access Economics on behalf of the Victorian Government, the government has advised of a draft protocol for stevedores wanting to increase landside charges at the Port of Melbourne.¹⁸ The draft protocol limits increases to once per year and would require the stevedores to provide detailed reasons for the increase to the Victorian Department of Transport. Stevedores must issue a final notice of new prices 60 days prior to the date of the proposed increase.
- NSW already requires the stevedores to notify the government of any intention to increase the charges.¹⁹ The NSW Minister for Transport and Roads, the Hon Andrew Constance MP, has called for restraint on the charges by the stevedores at Port Botany on more than one occasion.²⁰ He also referred the matter of rapid price increases to the NSW Productivity Commissioner to investigate their impact on the supply chain.²¹
- Transport ministers in both Queensland and Western Australia have also publicly expressed concern about stevedores' charges.²² The WA ports minister the Hon Alannah MacTiernan MLC said that the state government was using its ownership of the port to address the matter. The state government is currently negotiating leases with DP World and Patrick for use of the berths.²³

The stevedores' earnings from landside charges are detailed further in Chapter 4.

18 Victorian Transport Association, 'Transparency, fairness and certainty for PoM landside freight carrier', media release, 27 May 2020; <https://transport.vic.gov.au/ports-and-freight/commercial-ports#performance>.

19 Schedule 4 of the *Ports and Maritime Administration Act 1995*.

20 The Hon. Andrew Constance MP (NSW Minister for Transport and Roads), 'Stevedores told to think twice about price hike', media release, 13 December 2019. Letter from the Hon. Andrew Constance MP to Mr Paul Zalai of the Freight and Trade Alliance on 16 April 2020, as cited in a letter from Mr Zalai to the Hon. Michael McCormack MP (Federal Minister for Infrastructure, Transport and Regional Development) on 27 May 2020, www.ftalliance.com.au.

21 The Hon. Andrew Constance MP (NSW Minister for Transport and Roads), 'Stevedores told to think twice about price hike', media release, 13 December 2019.

22 Rob McKay, 'Queensland wants Commonwealth leadership on a national issue', *ATN*, 19 June 2020; Rob McKay, 'MacTiernan airs WA concerns on container access charging', *ATN*, 29 June 2020.

23 Rob McKay, 'MacTiernan airs WA concerns on container access charging', *ATN*, 29 June 2020.

Table 2.2: Changes in terminal access charges per full container between June 2019 and June 2020

	DP World		Patrick		Hutchison		VICT		Flinders Adelaide ³	
	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20
Adelaide	Imports									
	Exports								\$28.96	\$29.60
Brisbane	Imports	\$65.15	\$109.50	\$71.50	\$110.00	\$33.10	\$50.00	\$94.78		
	Exports	+68.1%	+68.1%	+86.9%	+82.50	+1.5%	+51.1%	+89.6%		+2.2%
Fremantle	Imports	\$8.22	\$45.00	\$7.50	\$50.00					
	Exports	+0.0%	+447.4%	+0.0%	+566.7%					
Melbourne	Imports	\$85.30	\$125.00	\$82.50	\$125.80				\$85.00	\$121.80
	Exports	+73.4%	+46.5%	+73.7%	+52.5%				+77.1%	+43.3%
Sydney	Imports	\$63.80	\$112.10	\$77.50	\$114.50	\$35.84	\$63.11	\$88.83		
	Exports	+69.5%	+75.7%	+61.5%	+47.7%	+243.0%	+76.1%	+40.8%		

Note:

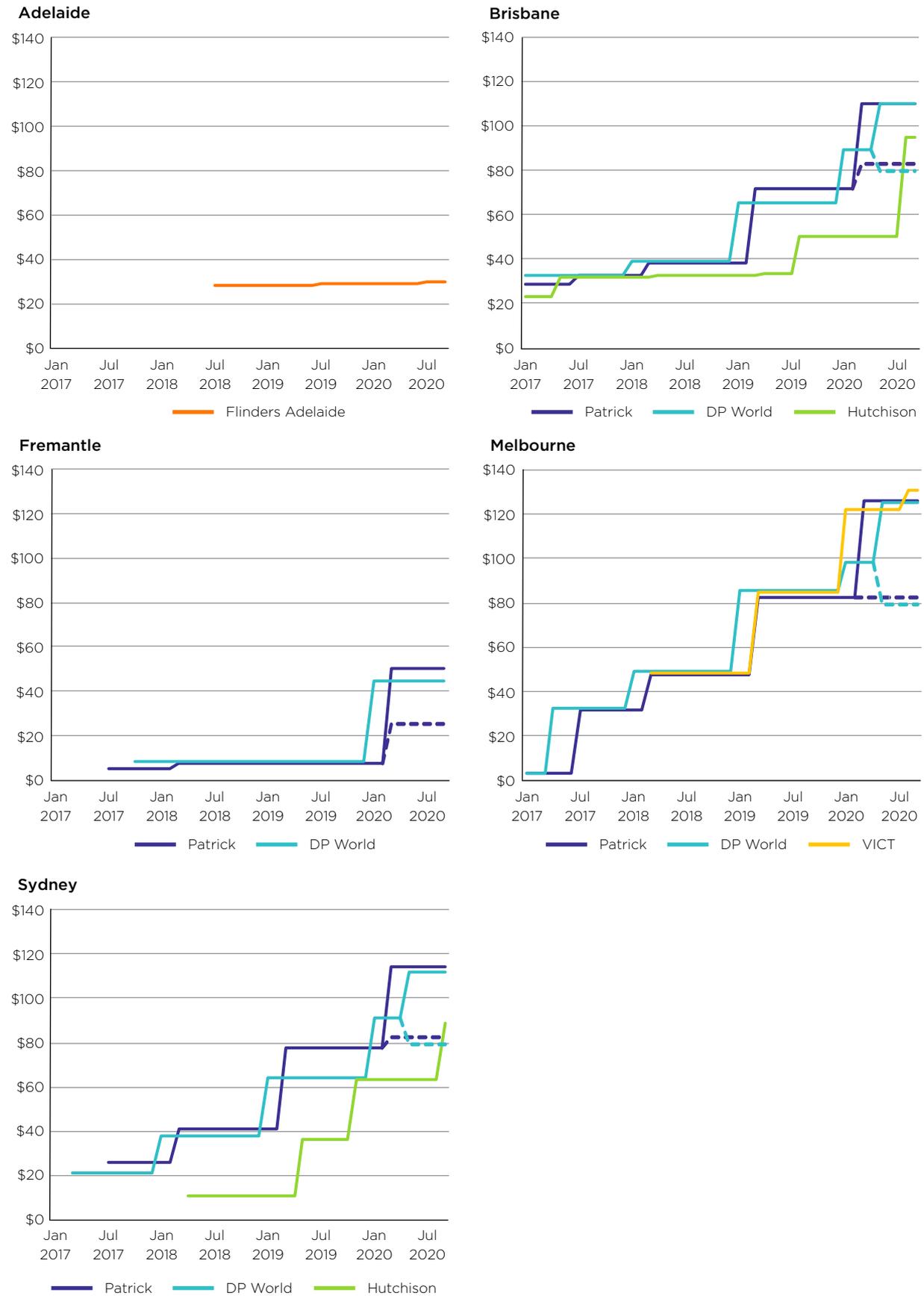
Prices are exclusive of GST.

1 Hutchison applied a new charge in Brisbane from 27 July 2020 and in Sydney from 8 September 2020.

2 VICT applied a new charge from 1 August 2020.

3 Flinders Adelaide charges were effective from 1 July each year.

Figure 2.1: Increases in terminal access charges since 2017



Note: Solid lines indicate 'import' or both 'import & export' charges, while dotted lines indicate 'export' charges only.

2.5 Investment by Patrick in cranes and rail facilities

Patrick has maintained a significant capital investment program despite COVID-19, proceeding with various landside and quayside equipment valued at around \$150 million. Patrick has reported that this has been done in an effort to improve efficiency and increase the capacity of all of its terminals.²⁴ In particular, the investment program will focus on new straddle cranes and rail capacity. Table 2.2 summarises these investments.

Table 2.3: Summary of Patrick’s capital investment program in 2020

Location	Infrastructure	Status
Brisbane	Two new straddles	Operational
	One new Liebherr crane	In progress
Fremantle	One ZPMC Post Panamax crane	Operational
Melbourne	Two ZPMC Post Panamax cranes	Operational
	Four new straddles	Operational
Sydney	Port Botany rail infrastructure project Phase 1 (in conjunction with NSW Ports)	In progress
	Six new straddles	Operational
	One new Liebherr crane	In progress
All	Terminal Operating System IT upgrade	In progress

Source: Daily Cargo News July 2020, pp. 47–48.

Of note is the \$70 million investment as part of a \$190 million rail infrastructure project in conjunction with NSW Ports. The project is Phase 1 of a broader investment program by NSW Ports. Phase 1 involves the construction of four 300-metre rail sidings that will be serviced by three automated rail mounted gantry cranes. This is expected to double rail capacity at Patrick’s terminals at Port Botany, improve rail efficiencies and move trucks off the road. NSW Ports will deliver ‘on dock’ rail infrastructure with the remaining \$120 million.

The Liebherr cranes that will be operational at both Brisbane and Port Botany will be the largest cranes operating in Australia. The ZPMC Post Panamax cranes at Fremantle and Melbourne both have a 19 container width capability, enabling the stevedores to service larger vessels.

Further investment in rail infrastructure will also be made by Patrick as part of its contribution to the recently announced Port of Melbourne Port Rail Transformation Project.

2.6 Port of Melbourne Port Rail Transformation Project

The Port of Melbourne commenced work on the \$125 million Port Rail Transformation Project (P RTP) in June 2020.²⁵ The initiative includes significant rail infrastructure work and an operating framework that offers alternative (rail) access for container freight movements. This is set to facilitate the forecast in increased container movements by increasing rail terminal capacity at Swanson Dock, improve rail terminal operations, and reduce the reliance on trucks to transport container freight. Port rail shuttle trains will also have a capacity of 84 TEU containers, in comparison to a B-Double truck that have a capacity of three TEU.

24 Sexton, David. 17 January 2020, ‘Patrick pushes 2020 waterfront investment’ <https://www.thedcn.com.au/patrick-pushes-2020-waterfront-investment/>.

25 Port of Melbourne ‘Our Plan for Rail 2020’, <https://www.portofmelbourne.com/wp-content/uploads/PoM-Our-Plan-for-Rail-2020.pdf>.

The project is funded from an increase in tariff of \$9.75 per TEU on full import containers that took effect from the 1 June 2020, the same time the new operating arrangements for Qube and ACFS rail terminals took effect.

The PRTP comprises of the following main components:

- Integrated Port of Melbourne provision of port rail land and assets—Port of Melbourne is restructuring the port rail land and asset commercial arrangements for leaseholders within the Swanson Dock East Precinct to provide rail land and assets on the same basis it provides wharf and road land and assets.
- New rail terminal capacity and port rail network infrastructure—development of a new rail terminal at Coode Road to interface with the Swanson Dock East Container Terminal. This location will provide a lower cost transfer of containers between rail and ships.
- Improved rail terminal operation arrangements and transparency—new working arrangements between Port of Melbourne and Rail Terminal Operators at most current and all future port rail terminals. This encourages market competition between rail terminals and increases transparency.

Port of Melbourne is currently in the tender phase for rail terminal improvement works, with construction expected for completion by the end of 2023.

3. Throughput, productivity and efficiency

This chapter presents data on the volume of containers handled by the stevedores at the monitored ports. It also presents various measures assessing how efficiently the stevedores handled the quayside and landside components of the freight handling task.

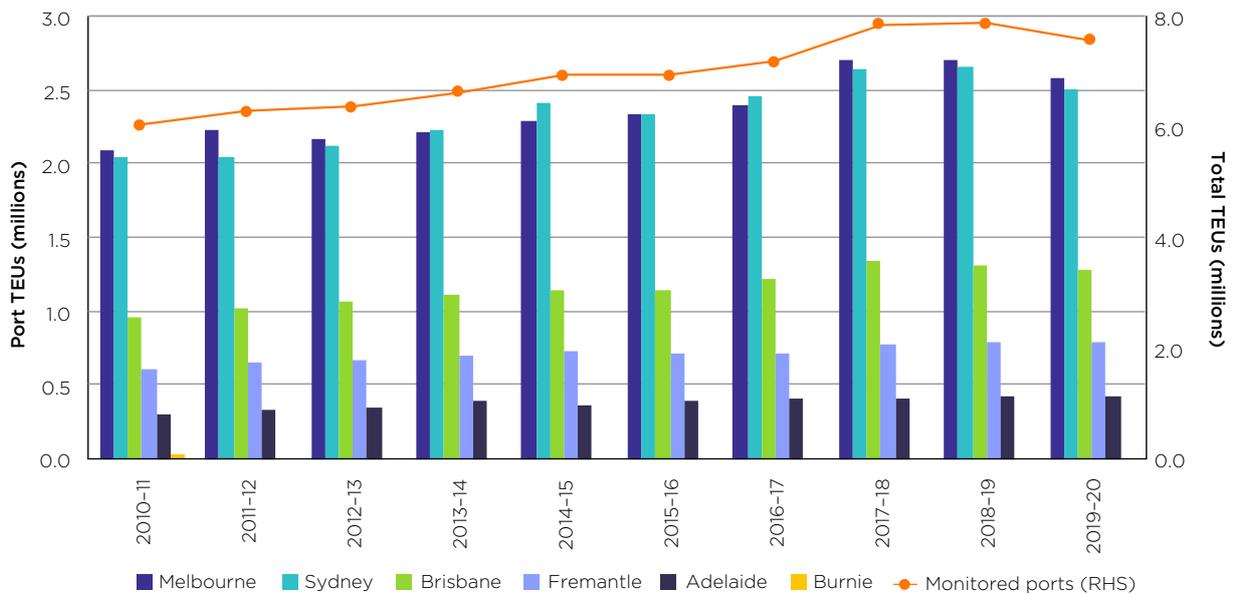
Throughput measures presented in this chapter have been provided by the monitored stevedores. Quayside and landside productivity measures have been provided by BITRE.

3.1 Throughput

Throughput at the monitored ports—TEU

In 2019–20, the stevedores operating at the monitored container ports reported a 4.0 per cent reduction in the total number of TEUs handled to 7.57 million. This is the largest decrease observed over the ten year period.

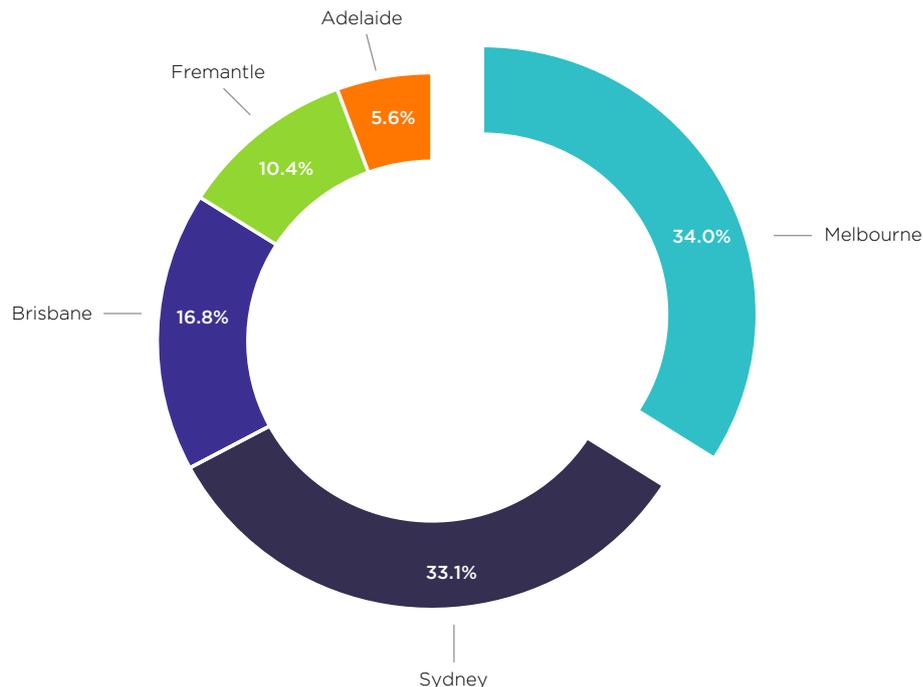
Figure 3.1: Container stevedoring throughput trends at monitored ports: 2010–11 to 2019–20



Source: ACCC analysis of stevedores' submitted data to the monitoring regime.

Figure 3.2 shows that Melbourne handled the most containers of the five monitored ports, with a reported 2.58 million lifts representing 34 per cent of the total TEUs handled across all monitored ports.

Figure 3.2: Share of TEUs handled by monitored port, 2019–20



Source: ACCC analysis of stevedores' submitted data to the monitoring regime.

Throughput at the monitored ports—lifts

TEU is an important measure of throughput for container stevedoring, in particular for understanding capacity constraints at the ports. However, stevedores' financial performance is best understood through the number of containers lifted on and off ships given that much of their revenue is generated on a per-container basis, regardless of the size of the container handled.

Stevedores reported a contraction of 4.4 per cent in container lifts from 5.1 to 4.9 million in 2019–20. This represents the largest fall in container lifts over the decade.

Full and empty container lifts

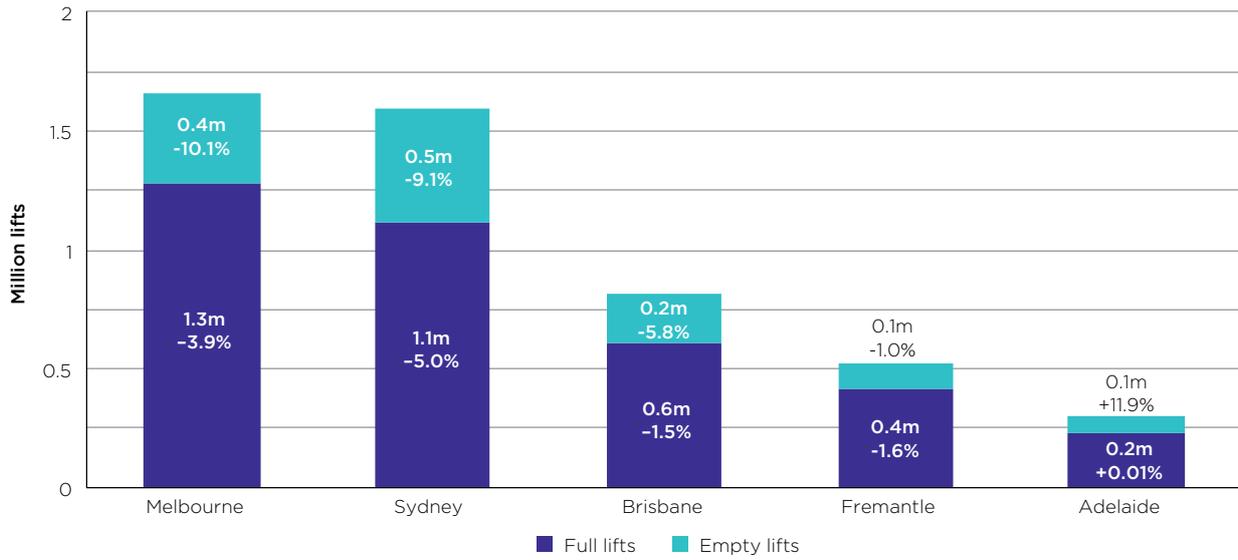
Container lifts can be further disaggregated to lifts of containers that are either full or empty. Full containers contain either imported goods from overseas markets or products designated for export markets. In contrast, empty containers are lifted on and off ships as part of their repositioning by shipping lines to places where there is demand for containers. Australia imports more goods in containers than it exports, which means many empty containers need to be sent back overseas.

The COVID-19 pandemic around the world has resulted in an unprecedented number of shipping services being rescheduled and cancelled, which has led to reported issues of over-capacity at empty container parks in both Melbourne and Sydney (see section 2.1 for more details).

Despite this, empty container lifts reportedly fell by 7.2 per cent to 1.2 million lifts in 2019–20. In comparison, full container lifts fell by 3.3 per cent to 3.6 million.

All of the east coast ports reported decreases in both empty and full container lifts, while Adelaide reported modest increases in empty containers.

Figure 3.3: Full and empty container lifts at monitored ports, 2019–20

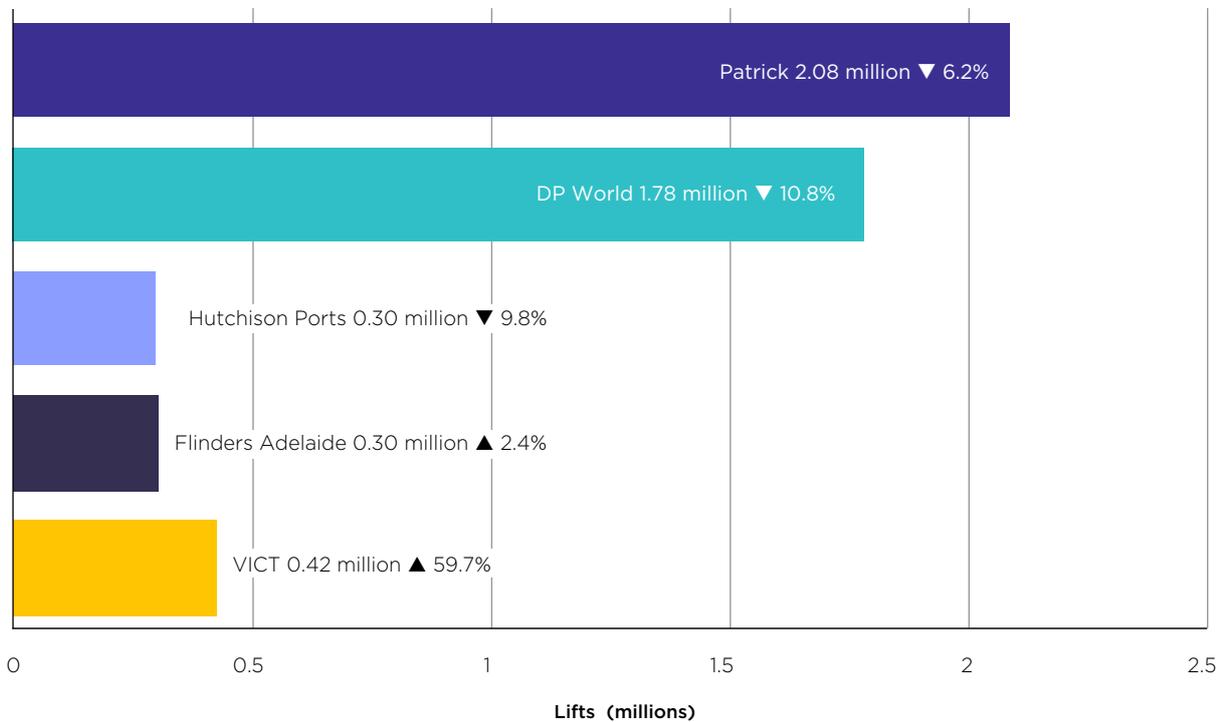


Source: ACCC analysis of stevedores' submitted data to the monitoring regime.

Lifts by stevedore

Despite the falls in throughput on a national basis, figure 3.4 shows that Flinders and VICT both reported increases in lifts in 2019–20 by 2.4 per cent and 59.7 per cent respectively. Meanwhile, DP World, Patrick and Hutchison Ports all reported decreases in lifts.

Figure 3.4: Lifts per stevedore, 2019–20



Source: ACCC analysis of stevedores' submitted data to the monitoring regime.

3.2 Productivity and efficiency

Changes in various productivity measures provide important insight on the quality of service provided by container stevedores to users of their services.

Data reported in this section was collected by BITRE for its Waterline statistical program.²⁶ BITRE has an established methodology in calculating container stevedoring productivity measures and reports on trends in the monitored container ports. BITRE generously provides the ACCC with stevedoring productivity data in advance of BITRE's publication of its Waterline report.

Quayside productivity

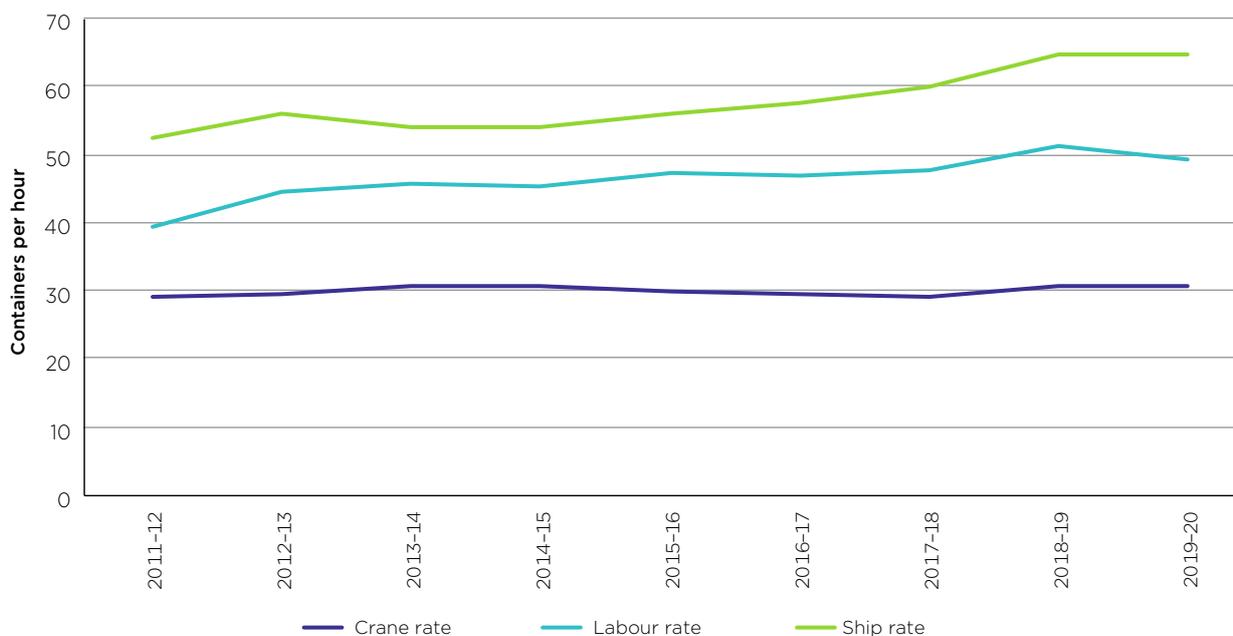
Quayside productivity measures provide insights on the efficiency of lift services provided to stevedores' primary customers, shipping lines.

BITRE's key indicators on quayside productivity are outlined below. The measures show mixed results with respect to Australia's quayside productivity 2019–20:

- Net crane rate: this is an indicator of capital productivity and reflects the number of containers lifted on and off ships per hour that ship-to-shore cranes are in operation. In 2019–20, the weighted average net crane rate across the monitored container ports remained relatively unchanged at 30.7 containers per hour.
- Elapsed labour rate: this is an indicator of labour productivity and measures the number of containers handled for the period of time between labour first boarded a container ship to when labour left the ship, less any time when labour was not working due to delays. In 2019–20, the weighted average elapsed labour rate across the monitored container ports fell by 4.0 per cent to 49.4 containers per hour.
- Net ship rate: this reflects the overall productivity of terminal operations while the ship is being worked. It measures how fast containers are being lifted on and off a ship by cranes and labour. The net ship rate increased modestly, by 0.08 per cent in 2019–20 to 64.8 containers per hour.

Figure 3.5 shows movement in quayside productivity of Australian ports over time.

Figure 3.5: Quayside productivity indicators, Australia: 2011–12 to 2019–20



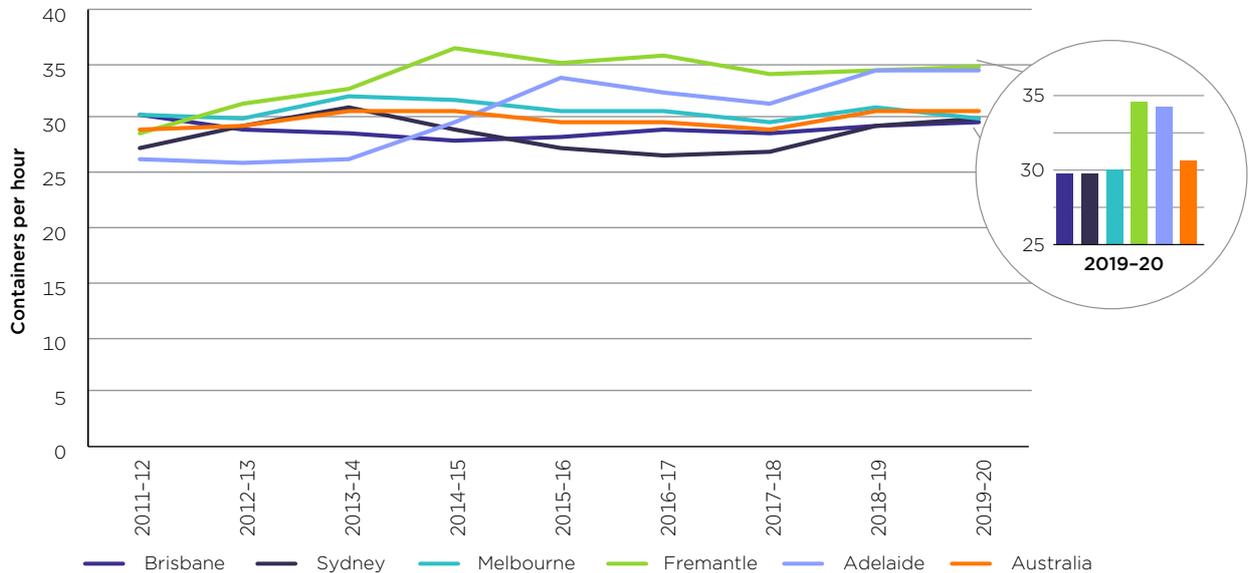
Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

²⁶ BITRE, *Waterline 65*, https://www.bitre.gov.au/sites/default/files/publications/water_065.pdf.

Crane productivity

Crane productivity is measured by net crane rates and reflects capital productivity. BITRE estimates net crane rates by dividing the total number of containers handled by the total allocated crane hours less any operational and non-operational delays.²⁷

Figure 3.6: Net crane rates, 2011-12 to 2019-20

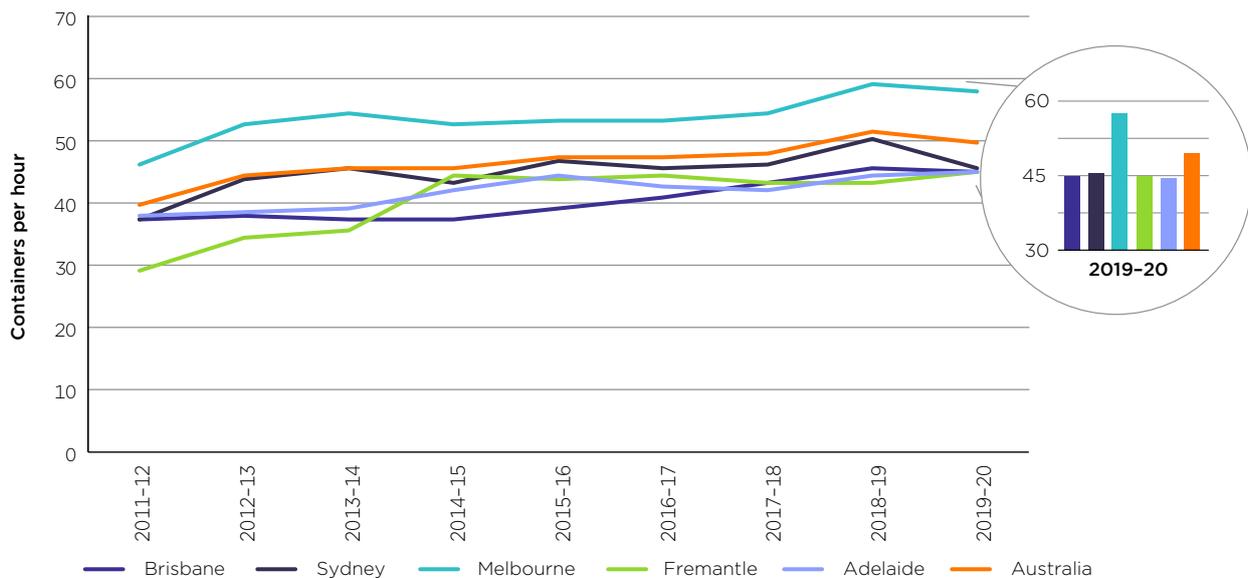


Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

Labour productivity

Labour productivity is measured by elapsed labour rates. For a given worker, BITRE estimates labour productivity by dividing the total number of containers they handled by the total time between when the worker boarded the ship and the time they left the ship, less any operational and non-operational delays.

Figure 3.7: Elapsed labour rates, 2011-12 to 2019-20



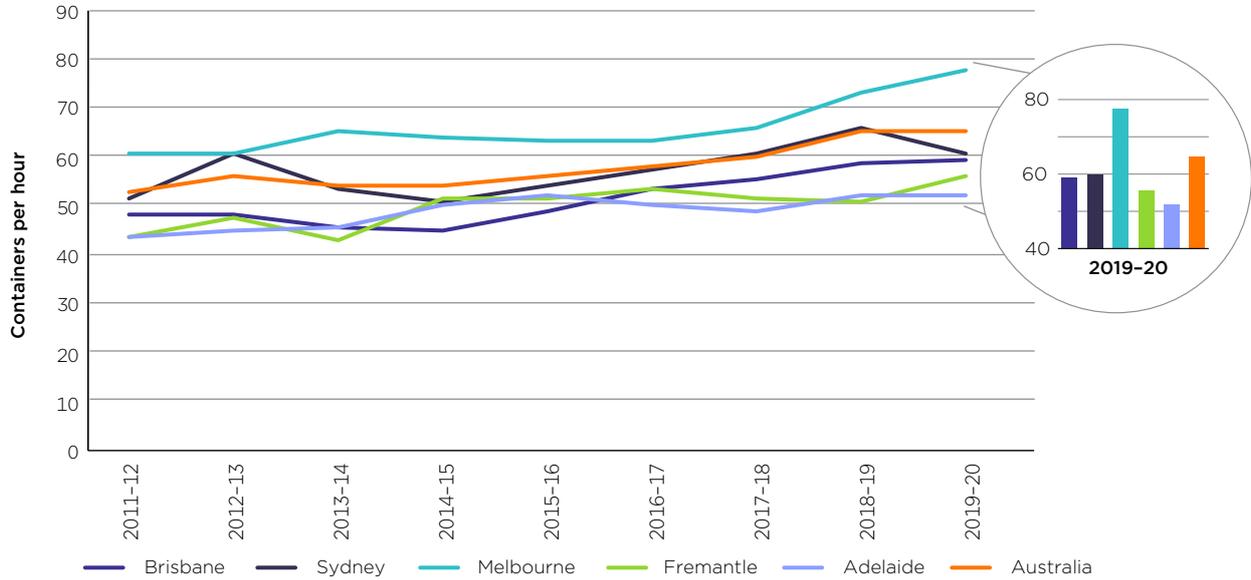
Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

²⁷ BITRE's *Waterline* reports describe in greater detail the methodology for calculating net crane rates, and includes a non-exhaustive list of the types of operational and/or non-operational delays that are excluded from the report.

Multifactor productivity

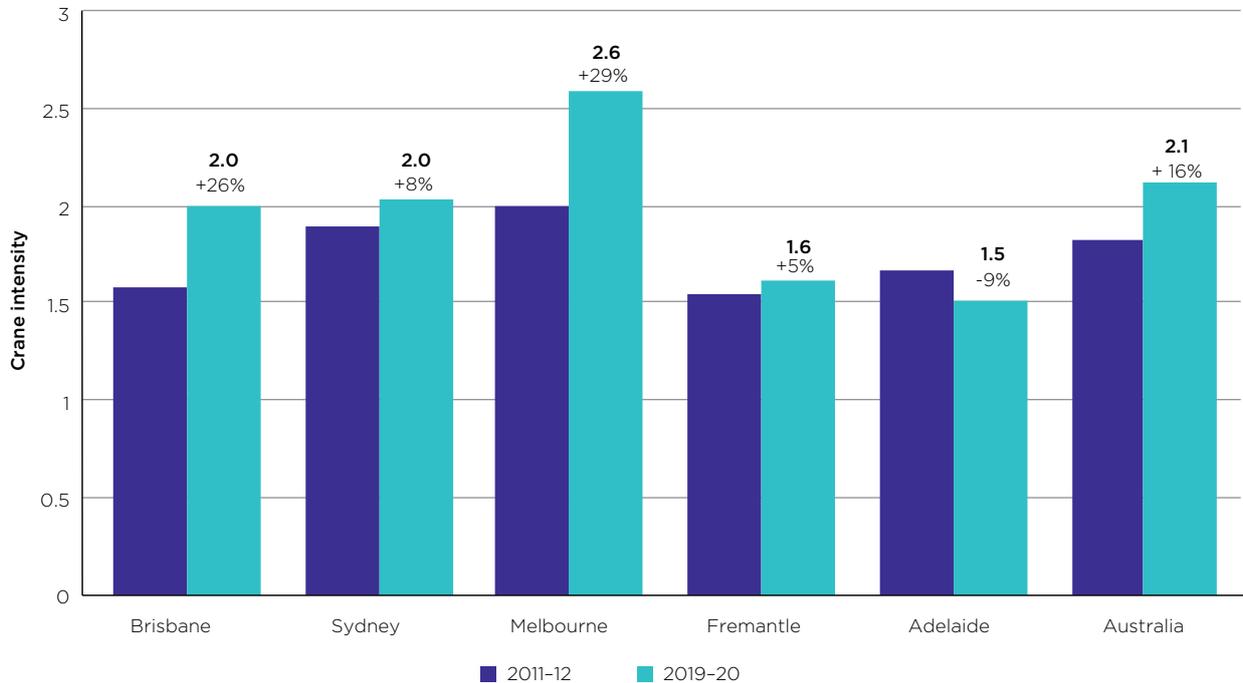
Multifactor productivity, as measured by net ship rates, is a measure that combines the efficiency of both capital and labour inputs. BITRE estimates net ship rates by multiplying net crane rates with crane intensity, where crane intensity is the total number of crane hours divided by elapsed labour time.

Figure 3.8: Net ship rates, 2011-12 to 2019-20



Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

Figure 3.9: Crane intensities, 2011-12 and 2019-20



Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

Landside efficiency

Landside efficiency refers to the performance of the container terminal in providing for trucks and trains to pick up or drop off containers. Lack of adequate facilities can result in delays and ultimately the overall capacity of the port.

Freight on rail

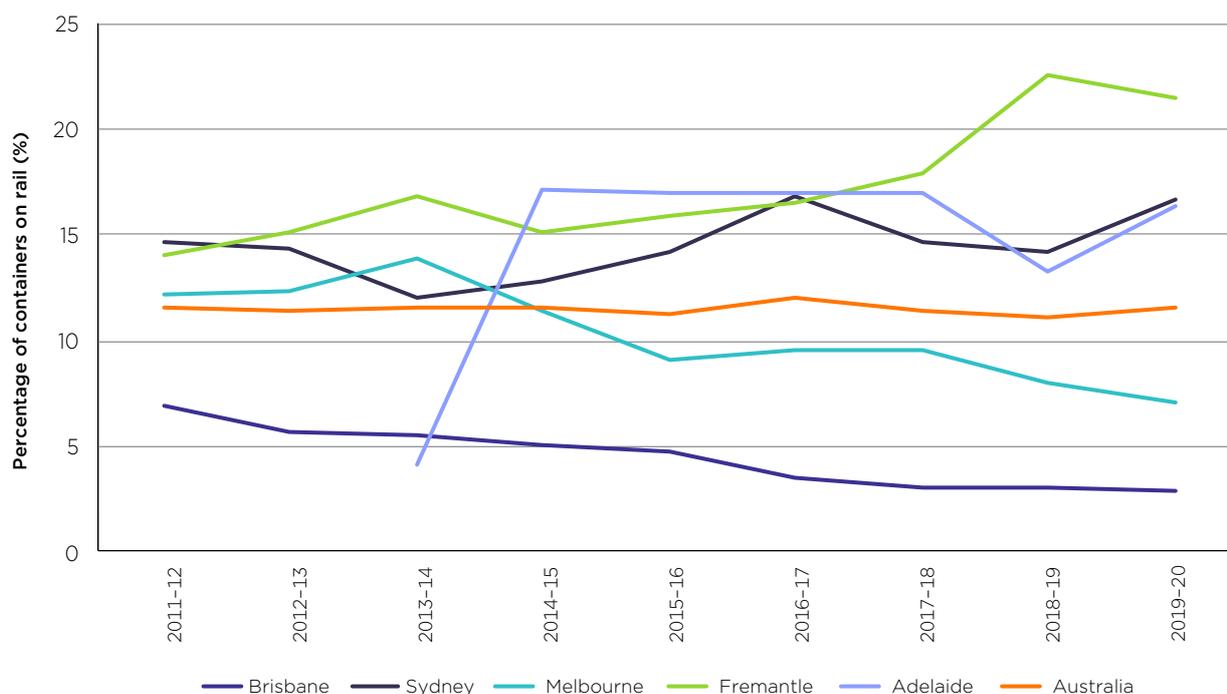
Most of the containers entering or leaving the premises of the monitored container ports are transported by trucks.

The ACCC understands that the low take-up of rail is due to a range of reasons, such as high fixed costs relative to road container transport, particularly over shorter distances. There may also be inefficiencies in infrastructure at the port and at inland container ports, and connection constraints to key markets if freight railways do not offer connections to potential rail users, or if they do, they are congested.

Some ports are investing in infrastructure to address these barriers to rail transport take up, with some significant rail infrastructure investment planned at Port of Melbourne and Port Botany (see section 2.5 and 2.6 for details).

Figure 3.10 shows that 11.6 per cent of all the containers handled in Australia in 2019–20 travelled on rail. This represents a 0.5 percentage point increase from the previous year.

Figure 3.10: Freight on rail, 2011-12 to 2019-20



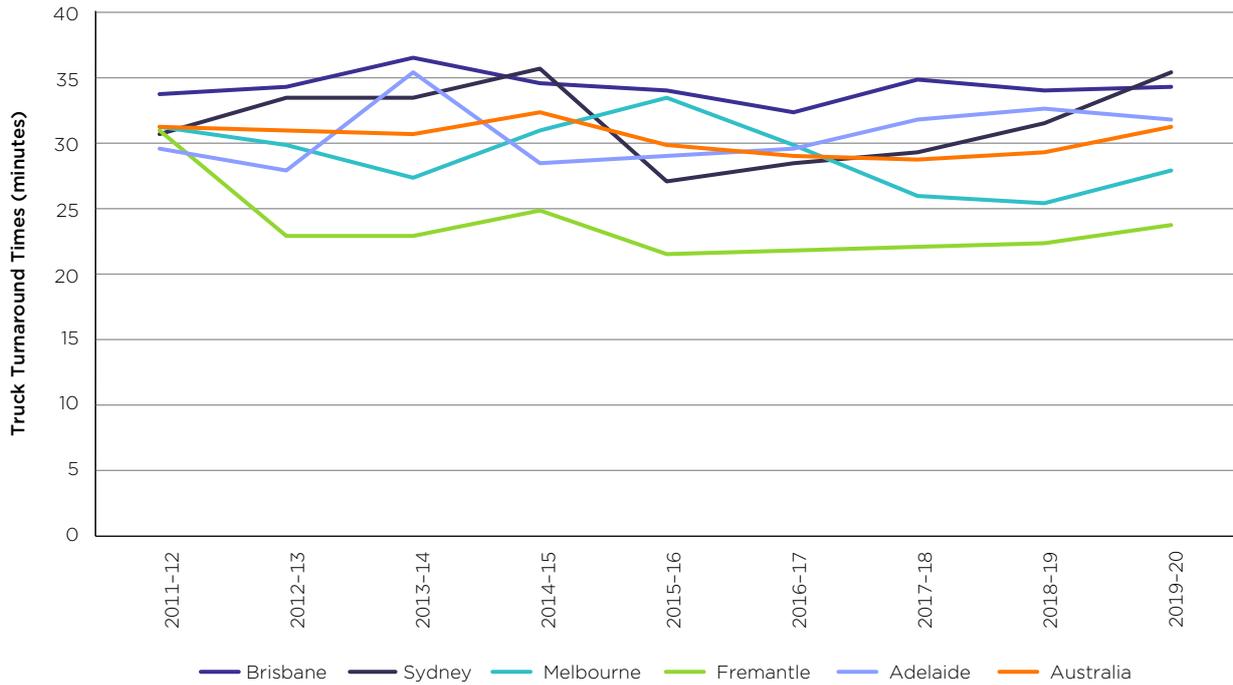
Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

Truck turnaround times

Truck turnaround time (TTT) is an indicator of landside interface efficiency and reflects the length of time stevedores take to load or unload containers on trucks at their terminals.

Figure 3.11 shows that the weighted average TTT across the monitored Australian container ports increased (i.e. worsened) by 6.5 per cent to 31.2 minutes in 2019-20.

Figure 3.11: Truck turnaround times, 2011-12 to 2019-20



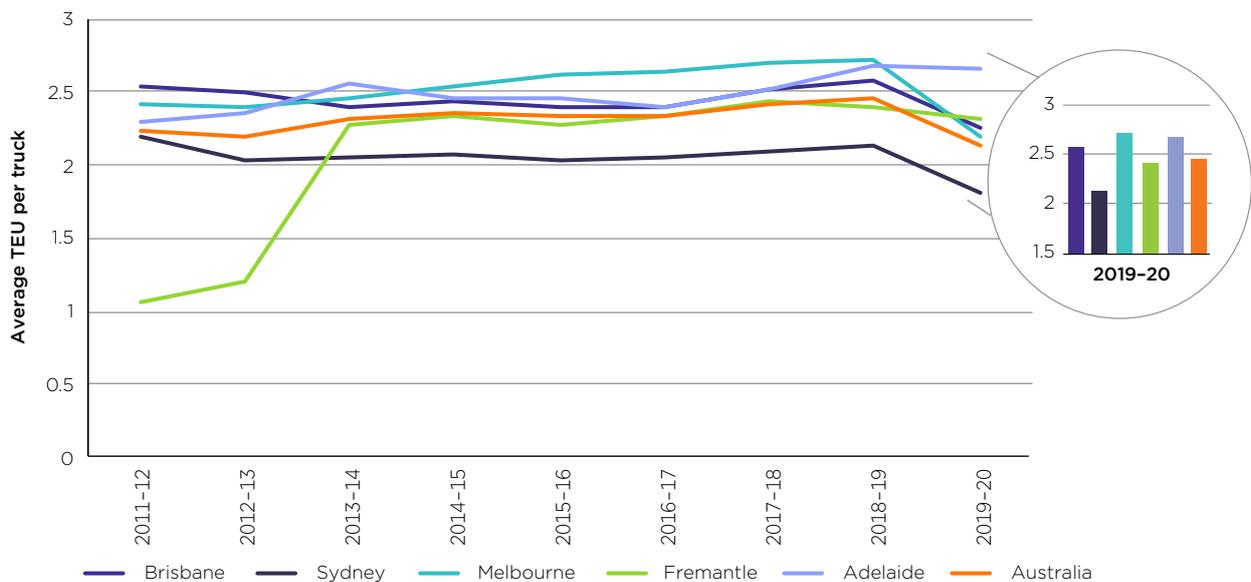
Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

Truck utilisation rates

While TTT is an important measure, seeking to improve landside productivity levels by minimising TTT alone could have adverse effects. Stevedores have advised that seeking to lower TTT may encourage less containers to be loaded per given truck. The effect of this could be an increase in the number of trucks queueing at the terminals and increased landside congestion at the port precinct. Increasing average truck loads, while potentially leading to poorer TTT, would have the benefit of improving landside congestion at the port precinct by reducing the number of trucks.

Figure 3.12 shows that the weighted average load factor across the monitored container ports decreased by 13.6 per cent to 2.13 TEU per truck.

Figure 3.12: TEU per truck, 2011-12 to 2019-20



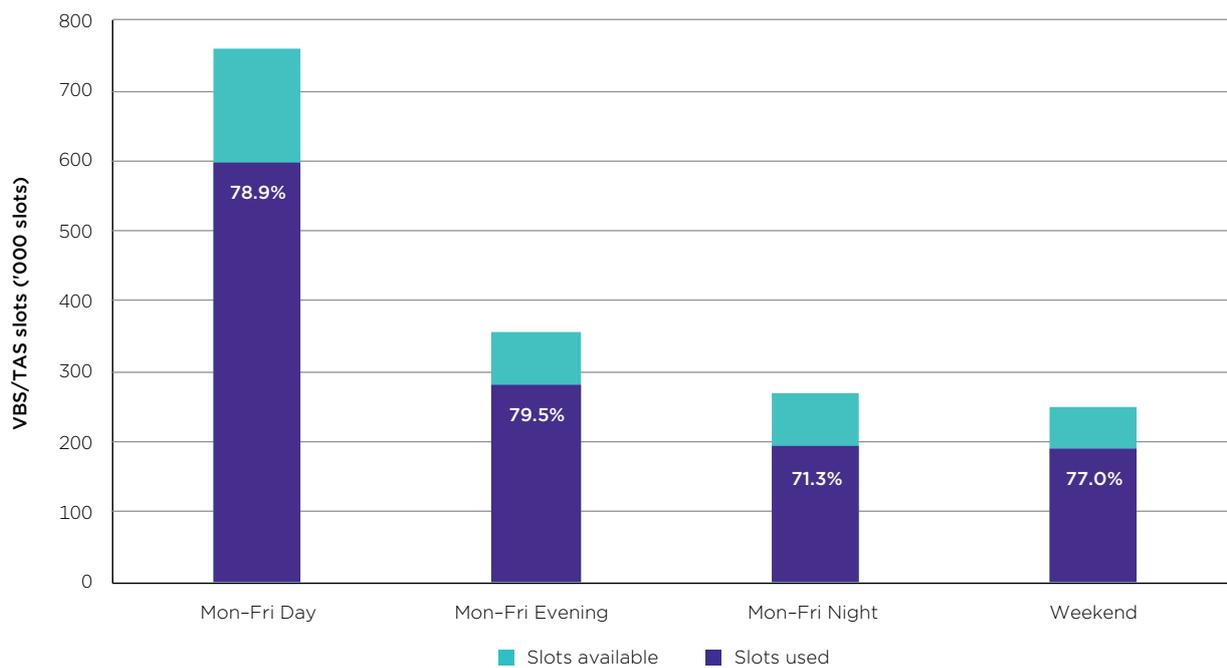
Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

Management of truck demand

Container terminals around the world have to optimally schedule landside access by trucks to prevent or alleviate congestion at the terminals. The Vehicle Booking System (VBS) and Truck Appointment System²⁸ (TAS) have been implemented to achieve this. These systems enable container terminals to receive advance information regarding the arrival patterns of trucks. They then use this information to better plan resource allocation, reduce waiting times and mitigate congestion, and avoid spikes and pronounced quiet periods. In this sense, a properly managed and scheduled landside operations benefits both truck operators (through shorter TTT) and the terminal (more efficient use of resources).²⁹

Figure 3.13 shows that in 2019–20, the stevedores are generally apportioning more than sufficient VBS/TAS slots relative to demand by trucking operators at all periods.

Figure 3.13: Truck slots (VBS/TAS) availability and usage, 2019–20



Source: ACCC analysis of data from BITRE's forthcoming *Waterline 66*.

Note: Stevedores at the monitored ports do not have identical day, evening and night shifts. As such, data has been adjusted by BITRE to fit into standardised work shifts for comparative purposes.

²⁸ The Truck Appointment System is used at Hutchison terminals.

²⁹ M Phan and K Kim, [Collaborative truck scheduling and appointments for trucking companies and container terminals](#), accessed 14 October 2019.

4. Industry revenues, costs and profits

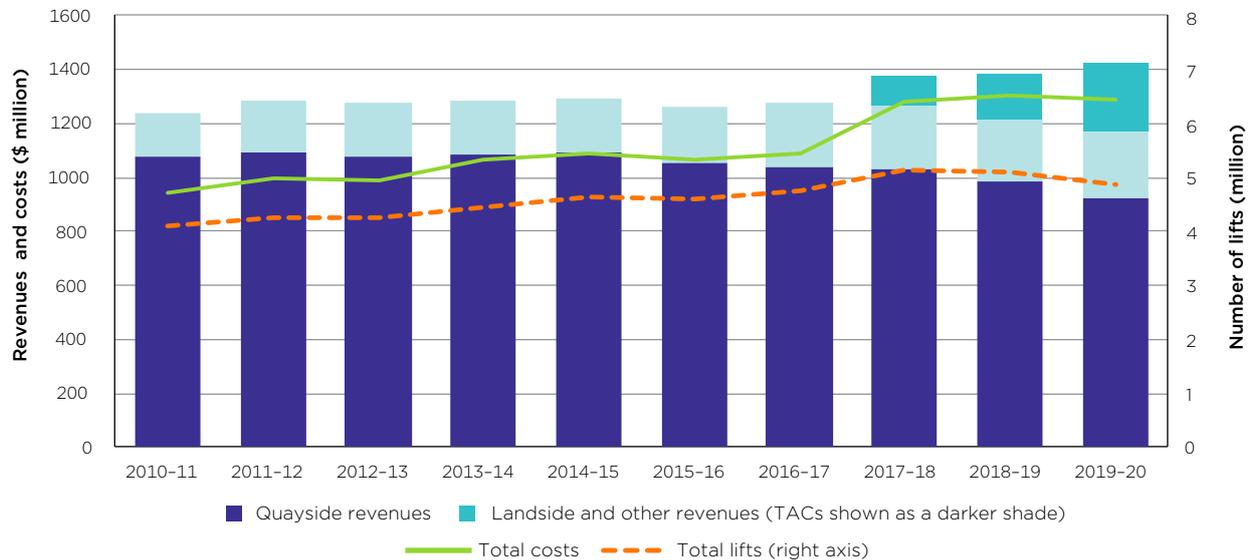
This chapter presents the revenues, costs and profits of container stevedores operating at Australia's monitored ports. The ACCC has combined information supplied by the five container stevedores operating at these ports during 2019–20.

The financial information in this section and the broader report only relates to the stevedores' stevedoring operations. Revenue from other operations are not included.

As for the broader report, financial figures are presented in real terms with values in 2019–20 dollars.³⁰ The analysis is based on the container stevedores' submissions to the monitoring regime.

Despite the year-on-year improvement in overall results, 2019–20 has been a challenging year for the stevedoring industry. The global COVID-19 pandemic and the impacts from Australian bushfires and drought have affected most of the stevedores' revenue bases. Yet increasing TACs and cost cutting measures helped the industry to offset the revenue impacts and enhance profitability during 2019–20.

Figure 4.1: Total revenues, costs, and lifts: 2010–11 to 2019–20



Note: TACs have been collected by container stevedores at some ports since 2011–12 and aggregated under landside and other revenues until 2016–17. Real values in 2019–20 dollars.

Figure 4.1 shows trends in stevedoring industry revenues, costs and container lifts over the past decade. While quayside revenues have consistently declined over time, substantial increases in landside and other revenues (with TACs shaded separately) have contributed to a rise in total revenues. Total costs have remained relatively stable, with a large increase in 2017–18 due to VICT's entry. Total number of containers lifted by the stevedores has contracted in recent years.

³⁰ Deflator series derived from the ABS CPI (cat. no. 6401.0, tables 1 and 2, Index Numbers; All Groups CPI; Australia). Base year for the ACCC deflator series is 2019–20.

4.1 Revenues

Total revenues

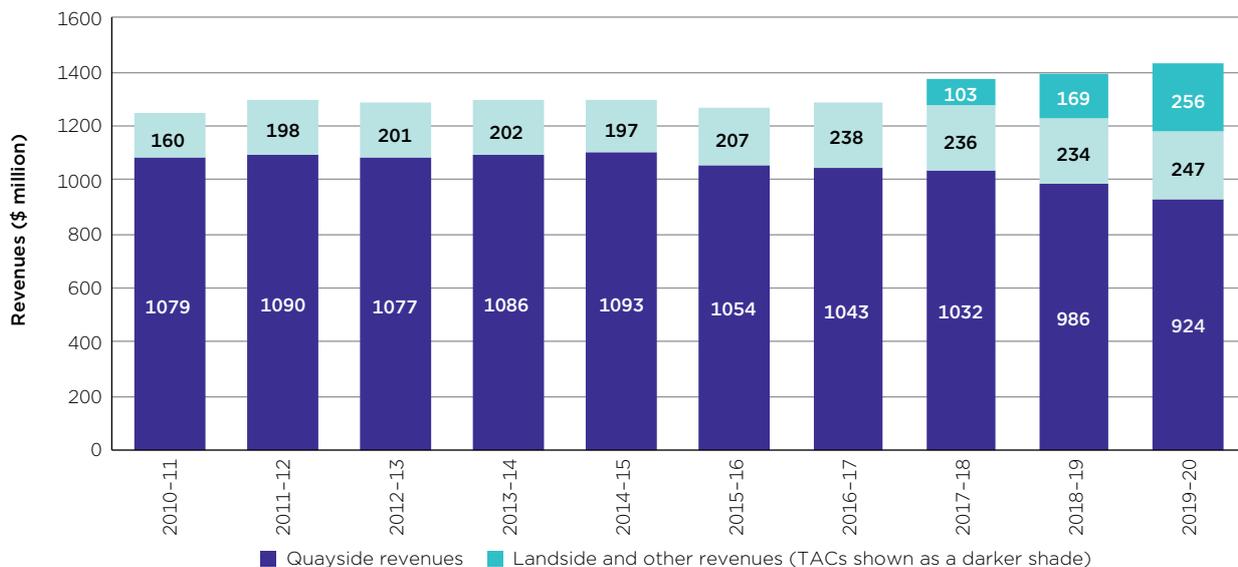
Total revenues account for all revenues stevedores earn across their suite of stevedoring services. They include revenues from primary services of quayside lifting of containers on and off berthed ships. They also include revenues from landside and other services that comprise of land transport operators receiving and delivering containers at the terminals, as well as ancillary terminal services.

The ACCC’s monitoring shows that consolidation and restructuring among global shipping lines and increased competition among stevedores have resulted in less revenues being earned by stevedores from quayside services. However, increases in revenues earned from TACs on landside operators have contributed to an overall increase in total revenues.

Total industry revenues were \$1,427.1 million in 2019–20.³¹ While there has been four consecutive years of growth in total revenues, growth slowed from 7.1 per cent in 2017–18 to 2.8 per cent in 2019–20. Significant increases in landside charges, particularly TACs, contributed to higher landside and other revenues. However, the effect on total revenues was partly offset by a contraction in full container lifts during the period.

Figure 4.2 shows trends in stevedores’ total revenues over the past decade. Landside and other revenues (with TACs shaded separately) made up around 35.3 per cent of total revenues in 2019–20, up from 29.0 per cent in 2018–19. Of this, TACs made up 18.0 per cent of total revenues, up from 12.2 per cent in 2018–19.

Figure 4.2: Total revenues in real terms: 2010–11 to 2019–20



Note: TACs have been collected by container stevedores at some ports since 2011-12 and aggregated under landside and other revenues until 2016-17. Real values in 2019-20 dollars.

31 Some stevedores included revenues generated from services not directly related to container stevedoring in previous reports. As agreed with stevedores, these have been removed from the revenue bases in the report since 2018-19.

Quayside revenues

Quayside revenues account for all revenues earned by stevedores in its core service of lifting containers on and off ships at berth. Most quayside revenues are primarily earned by stevedores through contracts with shipping lines (or a consortium of shipping lines).

In 2019–20, quayside revenues fell by 6.3 per cent to \$923.8 million. Most of the stevedores reported that excess market capacity, a further increase in the bargaining power of global shipping lines following major service restructuring and consolidation, a significant reduction in container volumes and an increase in blank sailings caused by the COVID-19 pandemic were primarily responsible for the reduction in quayside revenues. In addition, downward pricing pressure from shipping lines and the increasing proportion of empty containers, also contributed to a downward impact on revenues.

Despite a large increase in total container lifts since 2010–11 (18.7 per cent), quayside revenues have fallen significantly by 14.4 per cent over the same period.

Landside and other revenues

Landside and other revenues consist of revenues earned from the provision of services, such as the receipt and delivery of containers, TACs, temporary container storage, reefer monitoring, hazardous container handling, and other miscellaneous terminal services. Revenues aggregated under this item are typically generated from land transport operators such as truck and rail haulage operators; however, a small amount is related to non-core stevedoring services to shipping lines.

In 2019–20, combined revenues from landside and other sources increased by 25.0 per cent to \$503.3 million. Much of this revenue growth is explained by substantial increases in TACs by stevedores at Brisbane, Melbourne and Sydney. Other landside access charges such as VBS/TAS slot fees, rail access and lift fees, weighbridge and miscellaneous landing fees have also increased during this period.

Terminal access charges

All container stevedores collect TACs on land transport operators when collecting or delivering laden or full (i.e. not empty) containers handled at the monitored ports.

Revenues from TACs increased during the period. The industry reported revenues of \$256.4 million in 2019–20, up 51.9 per cent from the previous reporting period. There were significant price increases at the east coast ports, while Flinders Adelaide implemented a charge in July 2018 and capped increases at CPI rates until 2020–21. However, a fall in the number of full containers that attract a TAC over the period reduced the impact of higher prices on revenues.

Further discussion on TACs and the extent of their increases in 2019–20 can be found in section 2.4.

Other landside charges

Other landside charges include revenue earned from truck and rail operators acquiring slots or windows, which are required in order to receive or deliver containers at the stevedoring terminals.

Revenues from other landside charges rose by 18.9 per cent to \$86.7 million in 2019–20. The revenue growth is largely explained by increases in various VBS/TAS slot fees (which applies to trucks) by stevedores during the period.

Stevedores consider that price increases reflect the value that landside services provide in supporting an efficient supply chain and the overall container supply chain. Higher access charges were used to offset a portion of increased landside costs and investment needed in the form of new equipment.

Storage

While containers stored at the terminals are subject to a 'free storage period' of three working days, stevedores charge customers for containers not collected within this period. Storage tariffs for import containers that remain at the terminal beyond the free storage period are payable by land transport operators.

In 2019–20, storage revenues decreased moderately by 5.8 per cent to \$75.3 million.³² This revenue fall is largely attributable to lower numbers of containers dwelling at most of the terminals during the period.

Chain of responsibility

'Chain of responsibility' regimes in Australia recognise that safety in the heavy vehicle supply chain is a responsibility of all participants. Safety is an obligation of not just land transport operators but is also shared among shipping lines, container stevedores, freight forwarders and cargo owners. Specific requirements are placed on all parties in the supply chain to ensure vehicle mass, load restraints, dimensions, proper permits, and other appropriate safety measures are observed.

In 2019–20, total revenues from chain of responsibility charges were around \$5.8 million, an increase of 5.2 per cent from the previous year. The revenue increase is largely explained by rising weighbridge volumes and charges during the year.

Miscellaneous landside handling³³

In addition to terminal slot and rail access charges, container stevedores may pass on other non-core landside handling fees arising from additional costs incurred by additional container handling. Cost recovery from activities such as sideloader handling, container turning, and manual processing of trucks which may cause terminal delays are aggregated under this item. Revenues from 'no shows'³⁴ or 'wrong zone'³⁵ penalties, which terminals use to discourage land transport operators from overbooking slots or arriving late and causing terminal resources to at times be either over- or under-utilised, is also included under this item.

In 2019–20, revenues from miscellaneous landside handling activities increased by 7.4 per cent to \$12.5 million. This revenue growth is largely attributable to increases in volumes and other VBS fees and miscellaneous landside fees (e.g. late fees, no show fees).

Unit revenues

Information on actual prices charged by container stevedores for all services is not collected as part of the ACCC's monitoring regime. Instead, the ACCC aggregates various revenue measures and divides these by an appropriate unit of output to provide an indication of average prices per unit of output. Total quayside, landside and other revenues are also unitised to provide an indication of average prices for both interfaces.

The ACCC uses revenue per lift to measure overall industry prices. Revenue per lift is a standard industry indicator and is calculated by dividing the sum of total revenue by the number of containers lifted.

Figure 4.3 shows trends in revenues per lift over the past decade. After six consecutive years of average price reductions, revenues per lift were moderately increased by 1.7 per cent to \$271.8 per container in 2018–19, followed by a further increase of 7.5 percent to \$292.2 in 2019–20. This is the highest revenue per lift reported since 2012–13. The increase in average industry prices in 2019–20 was dominated by a 30.7 per cent rise in landside and other revenues per lift to \$103.0, offsetting a 2.0 per cent decline in average quayside lift prices to \$189.1.

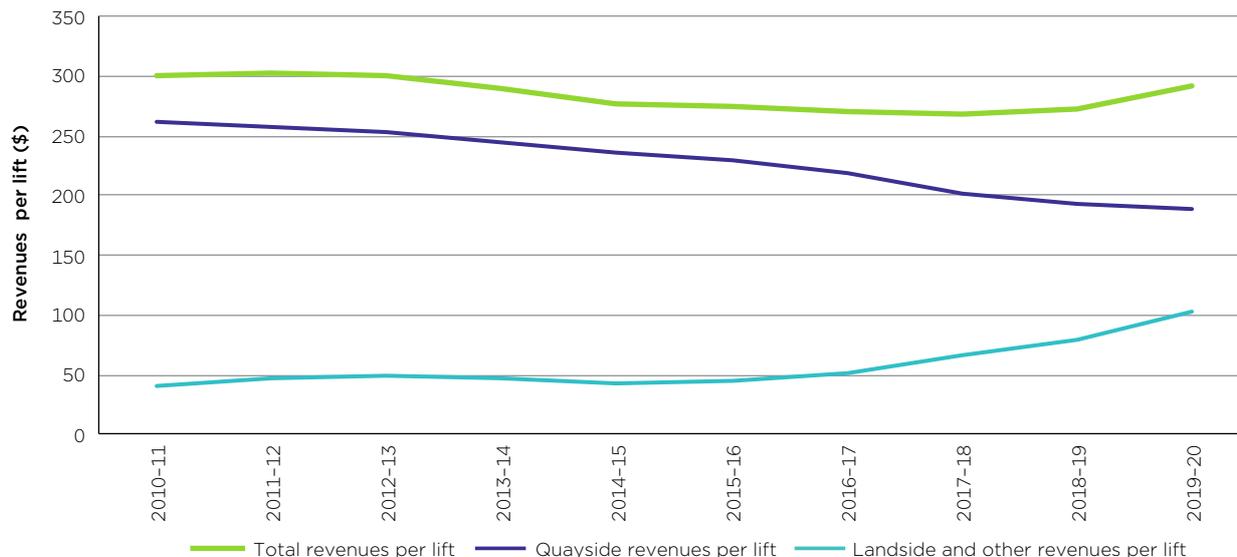
32 The ACCC changed its methodology of aggregating storage revenues in 2018–19. To allow for changes on storage revenues to be observed relative to the previous reporting period, the ACCC requested that container stevedores reclassify related revenue in 2017–18 consistent with the new methodology.

33 In previous monitoring reports, revenue under 'miscellaneous landside handling' was aggregated under 'VBS'. The ACCC revised its revenue aggregation methodologies in 2018–19. To allow for changes on non-access related landside revenues to be observed relative to the previous reporting period, the ACCC requested that container stevedores reclassify related revenue in 2017–18 consistent with the new methodology.

34 Trucks not arriving at all at its booked slot.

35 Trucks arriving outside its hour-long VBS timeslot.

Figure 4.3: Trends in revenues per lift in real terms: 2010-11 to 2019-20



Note: Real values in 2019-20 dollars.

An alternative measure of average prices may be computed by dividing total revenues by the total number of TEUs handled. In 2019-20, total revenues per TEU increased by 7.1 per cent to \$188.6. Container stevedores generally earn the same revenue from servicing a 40 foot container as they do for servicing 20 foot containers. This means that the general trend for shippers to increasingly choose 40 foot containers can impact on the reported average revenue per TEU.

Average revenues generated from full and empty containers

Stevedores typically generate more revenues per lift from a full container than an empty container. The ACCC has been advised that one reason for this is because temporary storage charges may be incorporated into tariffs charged to shipping lines for lifting full containers. This is because a full export container is more likely to dwell at the terminal prior to being loaded on to the vessel, whereas an empty container will typically be processed within 24 hours of the designated vessel arriving. Tariffs paid by shipping lines for full container may also cover related cargo insurance costs.

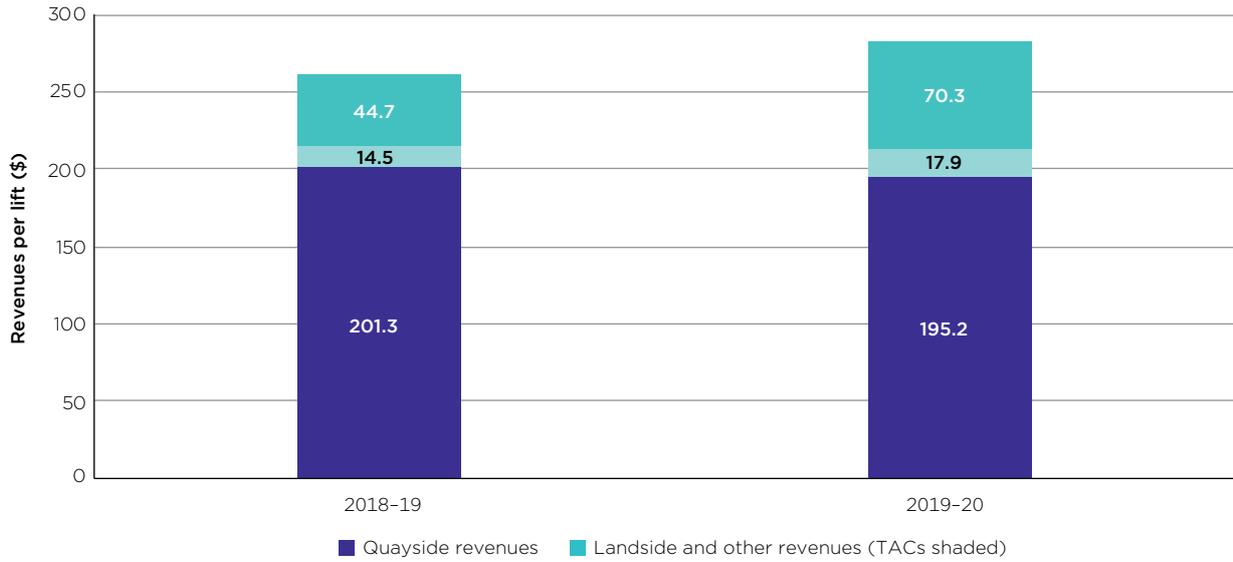
To enable the ACCC to observe broad movements in full and empty container price structures, the ACCC commenced collecting disaggregated quayside and landside revenues for full and empty containers since 2018-19.³⁶

Revenues per lift of full containers

In 2019-20, the average full container generated \$265.5 in stevedoring revenues (quayside & TACs), an increase of 7.9 per cent from the previous year. While full container quayside revenues per lift fell by 3.0 per cent to \$195.2, these were more than offset by large increases in TACs at most container ports. These figures do not take into account revenues from other access charges such as VBS/TAS slot fees, rail access and lift fees, which vary in application between stevedores.

³⁶ To allow for changes in full and empty container average lift prices in 2017-18 and 2018-19 to be observed, the ACCC requested that container stevedores to vary their 2017-18 submissions disaggregating revenues for full and empty containers.

Figure 4.4: Revenues per lift in real terms—full containers: 2018-19 to 2019-20



Note: Real values in 2019-20 dollars.

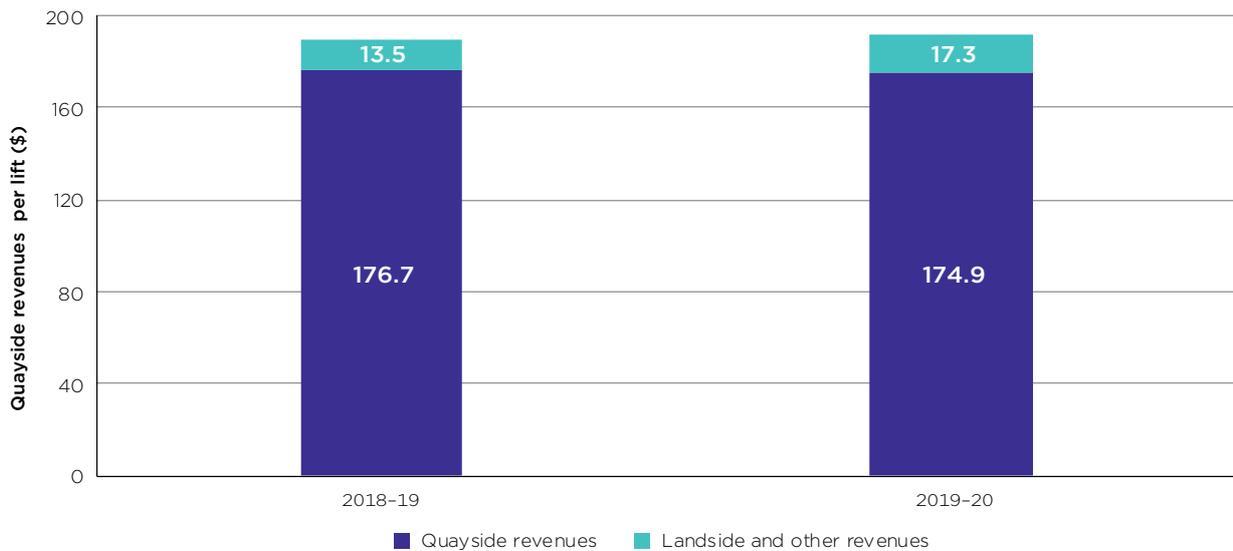
Except for Adelaide, average revenues per full container increased at all container ports in 2019-20, largely due to significant increases in the TACs.

The ACCC observed a substantial variation in quayside stevedoring rates for full containers across the twelve container terminals at the monitored ports in 2019-20. As expected, average prices were lower on the east coast where there is increased competition in the supply of stevedoring services, while average quayside stevedoring revenues per full container were highest in Adelaide where there is only one terminal. Average full container rates, including quayside stevedoring and TACs, were lowest in Fremantle.

Revenues per lift of empty containers

The average quayside prices charged by stevedores to shipping lines for lifting empty containers fell by 1.0 per cent in 2019-20.

Figure 4.5: Revenues per lift in real terms—empty containers: 2018-19 to 2019-20



Note: Real values in 2019-20 dollars.

Average empty container rates generally fell at most container ports in 2019–20 except Fremantle. The ACCC observed a significant variation in average quayside stevedoring rates for empty containers across the twelve container terminals. Similar to the average full container rate trend, stevedores reported the highest average empty container rates in Adelaide. Average empty container rates were relatively lower in Melbourne and Sydney.

4.2 Costs

Operating costs incurred by container stevedores arise primarily from the use of labour and equipment for loading and unloading containers onto ships on the quayside and receipt and delivery processes on the landside. Stevedores also incur property costs associated with rent charged by the landlord port and for any expenditure on property repairs and maintenance.

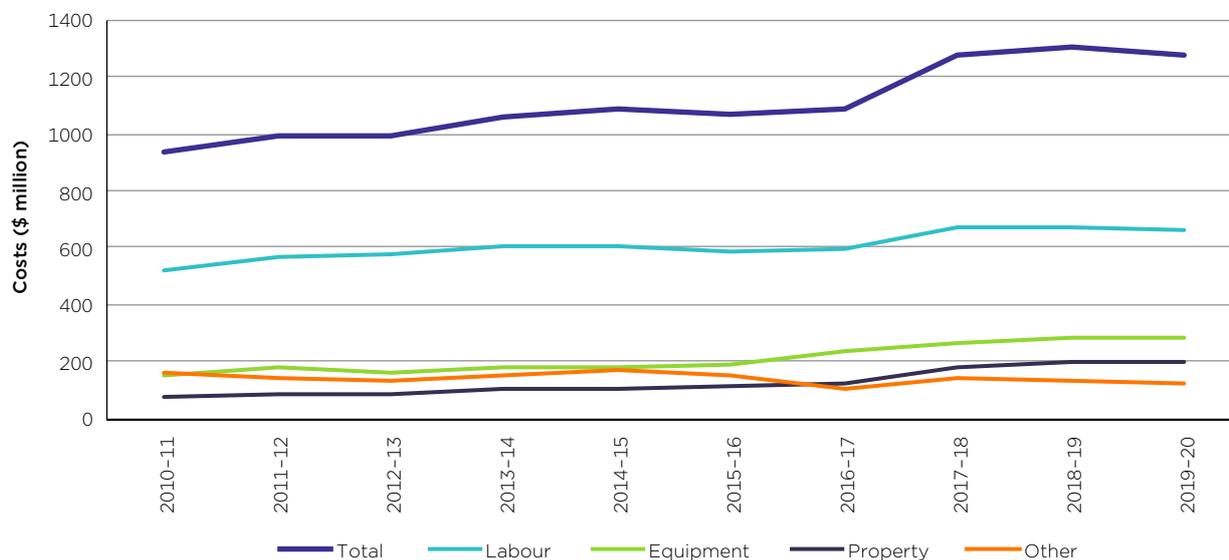
Stevedores also incur corporate overhead costs from resources used to support overall container terminal operations and planning. While these costs are regarded as indirectly related to the provision of container stevedoring services, the ACCC nonetheless aggregates these as part of total costs.

Total costs

Total costs are comprised of labour, equipment, property, and other costs relating to the operations of stevedores. In 2019–20, the container stevedores reported a modest decrease in total costs by 1.7 per cent to \$1,285.7 million.³⁷ Over the past decade, costs have remained relatively stable, with the large increase in 2017–18 heavily influenced by VICT’s costs being included for an entire financial year for the first time.

While small decrease in labour and equipment costs was recorded during the year, property costs rose in 2019–20. Figure 4.6 illustrates overall trends in major stevedoring industry costs components over the past decade.

Figure 4.6: Costs in real terms: 2010–11 to 2019–20



Note: Real values in 2019–20 dollars.

³⁷ Some stevedores reported operating expenditure incurred from provision of services not directly related to container stevedoring in previous reports. As agreed with stevedores, these have been removed from the cost base.

Labour costs

Labour costs primarily involve the cost of hiring staff necessary for the provision of quayside and landside terminal services. While stevedoring labour makes up the largest share of total labour cost, other costs from employing maintenance, management, planning and other support staff factor into total labour cost.

A moderate decrease of 1.5 per cent to \$663.3 million was observed in total labour costs in 2019–20. Lower container volumes during the year necessitated less stevedoring labour requirements at a number of terminals. This is reflected in the fall in operational labour costs by 4.7 per cent in 2019–20 to \$497.1 million. Stevedores reported a 1.9 per cent fall in total maintenance labour costs to \$69.3 million due to reduced maintenance staff.

Equipment costs

Equipment costs relate to the deployment of physical assets necessary in facilitating quayside and landside stevedoring services. These assets include a mix of ship-to-shore cranes, straddle carriers, rubber-tyred gantries, automatic stacking cranes, shuttle carriers, reach stackers and forklifts. Costs associated with the maintenance and depreciation of these assets are also included. Equipment costs for capital intensive industries such as container stevedoring are significant.

The industry reported a 0.5 per cent fall in total equipment costs to \$287.8 million in 2019–20. In particular, equipment-running costs decreased in the year (5.7 per cent to \$46.8 million) with most stevedores reporting a lower volume with decreases in equipment input costs such as energy and fuel. Depreciation costs fell by 3.3 per cent to \$147.9 million in 2019–20, with some stevedores such as Hutchison reporting lower depreciation costs owing to lower net book value of tangible assets resulting from the impairment of fixed assets in 2018–19.

Property costs

Property costs primarily reflect the cost of container stevedores leasing land and wharf infrastructure owned by the port authority that is then used to provide stevedoring services.

Land rents are the most significant component of stevedores' lease costs. These escalate typically above CPI on an annual basis and are subject to periodical market rent reviews. Land taxes and council rates that apply for container terminal facilities are liabilities of the landlord port but are subsequently either partially or fully recovered from stevedores as lease outgoings. Expenses incurred for the repair and maintenance of these facilities are also included.

Total property costs increased by 2.0 per cent to \$207.8 million in 2019–20.³⁸ This increase is attributable to scheduled increases in fixed rents, higher council rates, increases in buildings and yard maintenance expenses. Property costs increased above CPI at most container ports in 2019–20 except Adelaide and Fremantle.

Table 4.1 outlines stevedores' reported port rents and lease outgoing costs in 2019–20 relative to 2018–19.

Table 4.1: Stevedore rents and lease outgoings in real terms: 2018–19 to 2019–20

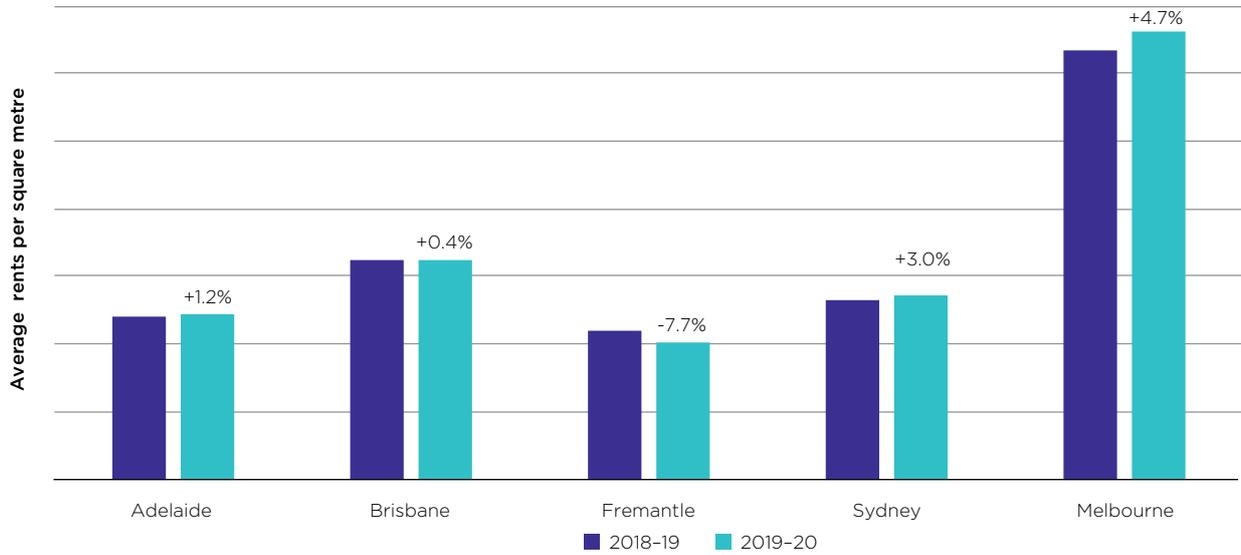
	Adelaide	Brisbane	Fremantle	Sydney	Melbourne
2019–20 Value (\$'000)	6,487	34,305	8,959	54,613	86,070
Change from 2018–19	-0.6%	0.1%	-6.7%	2.9%	3.5%

Note: Real values in 2019–20 dollars. Property costs excluding costs associated with ancillary functions such as empty container parks.

³⁸ From 2018–19, property costs attributable to assets that do not directly relate to the provision of container stevedoring services have been removed from the operating cost base. This had the effect of reducing total cost reported in previous periods.

Figure 4.7 shows changes in the average rents per square metre at the monitored container ports from 2018–19 to 2019–20.

Figure 4.7: Average rent per square metre in real terms: 2018–19 to 2019–20



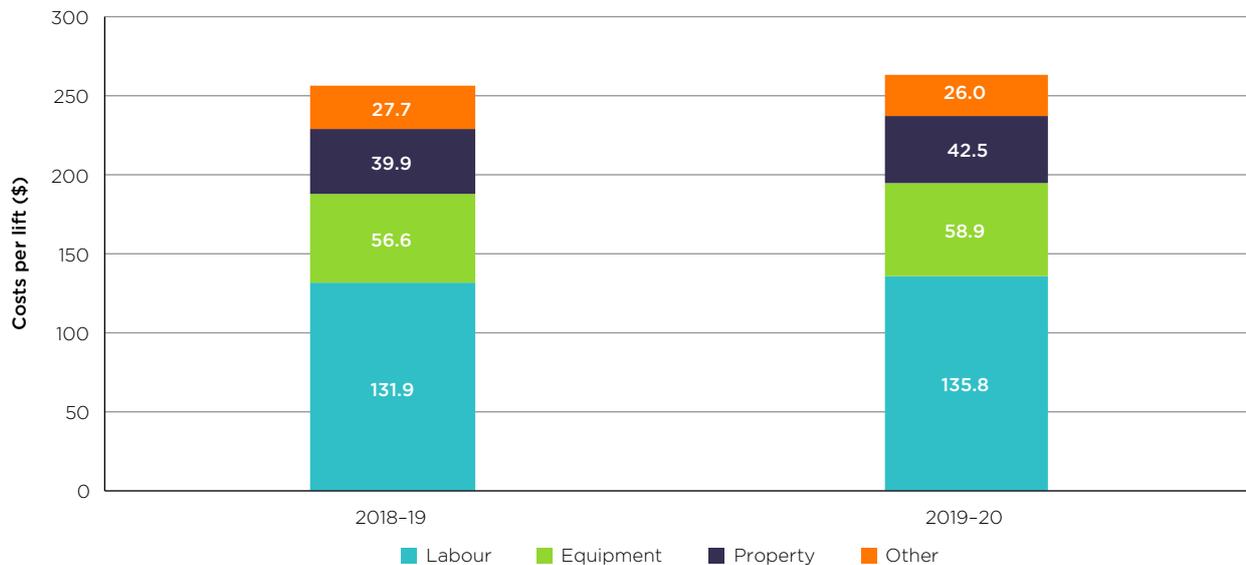
Note: Average port rents per square metre calculated by dividing the sum of total fixed and variable port rents in a given container port by total leased areas designated for international container terminals. Excludes lease outgoing costs. Vertical axis of chart intentionally left blank. Real values in 2019–20 dollars.

The Essential Services Commission of Victoria has recently released its [report](#) on its first inquiry into the use of power in setting and reviewing land rents at the Port of Melbourne.

Unit costs

Figure 4.8 shows that in 2019–20, industry total costs per lift increased by 2.8 per cent to \$263.2 per container. While stevedores reported reductions in indirect costs during the year due to lower port management and overhead costs, these were more than offset by increases in rents and equipment maintenance costs at some ports. Indeed, on a per lift basis, property costs increased by 6.6 per cent in 2019–20, equipment costs increased by 4.1 per cent, and labour costs increased by 2.9 per cent.

Figure 4.8: Movement in costs components in real terms: 2018–19 to 2019–20



Note: Real values in 2019–20 dollars.

Labour costs have traditionally made up the largest cost component in container stevedoring. However, with recent significant investments in (semi) automation operating technologies along the east coast, and the development of one of the world's most fully automated terminals by VICT, the significance of labour costs per unit of container handled have reduced. Labour costs per lift in 2019–20, at 51.6 per cent, are some of the lowest observed throughout the 22 years of the ACCC's monitoring of the waterfront. A study found that in East Asian ports the proportion of labour cost to total cost is around 35 per cent, while it is around 50 per cent in Northwest Europe, and around 65 per cent on the west coast of the United States.³⁹

Amidst the backdrop of investment in technological and operating mode change, it is not surprising that equipment costs are gradually making up an increasing proportion of total unit costs (now at 22.4 per cent).

Property costs represented 16.2 per cent of unit costs in 2019–20. While still a relatively small component, property costs are likely to continue increasing in prominence in future reporting periods as terminal occupancy costs rise.

4.3 Profitability

Operating profit is measured by earnings before interest, tax, and amortisation (EBITA), as it is not affected by management decisions regarding financial capital structures and taxation arrangements, which may vary substantially among different stevedores.

Operating profits increased in real terms in 2019–20 for the first time in a decade. The industry reported an operating profit of \$141.4 million, representing an increase of 76.8 per cent from the previous year. Increasing revenue, particularly from TACs, helped the industry to raise operating profit. Three out of five stevedores improved their profitability, while two reported either falling profit or reducing loss.

The ACCC has presented the following profitability measures on an annual basis in its container stevedoring monitoring reports:

- 'return on tangible assets' represented by EBITA as a percentage of the average value of tangible assets
- 'operating profit margin' represented by EBITA as a percentage of revenue.

While these indicators can shed light on some aspects of the container stevedores' performance, we note they reflect accounting rates of return, which rely on book values of investment and accounting profits. As a result, they can be affected by non-cash items such as bad debts and depreciation and do not take into account the time value of money.

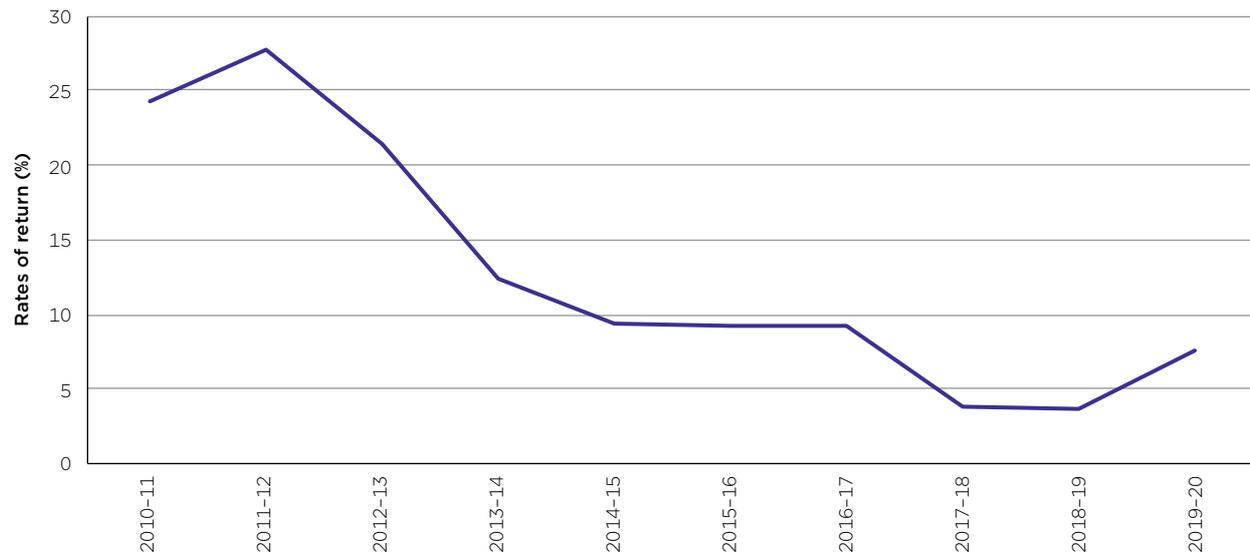
Return on tangible assets

In 2019–20, stevedoring industry return on tangible assets increased by 3.9 percentage points to 7.6 per cent. This is the first recovery in overall rates of return since 2011–12. With the exception of Patrick, capital expenditure appeared generally limited to urgent business critical projects for most of the stevedores, who reported only small additions to their tangible asset base in 2019–20. Lower investment combined with higher operating profit contributed to raising the industry's reported return on tangible assets.

Figure 4.9 shows that, as an industry, return on tangible assets has fallen for almost seven consecutive years since peaking at 27.8 per cent in 2011–12, which was a time when there was less competition on the east coast, however this downward trend reversed during 2019–20.

³⁹ Nils Kemme, *Design and Operation of Automated Container Storage Systems*, Springer Verlag, Berlin, 2013, p. 38.

Figure 4.9: Return on average tangible assets: 2010-11 to 2019-20



Note: In calculating return on average tangible assets, neither EBITA nor asset values are indexed. Asset values recognise a write-down in the value of Hutchison's asset in both 2015-16 and 2018-19.

The downward trend in industry-wide return on tangible assets over the recent years has been influenced by reductions in revenues per lift and rising costs. Again, stevedores have been maintaining stable levels of capital expenditure to upgrade or replace existing equipment. However, the key factor is the large expansions to the stevedores' asset bases in the east coast with the entry of Hutchison in 2012-13 and VICT in 2017-18, and large-scale automation and redevelopment of various Sydney and Brisbane terminals.

The headline industry return on tangible assets is not reflective of the large variance in return on tangible assets individually reported by the stevedores. Three out of five stevedores improved their profitability, one reduced its losses, and one reported falling profit.

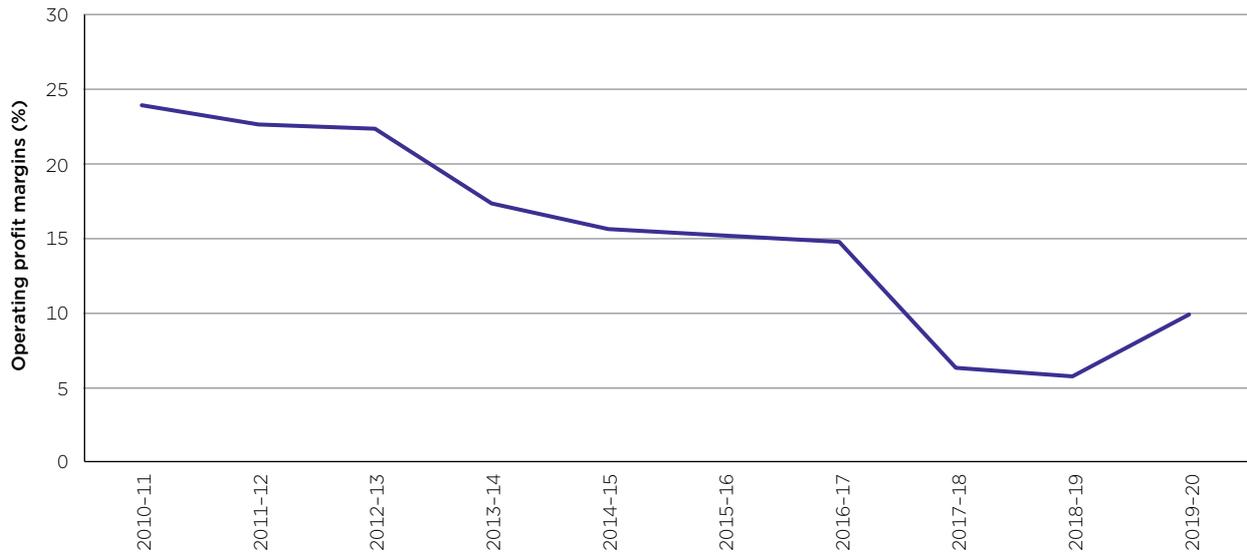
Operating profit margin

Operating profit margin isolates the effects of variation in operational size and scale among stevedores and allows a broader assessment of the industry's operating profitability.

Figure 4.10 shows that the downward trend in industry margins that began in 2011-12 reversed in 2019-20, with an increase of 4.1 percentage points to a 9.9 per cent margin. This represents the largest increase in industry profit margins in the past decade, but remains the third lowest margin during that period.

This increase in profit margins may have been partly attributable to cost-cutting measures during the COVID-19 pandemic. Higher revenue from landside and other services has also contributed to growing profit margins.

Figure 4.10: Operating profit (EBITA) margins: 2010-11 to 2019-20



Similar to return on tangible assets, the increase in the headline industry operating profit margins during the year do not reflect the large variation across individual stevedores operating margins. Three out of five stevedores reported improved operating profit margins, one reduced its negative margin, while the other reported a reduction in profit margin.



AUSTRALIAN COMPETITION
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