

# Global shipping costs and availability

High freight prices and delivery delays for inputs are widespread across Australian construction, manufacturing, wholesale and retail trade. However, it isn't a problem that is unique to Australia; companies around the world are struggling with rising costs.



Shipping costs have surged due to:



A sudden jump in global demand for manufactured goods (mainly from Asia)



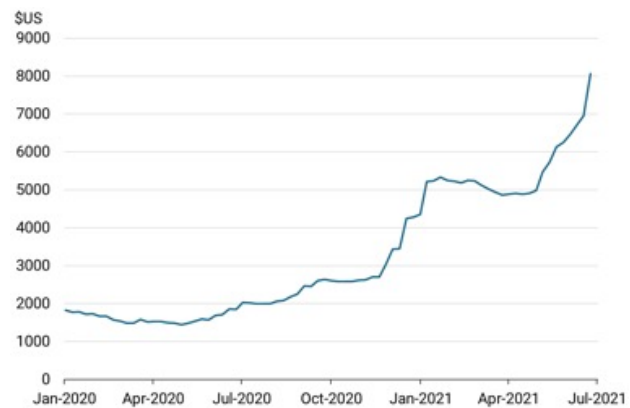
A sharp reduction in global air freight capacity (pushing more freight onto ships)



COVID-19 restrictions at ports that add delays and costs to sea container transport and processing and have hampered the return of containers to Asia

The World Container Index for average container prices jumped above USD \$8,000 in June 2021, from USD \$1,500 in March 2020. Industry experts do not foresee any normalisation of prices before the end of 2021 and many are predicting that prices will remain high for the next three years.

World container index, freight rate (\$USD 40ft containers)



Source: World Container Index. Drewry. This is a weighted freight rate assessment of eight major east-west trade routes.

## Shipping container and space/bookings supply and demand

### Container Shortages:

Exacerbated by the COVID-19 pandemic, global demand for containers has outstripped availability. One constant challenge is the imbalance or miss-alignment of empty containers. High import countries such as Australia have many empty containers sitting at port that need to be returned to the global supply. This means that ships leaving Australia often need to give space to these empty containers rather than exporters.

### Shipping Route Diversions:

Australia is not on the main shipping routes, nor are we a highly profitable one, which is why some freight forwarders have reported that many ships are being diverted from Australia and New Zealand to more lucrative routes in Asia and Europe. This is creating more pressure in terms of securing bookings and adding to the cost. Global port congestion and COVID disruptions around the world means that shipping lines are often changing routes and sailing times to maximise utilisation and profitability.

### What can you do?

This is a challenging time and no one will find an easy solution; however the following will put you in the best position to secure bookings, though not necessarily reduce costs.

- **Communication is key.** Speak early and often with your freight forwarder or shipping agent and provide as much predictability as possible. Your shipping agent or freight forwarder will be your most important business partner for immediate future.
- **Think critically about the priority of your cargo.** You may need to make harsh decisions at short notice on what goes today and what needs to wait.
- **Talk with suppliers and customers and manage expectations on delivery time and costs**

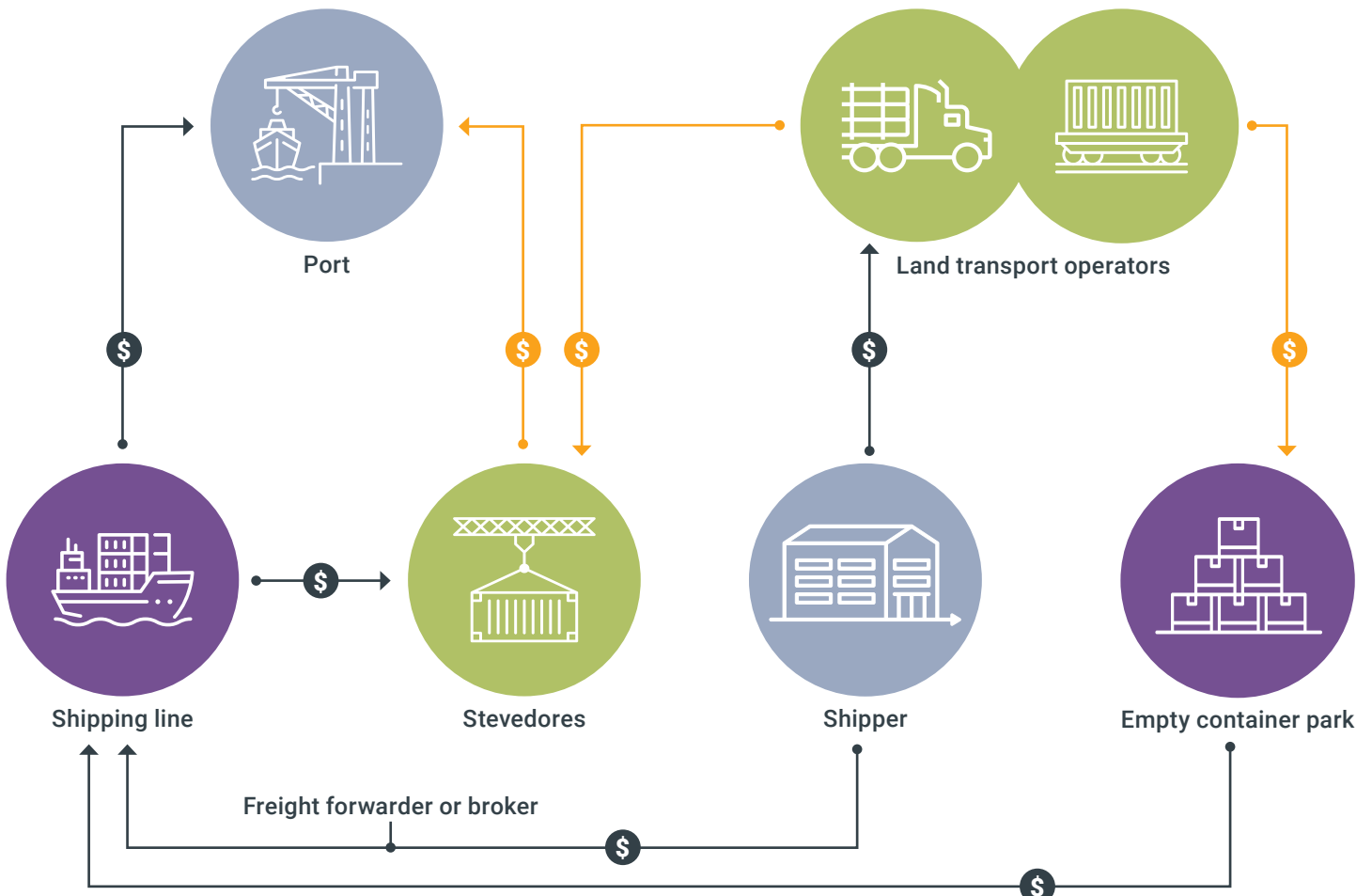
### How much of the total cost is international shipping and how much is on-shore?

When fees are rising so quickly it is natural to look at your transport chain to explore alternative suppliers. A challenge for Australian shippers is that there is limited choice when it comes to key players in the movement of containers. The following diagram shows where you have a choice of supplier.

### Relationships and payments

●—● Choice of supplier

●—● No choice of supplier



## Invoice Codes/Glossary

Comparing invoices and quotes can be difficult as the final price can include many surcharges and additional fees. These are an example of the kinds of items that might be added to our invoice.

### Shipping

The costs associated with the movement of cargo from Point A to Point B. For the purposes of this fact sheet, it can include shipping, port and other transport costs associated with the movement of cargo in and out of Australia by sea.

### Storage Fees

After a vessel discharges cargo, there is a period of time, usually 2 or 3 days, during which the cargo can be collected (free storage/free availability). At the end of this period, a daily storage fee accrues against each container or load of loose cargo that remains uncollected (usually a daily flat rate).

### Demurrage/Detention Charges

Are used as an incentive to return equipment/free up the storage space quickly.

### Inspection Charges

If goods require treatment, the importer will need to pay any associated costs.

### Oversized

Used in the container trade, where cargo protrudes beyond the container into the adjoining cells charged because protrusion into an abutting cell precludes its use. Although this could be a justification for a line charging full freight for the extra space cargo enters, in practice, they often charge only a low portion of the standard container rate.

### Marine Insurance

Insurance that covers the loss or damage caused to ships, terminals or cargo by which goods are transferred, obtained, or held between ports of origin and final destinations.

### Port Congestion Fee

Covers delay costs incurred through port congestion. If applied, generally a fixed amount per Bill of Lading or container.

### Peak Season Surcharge

Covers operational costs incurred during the peak (busy) season.

### Heavy Lift Fees

Imposed by wharf operators to cover extra craneage costs when cargo is particularly heavy. Generally, this is a flat fee.

### Lift on – lift off (L/O – L/O)

A charge in Australia for lifting a container onto or off the shipper's or consignee's truck.

### Booking Timeslot Fee

Imposed under the wharf Vehicle Booking System to cover the costs of the computer systems used to manage the time slotting system. Generally a flat fee is charged to whoever makes the booking.

### Infrastructure Fees

Levied by stevedores in Australian ports to recover costs such as port rents, taxes and council rates, maintenance fees, labour rates and electricity bills. They also should provide ongoing investment in infrastructure.

### Waiting Fee

Transport companies allow for waiting time at the wharf and the unloading point. When the time expires, they begin charging for additional time on a prorated hourly rate.

### Currency Adjustment Factor (CAF)

Allows for currency exchange fluctuations. It can be either an addition or subtraction from the base ocean freight amount (usually expressed as a percentage)

### Bunker Adjustment Factor (BAF)

A surcharge to cover the current costs of Bunker Fuel.

### CABAF

Combined CAF & BAF

