27 October 2021

The Honourable Josh Frydenberg MP Treasurer

Parliament House

Canberra ACT 2600

Dear Treasurer,

**Re: THE PERFORMANCE OF AIR AND MARITIME LOGISTICS SYSTEMS IN DELIVERING COMPETITIVE, AFFORDABLE AND RELIABLE SERVICE**

We are a diverse range of stakeholders from across Australia, representing the interests of businesses involved in international trade. Noting that most Australian businesses and the jobs they provide are connected in some way to the import/export trade, we share a significant, direct, and growing awareness of the negative impacts of the worsening shipping and airfreight crisis.

For sea freight supply chain delays and soaring consumer demand have led to shipping containers backing up at Australian and global ports, meaning inordinately long wait times for consumers and making it much more expensive for companies to ship their goods.

Similar concerns, compounded by border closures, limited capacity and souring costs have also disrupted airfreight, delaying critical temperature-controlled medicines, diagnostics and devices and creating potentially life-threatening shortages. Although the IFAM has been a welcome solution for some instances, systemic challenges remain that need to be addressed in a review of Australia’s entire international logistics industry.

These delays are causing cost trickle-down, affecting a variety of imported products, including food, urgent medicines and life-saving materials, furniture, machinery, components, parts, packaging, and clothing. On the export side, the delay in sourcing space on vessels and aircraft and the increasing cost of freight rates is causing foreign buyers to look to alternative suppliers closer to home. Ultimately, Australian exporters, particularly in merchandise trade goods are having to look to manufacture overseas to ensure their ongoing viability.

Australian businesses affected by this logistics crisis represent some of our most important and essential industries, however, the lengthy delay by the Australian Government in taking action, will result in all Australians feeling the impact.

While we understand that there are many global factors at play which are largely out of Australia’s control, there are opportunities to provide relief through focus on landside issues such as modernisation of facilities, targeted domestic regulatory intervention, investment in skills, effective and expedient management of industrial action as well as initiatives and/or support programs that stimulate competition in the freight industry, supporting infrastructure and supply chains.

We are deeply concerned by the lack of specific and targeted measures from Australian Government to proactively protect and support businesses. We request a meeting with representatives from the ministries of Treasury, Infrastructure, Trade and Industry to pursue a plan of action. We have taken the initiative to draft Terms of Reference for a review of Australia’s Air and Maritime Logistics services and include them at the end of this letter.

We would welcome the opportunity to discuss the matter further with you. Thirty Industry Associations were consulted in the drafting of this letter and the Terms of Refence, they are listed below. The policy contact for this matter is Louise McGrath, Head of Industry Development and Policy at the Australian Industry Group, email louise.mcgrath@aigroup.com.au , phone: 0419527718.

Yours sincerely

**Innes Willox**

Chief Executive

**TERMS OF REFERENCE**

**THE PERFORMANCE OF AIR AND MARITIME LOGISTICS SYSTEMS IN DELIVERING COMPETITIVE, AFFORDABLE AND RELIABLE SERVICE**

The Taskforce should examine the efficiency and dependability of the air and maritime logistics system (including air and sea freight, container terminal operators and stevedoring, and landside freight providers) to deliver the required services for Australia. Considering the impact of the current air and sea freight crisis as well as the complexity and broad-ranging nature of the issues, it may be prudent to release a preliminary report at three months and a second report at six months.

The Taskforce should be led by two Chairs. One with broad industry experience and the second with policy and regulatory expertise. The Chairs should be supported by a secretariat from the Department of Infrastructure and Transport.

The Taskforce should undertake the following:

1. Review the level of market competition and examine firm-level market conduct of domestic and international firms in the freight industry.
2. Assess the market constraints of international freight supply chains, especially as it relates to belly, bulk and containerised air and sea freight and routes to and from Australia.
3. Drawing on case studies, assess the cost of delays, uncertainty, increased freight costs and cancellation of sailings and flights on exporters and importers, as well as the broader economic impact on Australian consumers and industries/businesses.
4. Examine the effectiveness of current arrangements and structures in the marketplace, so that all parties/stakeholders can communicate information effectively and efficiently and make informed decisions.
5. Determine complementary activities and reforms in port services (air and sea) to ensure increased activities by shipping and airlines are appropriately accommodated.
6. Identify potential initiatives and/or support programs that would promote increased competition in the freight industry, supporting infrastructure and supply chains.

**ENDORSEMENTS**

**The following industry associations were consulted in the drafting of this letter and Terms of Reference.**

Accord Australasia

Austmine

Australasian Steel Association

Australian Chamber of Commerce and Industry (ACCI)

Australian Cotton Shippers Association (ACSA)

Australian Council of Wool Exporters and Processors

Australian Flower Traders Association

Australian Food and Grocery Council (AFGC)

Australian Home Heating Association (AHHA)

Australian Industry Group (Ai Group)

Australian Meat Industry Council (AMIC)

Australian Nut Industry Council Ltd (ANIC)

Australian Paint Manufacturers’ Federation (APMF)

Australian Peak Shippers Association (APSA)

Chemistry Australia

Citrus Australia Ltd

Council of Small Business Organisations Australia (COSBA)

Export Council of Australia (ECA)

Food and Beverage Importers Association (FBIA)

Freight and Trade Alliance (FTA)

Grain Trade Australia (GTA)

Housing Industry Australia (HIA)

Medical Technology Association of Australia (MTAA)

Medicines Australia

National Farmers Federation (NFF)

Omni Cotton Australia

Outdoor Power Equipment Association (OPEA)

Pathology Technology Australia (PTA)

Pet Food Industry Association of Australia (PFIAA)

The Australasian Institute of Mining and Metallurgy