



30th April 2018

EMPTY CONTAINER 'DIRECT TO TERMINAL' RETURNS ARE COST SHIFTING NOT COST SAVING

We are seeing an evolution of the movement of empty containers away from the Empty Container Parks to a call by the shipping lines to deliver empty containers Direct to Terminal Empties (DTE).

On face value this change should bring a cost saving into the empty container supply chain due to reduced overall travel of the container.

Rather than an overall cost reduction it has now become a cost shifting that once again places pressure upon the transport operator. Additional cost is now being driven into every Container transport operator that has to comply with the change to DTE directions.

Under the 'traditional' empty de-hire process, transport companies are able to arrange for empty containers to be routed directly from an importers warehouse to a remote Empty Container Park. Unfortunately, under the Direct to Terminal (DTE) dehire model, transport operators are forced to stage empty containers prior to dehire, causing them to incur holding and handling costs and an additional transport leg. In addition, consignees face a significantly higher risk of detention charges for exceeding the 'free-time' container hire period.

There are a number of reasons for need to stage empty containers prior to Direct to Terminal dehire:

- **Penalties Imposed by Stevedores** – empty containers de-hired directly to the terminals are booked through 1-Stop. As such, transporters run the risk of exorbitant no-show or wrong time zone penalties. There is no direct financial penalty with traditional ECP's.
- **Insufficient timeslots** – although there has been some improvement, timeslot availability at stevedores is still variable, and tends to be worst during peak Empty return periods. Until there is consistent timeslot availability across all zones it will be necessary for transport operators to stage empty containers at their depots.
- **No choice in De-Hire Location** – Alternative de-hire locations are not available most times when requested forcing the carrier to time slot and stage containers.
- **Container DE-hire Redirections** – at the discretion of Shipping Lines and/or container stevedore terminal operators, empty containers destined for wharf de-hire are redirected to other return locations on short or often no notice.



The VTA has always advocated transport operators control their costs and where the costs rise outside of the carriers control, recoup these additional costs from their customers. The VTA welcomes any and all initiatives that add efficiency and cost saving to the supply chain, however, we also believe that where additional costs are forced upon operators it is justified and commercially acceptable for transport operators to recoup these additional and forced cost increases. Unfortunately, in the case of Direct to Terminal empty de hires shipping lines have simply shifted a direct cost from themselves and pushed it onto transport operators.

Once again, the VTA recommends you continue to work directly with your customers to help them understand the reality behind the need to recover the ever increasing costs of working within the Port of Melbourne.

The VTA acknowledges the efforts by members of the supply chain in working toward improved efficiency, particularly where this can lead to a genuine cost saving, and will continue to assist these efforts wherever possible.

Regards

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