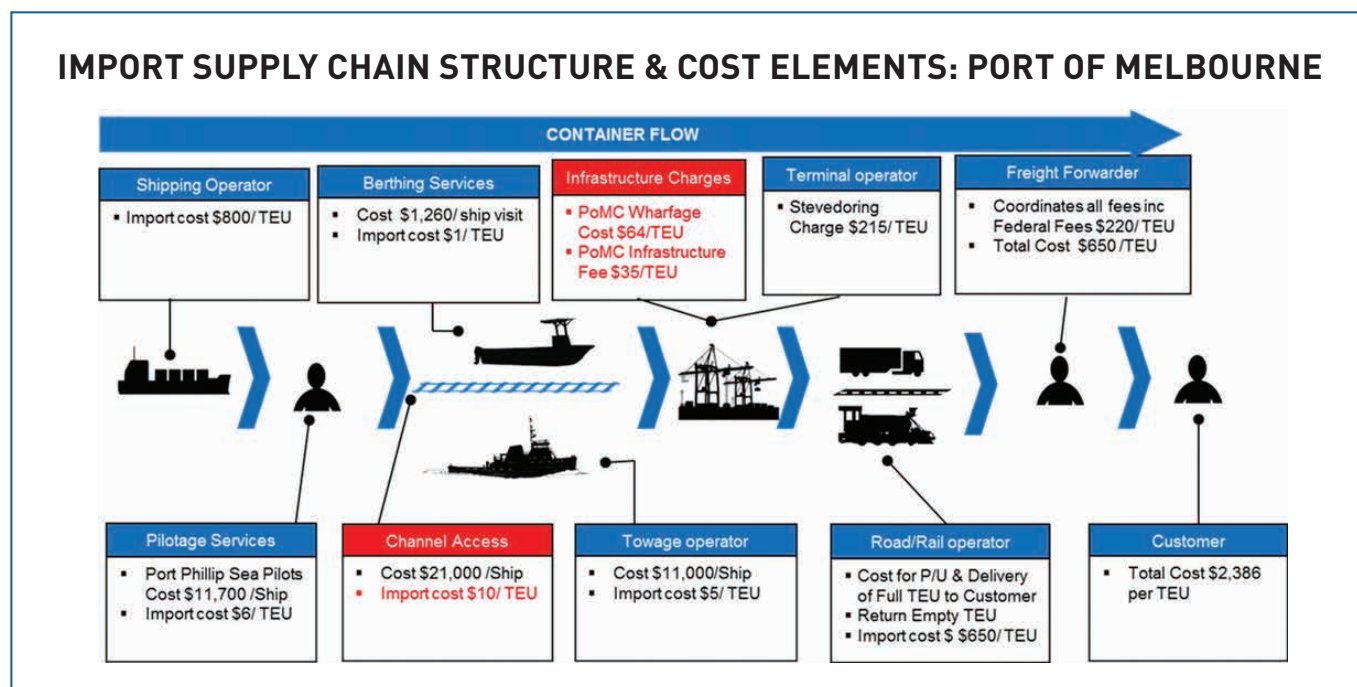


Shipping Costs – a Fraction of Final Product Costs

Seafarer Labour Costs Are Negligible in Supply Chain Costs. And Ship Costs do NOT determine competitiveness in freight supply chains. They constitute **33% of overall supply chain costs** in moving a container from origin to destination in Australia.



Source: Victorian Essential Services Commission - Review of Victorian Ports Regulation - Final Report 2014. Usage does not constitute or infer endorsement by the Commission of other content contained in this document.

| THE COSTS OF A VOYAGE TO VESSEL-OWNERS (WHICH FORM THE BASIS OF THEIR FREIGHT RATE) INCLUDE: | |
|--|-----------------|
| Fixed costs: 65+% (exist regardless of activity) | |
| Capital and financing costs (interest etc.) | 35 (up to 45) % |
| Crewing, wages, administration, on-costs etc. | 15% |
| Repairs, surveys, dry-docks and maintenance | 15% |
| Variable costs: 30% (related to volume and activity) | |
| Fuel costs for voyage | 30% |
| Port costs – berthing, pilotage etc. | 5% |

Source: Aurecon Australia Pty Ltd, *Tasmanian Shipping and Ports, a report for the Tasmanian Freight Logistics Coordination Team*, September 2013



Shipping or Freight Costs: A Small Proportion of Final Product Costs



CASE STUDY

The freight rate component in the price of bulk cement. On 21 December 2015, Boral announced a price increase of \$9 (4%) for 1 tonne of bulk cement in NSW, ACT and Victoria. The price was \$234/tonne and average freight rate was \$21.50/tonne (9% of the price of 1 tonne of bulk cement). At September 2016 the average price of four different manufacturers' 20kg bags of cement was \$8.58 (\$424/tonne). The CSL average freight rate of \$21.50 is 5% of the packaged, retail-ready product.

Source: Strategic Marine Group, *Coastal Shipping Research & Analysis: The economics of coastal shipping* September 2016

SHIPPING COSTS AS A PROPORTION OF THE COST OF CONSUMER GOODS

| PRODUCT | TYPICAL SHELF PRICE | SHIPPING COSTS | SHIPPING COSTS SHARE |
|------------------------|---------------------|----------------|----------------------|
| TV Set | \$700 | \$10.00 | 1.4% |
| DVD/CD Player | \$150 | \$1.50 | 1.0% |
| Vacuum Cleaner | \$150 | \$1.00 | 0.6% |
| Scotch Whisky (bottle) | \$50 | \$0.15 | 0.3% |
| Coffee (1 kg) | \$15 | \$0.15 | 3.3% |
| Biscuits (Tin) | \$3 | \$0.15 | 1.7% |
| Beer (Can) | \$1 | \$0.01 | 1.0% |

Source: ISL Shipping Statistics Yearbook 2003, cited from https://people.hofstra.edu/geotrans/eng/ch3en/conc3en/table_typical_ocean_costs.html While product costs will have altered since 2003, the proportional freight cost remains the same or is likely to be even lower in 2016 (due to depressed international freight rates arising from global ship overcapacity).

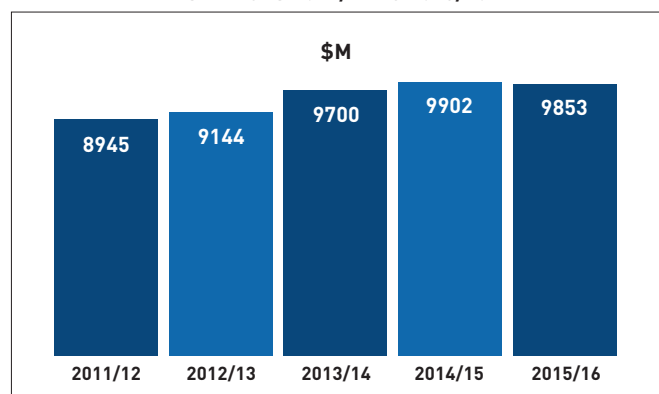
Balance Of Payments 'drain' from importing shipping services (using foreign ships)

In 2012/13, freight transport services were Australia's 5th largest goods and services import (costing the nation \$9.2bn) yet did not rate among Australia's top 25 goods and services exports.

This indicates the huge potential to build an export service industry to replace a large proportion of the multi-billion-dollar import bill the nation is paying for the shipping services required to:

- carry its coastal cargo;
- export its resource and agricultural commodities;
- import its manufactured goods.

COST TO AUSTRALIA FROM PURCHASE OF FOREIGN SHIPPING SERVICES 2011/12 TO 2015/16



Source: ABS, 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2016

This cost of transport services to the nation will continue to increase if Australian ships are replaced in the coastal trade by foreign-registered ships.