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# ACCC investigating soaring Covid-linked shipping and container costs

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**EXCLUSIVE**By **ELI GREENBLAT**, SENIOR BUSINESS REPORTER7:00PM SEPTEMBER 12, 2021 •  45 COMMENTS

The Australian Competition & Consumer Commission has opened an investigation into the rapid rise in shipping and container costs in the wake of the Covid-19 pandemic, with inflation emerging as a major bugbear for the nation's retail sector.

The investigation is only in its early stages but ACCC chairman Rod Sims has confirmed a probe into the international shipping industry has begun, with a particular focus on the price and movement of containers.

“We have an investigation under way on this,” Mr Sims said in an interview.

“There is a limited amount I can say on it, but we are looking at the freight system – particularly the role that containers play, I can certainly say that, and that is certainly on the list of investigations

“We are aware of what's going on with containers, and we are investigating it.

“It is not a cartel activity (investigation); it is anti-competitive behaviour. It is not necessarily massively advanced but it is something we are looking at.”

The massive steel containers piled onto ships are vital for the international movement of goods.

Drewry's composite World Container index, a leading barometer of international shipping charges, recorded the cost of a 40 foot shipping container at \$US10,083 (\$13,709) for September 9, up 309 per cent from the same week in 2020.

The 1 per cent gain for the week was the 21st consecutive week of increases.

The skyrocketing cost of shipping containers that bring everything from sneakers and sofas to washing machines to Australia has ratcheted up costs for importers, especially the retail sector, which has shaved its profit margins, while many have begun to pass on the higher charges to consumers. This is creating inflationary pressures in the Australian economy.

The shortage of containers has been blamed on supply chain disruptions caused by Covid-19 and recent Covid-19 outbreaks at key Chinese ports. However, many local chief executives privately believe that the container shortage is partly artificial – manufactured by container owners and shipping lines to squeeze them with higher prices.

Mr Sims would not be drawn on whether his investigation was triggered by complaints from retailers who have spoken out in recent weeks, but he confirmed he had heard complaints since the start of Covid-19 about the impact of steeper shipping and container costs.

“I wouldn’t associate it with a particular accusation ... but certainly we are aware of many complaints about containers and we are investigating that,” he said.

“It is a recent issue. We are certainly aware of the massive increase in shipping prices, but the container issue in particular.

“We do a stevedoring report once a year and that tries to look beyond stevedoring and look at the freight system.

“We will certainly look at shipping costs in the context of that, but separately we have an investigation into this container issue in broad terms.”

The recent reporting season lifted the veil on the crushing shipping and freight costs many companies are facing, especially in the retail sector, where access to limited shipping containers and the rising cost of containers and other shipping charges has chipped away at profit margins.

The experience of discount retailer The Reject Shop is emblematic of the cost pressures squeezing the sector. The retailer revealed in its full-year results presentation in August that it had been forced to swallow \$9m in unbudgeted international shipping charges for fiscal 2021, which shaved 115 basis points off gross profit margin.

It added that ongoing challenges in the international supply chain were expected to result in shopping costs remaining elevated during 2022.

Nick Scali managing director Anthony Scali warned that he would be forced to push through price rises of as much as 10 per cent as record shipping charges raised his costs.

Mr Scali said at the time his shipping costs were several times higher now than before Covid-19 emerged.

“They are as much as five times more expensive and everybody has got an issue with this,” Mr Scali said. “Every industry is being affected by this, unless our dollar rerates to offset it.”

Australian Retailers Association chief executive Paul Zahra told The Australian retailers were caught between higher shipping costs and a reluctance to pass on all the charges to consumers, but at the cost of profit margins.

“Shipping costs have quadrupled in the last year during the course of the pandemic. Most Australian retailers who are doing their best not to pass these costs on to consumers in the short term are seeing their margins heavily squeezed.

“This is happening at a time when most retailers have already been decimated by the lockdowns and additional Covid-safe cost imposts. This is clearly not sustainable and something needs to change.”

Some industries have been able to pass the costs on to consumers. Water systems, taps, toilet and bathroom fixtures business GWA pushed through two price rises in the past year, the most recent in July, as it faced higher shipping, freight and raw commodity costs. It expects those cost pressures to continue.

In the highly competitive retail sector, price hikes are now always possible. In April the chief executive of twin discount department stores Kmart and Target, Ian Bailey, said the retailer had been forced to access the spot container market to deal with rising customer demand which was feeding into higher shipping and freight costs. Kmart, part of Wesfarmers, is the largest importer of shipping containers in Australia.

Mr Bailey said he believed it wouldn't be acceptable to pass on higher shipping costs to shoppers.

The economic impact of this has also reached the attention of the Reserve Bank, which in its May statement on monetary policy reported on a five-fold increase in shipping container prices since 2019.

It said the lack of shipping containers had resulted in sharp increases in global shipping prices as well as delivery delays.

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Eli Greenblat has written for The Age, Sydney Morning Herald and Australian Financial Review covering a range of sectors across the economy and stockmarket. He has covered corporate rounds such as telecommunica... [Read more](#)

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