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Productivity Commission
4 National Circuit
Barton ACT 2600
Australia

Via email: maritime@pc.gov.au

SUBMISSION TO THE PRODUCTIVITY COMMISSION'S INQUIRY INTO AUSTRALIA'S MARITIME LOGISTICS SYSTEM

Infrastructure Partnerships Australia is pleased to provide this submission in response to the Productivity Commission's draft inquiry report into Australia's maritime logistics system.

Infrastructure Partnerships Australia is an independent think tank and executive member network, providing research focused on excellence in social and economic infrastructure. We exist to shape public debate and drive reform for the national interest.

Ports lie at the centre of our maritime logistics system and are core economic assets and critical gateways to Australia and the world. They drive economic growth, provide domestic and international access to goods, and shape patterns of economic activity in our cities.

The Productivity Commission's review into the maritime logistics system is essential to ensuring ports are achieving these outcomes and Infrastructure Partnerships Australia welcomes many of the draft report's findings – that the system's infrastructure needs are being met by port operators, in particular. However, the draft report contains several findings of concern that should be resolved in the preparation of the final report.

Long-term leasing of ports has underpinned efficient port operations and capital investment

Over the last two decades, the privatisation of Australia's major ports has seen unprecedented investment and innovation in port operations and the wider maritime logistics network, such as enabling larger ships to berth or delivering port-side rail infrastructure. Privatisation has encouraged the growth of productive, flexible and commercial operations, brought about through the discipline of, and access to, profit-motivated private capital.

Additionally, the success of our ports has its origins in the introduction of market-based reforms in the 1990s, through programs such as the National Competition Policy and the broader reform of the Australian economy – of which the Industry Commission (subsequently reshaped into the Productivity Commission) was a core driver of the modernisation of the Australian economy.

However, commentary in the draft report overlooks the value that ports have contributed to the economy following their privatisation. In particular, Draft Finding 5.2 – *'Privatisation in New South Wales has impeded efficient outcomes'* – does not recognise the benefits that privatisation has brought to the operations and management of Port Botany, Port Kembla and the Port of Newcastle through increased infrastructure investment and innovation. NSW Ports and its tenants at Port Botany, Port Kembla, and Enfield have alone



invested \$2.3 billion into new projects since privatisation in 2013. Nor does it appreciate the long-term planning and freight priorities of the NSW State Government regarding the utilisation of existing port capacity.

Australia has, over many years, developed a hard-earned reputation as a world-leading infrastructure investment destination. This reputation is built on our strong economic performance, derived through sensible and predictable reform, sound institutional frameworks, and a robust and stable regulatory landscape, allowing our infrastructure operators to invest confidently. However, capital is a coward and will go where it is treated well, and the draft report's current discussion on this issue, coupled with Draft Finding 5.2, pose a substantive risk of undermining investor confidence in Australian infrastructure.

It is vital to measure productivity effectively, and consider productive ports on a like-for-like basis

Infrastructure Partnerships Australia recognises the importance of holding ports to a high standard and the need for consistent and transparent monitoring to drive performance and productivity, however, the Productivity Commission must take great care with benchmarking Australian Ports against their international counterparts. Concern must be raised when recommendations to hold Australian ports accountable results in conclusions that appear to contradict other findings in the draft report – including the Productivity Commission's finding that the maritime system's infrastructure needs are currently being addressed by Australian ports.

The use of the World Bank and IHS Markit report – The Container Port Performance Index (CPPI) – in the draft report to benchmark Australia's ports with high-level international comparisons simplifies and overlooks the unique challenges and characteristics of Australian ports – such as their primarily import-focused services – which shape their performance each year. When not appropriately comparing like-for-like ports, standardised benchmarking of Australia's ports risks misrepresenting relative port performance in the broader context of Australia's needs and requirements – which in turn gives rise to the risk of misdirected policy interventions.

The CPPI also does not consider other important measures of overall port performance, including resilience and road and rail performance of supporting landside infrastructure. In regards to resilience, Australia's ports performed well during the COVID-19 pandemic when global supply chains suffered major disruptions. For landside infrastructure, the Productivity Commission's draft report recognised the increased mode share targets of the four largest Australian container ports within their development plans.

Furthermore, port productivity is already highly monitored domestically through organisations like the Australian Competition and Consumer Commission (ACCC) and the Bureau of Infrastructure and Transport Research Economics (BITRE).

Infrastructure Partnerships Australia looks forward to further assisting the Productivity Commission. If you require additional detail or information please do not hesitate to contact Mollie Matich, Director, Policy and Research,

Yours Sincerely,

ADRIAN DWYER
Chief Executive Officer

