

10 February 2022

Productivity Commission  
Locked Bag 2, Collins St East  
Melbourne Vic 8003, Australia



Via electronic submission

Dear Sir / Madam

**RE: Inquiry into Australia's Maritime Logistics System**

On behalf of the South Australian Freight Council's (SAFC) Executive Committee and Membership I thank you for the opportunity to make a submission into the Productivity Commission's (PC) Inquiry into Australia's Maritime Logistics System.

As you may be aware, SAFC is the State's peak, multi-modal freight and logistics industry group that advises all levels of government on industry related issues. SAFC represents road, rail, sea and air freight modes and operations, freight services users and assists the industry on issues relating to freight logistics across all modes.

SAFC also chairs the Port Adelaide Container Terminal Monitoring Panel, a statutory body established under the *South Australian Ports (Disposal of Maritime Assets) Act 2000 (SA)*.

As an island continent nation, far from our primary trading partners, the efficiency or otherwise of Australia's maritime logistics system directly affects the competitiveness of our exports, the viability of many Australian businesses and our Gross Domestic Product (GDP). While air freight can and does play an important role for international transit of high value and perishable goods, it can never carry the volumes that shipping can, or at anywhere near a comparative dollar per tonne rate. Our maritime logistics system - comprising shipping, ports, container terminals, and associated logistics operations – is Australia's primary economic connection to the world.

To assist the PC, we have generally aligned our response to the terms of reference as set by the Treasurer.

**1) Long term trends & performance measures.**

As mentioned above, SAFC chairs and provides the secretariat for the Port Adelaide Container Terminal Monitoring Panel (CTMP) a statutory body established under the *South Australian Ports (Disposal of Maritime Assets) Act 2000 (SA)*. In monitoring the performance of the Flinders Adelaide Container Terminal (FACT), the panel focusses on 5 distinct measures:

- Crane Rate (Gross Lifts per Hour) – Target: > 27 per hour
- Elapsed Labour Rate (Gross Lifts per Hour) – Target: > 39 per hour
- Ship Rate (Gross Lifts per Hour) – Target: > 44 per hour
- Average Truck Turn Time – Target: < 40 minutes
- Average Container Turn Time – Target: < 20 Minutes

In concert, these measures provide a good overview of both quayside and landside productivity. A variety of other measures and more granular data (for example, by time of day) is also provided and analysed, but without the formality of the 5 key measures.

The Bureau of Infrastructure and Transport Research Economics (BITRE) gathers similar statistical material for Australia's 5 largest container ports which are published in the Waterline statistical series. However, these performance statistics lag so far behind the present as to be virtually useless when published. In gaining these statistics from FACT, SAFC is aware that these statistics can be provided just days after the end of a relevant period – however Waterline is published with over a year lag.

SAFC supports the suggestion that some international benchmarking of key Australian ports takes place, providing that the 'basket' of international ports chosen for comparison is similar – first world, similar throughput, similar wage costs, are not transshipment ports etc.

It is also worth noting that Data is one of the four pillars of the National Freight and Supply Chains Strategy, and that a National Freight Data Hub is in the process of being established to improve freight data nationally.

SAFC recommends that:

- Waterline is published quarterly
  - Container Terminals are required to provide relevant statistics to BITRE within 2 weeks of the end of the quarter.
  - BITRE is required to publish within 6 weeks of the end of the quarter.
- International benchmarking of Australian Ports is undertaken at least annually, with minimal lead times.
- BITRE resourced appropriately to enable this to happen.

## **2) Economic Impact, Planning Issues, Freight Costs**

As mentioned in our introduction, the economic impact of the ports and maritime sectors in Australia are huge. As a facilitator of most international trade, it is responsible for the movement of 99% of Australia's exports by weight. There would be considerable value in an economic impact analysis of the sector (and its sub sectors) being undertaken by the Commission.

SAFC has been concerned about the impacts of urban encroachment on ports (and particularly on container terminals) for many years. This is not because South Australia's ports are particularly constrained by encroachment presently – but rather because we have case studies of the impact of urban encroachment and port gentrification from the eastern states of Australia readily available – particularly in Sydney.

It is apparent that in every jurisdiction, planning laws favour developers rather than industry. The impacts of development on adjacent industrial activity including ports and port related uses such as warehousing are rarely considered. This is a problem because the strategic value of ports to a region or indeed an entire state are not adequately valued or protected – indeed it is often the case that only immediately adjacent properties are provided with the opportunity to object to a development. Industry are also rarely able to compete with the lobbying resources that developers can and will bring to bear to have a project approved.

In every jurisdiction, planning needs to become more strategic, and less reactionary to developer proposals. Protections for critical transport infrastructure and activities need to be ingrained in every facet of the planning system.

Such protections also need to recognise the need for appropriate buffer zones between ports, port industrial and warehousing areas, and residential areas (particularly high density

residential). Ports are 24/7 operations, and must continue to be in order to maintain efficient operations. They create light, noise and dust, and need to be protected against incompatible and inappropriate nearby developments.

We recognise that planning laws are generally devolved to the States under the Australian Constitution which makes this a far more difficult issue to fix nationally. However, we would appreciate any attention the Commission can bring to bear on this ongoing threat to transport infrastructure across the nation.

Logistics chains are generally quite malleable – able to respond to challenges and issues as they arise with minimal delay. The swift response to the ‘Great Toilet Paper Panic of 2020’ is one example; as is the blockage of the Suez Canal.

It is only in the last two years of compounding issues (starting with the Coronavirus pandemic) that supply chains have really started to struggle globally. Take South Australia’s recent rain events that cut the ARTC interstate main rail line and the Stuart Highway for example – while there will always be an impact from a 1 in 200 year rain event, the January/February 2022 rains are further exacerbated by lower truck driver numbers due to vaccination mandates and COVID infections, and massive shipping schedule uncertainty.

Terminal Access Charges (TACs) are a relatively new phenomenon in relation to containerised shipping, and form an ever-growing percentage of container terminal operator (CTO) revenue. The table below is from the ACCC’s 2020/21 Container Stevedoring Monitoring Report<sup>1</sup>.

Figure 5.3: Aggregate revenue for Patrick, DP World and FACT: 2006-07 to 2020-21



Source: ACCC analysis of information received from stevedores as part of the monitoring regime.

Note: Real values in 2020-21 dollars.

There is significant angst from some sectors over the impost of these charges – particularly from the road transport sector. It is clear from the above table that CTOs which compete for shipping calls from international shipping lines have moved to reduce charges from this sector, while looking to maintain similar or increased overall revenue by instituting new fees on adjacent sectors.

<sup>1</sup> ACCC Port Price Monitoring Report 2020/21, pg 49

<https://www.accc.gov.au/system/files/Container%20stevedoring%20monitoring%20report%202020-21.pdf>

We note two important points in relation to TACs:

1. the ACCC found that at current TAC levels, stevedores are not earning excessive returns<sup>2</sup>.
2. Flinders Ports has consistently charged lower TACs than its interstate competitors, but FPH TACs have increased substantially over recent years.

Flinders Adelaide Container Terminal (FACT) have just announced that *'From April 1 2022 a TAC of \$79.50 ex GST will be applied to full export containers and a TAC of \$112.50 ex GST will be applied to full import containers'*<sup>3</sup>.

SAFC considers FACT's reasons for increasing these charges to be reasonable, particularly in the current COVID driven environment of disruption and lower local ship calls. We support the preferable treatment of exporters by charging a higher amount for imports; supporting SA's export businesses in the current challenging economic conditions and hope to see this treatment continue in the future.

However, it is also clear that container terminals are natural monopolies, and there should be some oversight of fees and charges imposed by this sector. There is only so much cost it is reasonable for CTOs to move away from their direct customers (the shipping lines) and on to other supply chain participants. We note that shipping lines across the world are reporting record profits, even in the current COVID pandemic environment.

As such, SAFC has recently asked that the Essential Services Commission of South Australia (ESCOSA) is given a price monitoring role in relation to TACs in this jurisdiction, in our submission into the SA Ports Access and Pricing Review. In general, we prefer that price monitoring activities in relation to ports are kept at a jurisdictional level, where local conditions can be better taken into account.

### **3) Workforce Issues**

Unlike many industry associations, SAFC does not undertake industrial relations activities, and therefore makes no comment on these issues.

### **4) Maritime Infrastructure**

In normal times FACT has an export imbalance – SA exports more directly through the Port of Adelaide than it imports. This means that accessing food grade export containers has been a constant issue for decades – but has also been exacerbated by recent COVID-induced global shipping trends.

With regards to the roles of governments and the private sector in relation to port and port related infrastructure, we hold that wharfside investments should generally be the purview of private industry – the port and terminal operators; however in most instances road connections should be provided by governments. In the case of rail, both may have a part to play, although there is an argument to keep rail connections from the interstate main line to CTOs in the hands of the Australian Rail Track Corporation (ARTC), a Government Business Enterprise (GBE) to reduce any monopolistic tendencies (such as the charging of 'Golden Mile' track access fees).

(note: further discussion of some infrastructure issues in section 6 below).

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<sup>2</sup> ACCC Port Price Monitoring Report 2020/21, pg 48

<https://www.accc.gov.au/system/files/Container%20stevedoring%20monitoring%20report%202020-21.pdf>

<sup>3</sup> *Notice of Intention of changes to charges at Flinders Adelaide Container Terminal*, 24 January 2022

## **5) Research**

It seems clear that public research into the maritime/ports sector in Australia is lacking. There is considerable scope for governments to drive further research into the sector, which makes absolute sense from the perspective of governments that derive such significant returns from port activity itself and the economic activity that ports facilitate (i.e export business and associated logistics activity).

There are a wide variety of methods whereby such research could be driven by governments – directly undertaking research, financial support of universities for maritime related research, additional support and program guidance of the National Freight Data Hub, support of relevant industry bodies to undertake such research, etc.

In this context the recent closure of Deakin University's Centre for Supply Chain and Logistics is particularly disappointing. Dr Hermione Parsons and her team produced excellent Australian specific content.

## **6) Interlinkages and Interdependencies**

SAFC expects there to be virtually no impact from the resumption of air freight on seaports (not that it ever ceased entirely). In pre-pandemic times air freight constituted less than 1% of total international trade by volume – this is a case of the elephant not noticing the ant. Air freight is critically important to Australia (particularly for just-in-time and fresh produce exports) and is a much larger percentage of exports by value (some 10 – 20% depending on what statistics are used) but is miniscule when compared to sea freight by volume.

Ports do not operate without landside logistics chains – including both road and rail transport, plus warehousing. Perfect port efficiency means little if landside operations are inefficient, and vice versa. Thus, any holistic examination of port/maritime efficiency must include examination of landside infrastructure and related efficiencies as well.

In a South Australian context, road freight efficiency leading to the Port of Adelaide and FACT is very good, due to a series of excellent road freight investments over the past 25 years – the Port River Expressway, the Northern Connector, northern portions of the North South Corridor, duplications on the Sturt Highway and Port Wakefield Road, etc.

In contrast, rail has seen little investment and the increases in road efficiency have eaten into rail's modal share. SA has seen the closure of most of its regional rail lines over the past 15 years, with the most recent being the Eyre Peninsula rail network. Given rail's efficiencies of scale, environmental advantages (including carbon emissions), and safety advantages this is concerning.

Governments own the road network, and invest to gain the greatest economic and social outcomes for the state (or council area, depending on ownership). Apart from the interstate main line controlled by ARTC, freight rail networks are generally privately owned and/or controlled, with a much narrower band of benefits that can be used to justify an investment decision.

There is an argument that where an investment in freight rail is not profitable for private interests based on purely economic return grounds but there are significant triple bottom line public benefits that could be captured, that governments should consider co-investing. For example, if a rail investment would reduce road congestion, reduce carbon emissions, lower road maintenance costs, generate economic activity (and taxes) and/or lower casualty crash numbers that governments should consider a co-investment to capture these advantages for the community.

This submission has mention port planning protections in an earlier section, but it is worth re-iterating at this point that warehousing is also a critical part of the maritime logistics chain. Port adjacent warehouses are a strategic resource that should be protected by planning systems in the same way that ports are.

#### **7) Give regard to various reports**

SAFC has referenced several of these reports as appropriate in the above sections.

Of these reports, it is worth noting that the ACCC's most recent Container Stevedoring Monitoring Report has received significant criticism from multiple, dynamically opposed sectors including unions and several port and logistics industry associations. It is widely held that the international comparisons used in the report paint an unreasonably bleak picture of Australian port productivity, and fail to consider significant differences in circumstances – for example time measurements failed to capture ships waiting time outside of port versus on the wharf, and differing levels of intensity and capacity globally.

On behalf of SAFC, I would like to again thank The Productivity Commission for the opportunity to provide a submission into this important Inquiry. Should you wish to discuss any element of this submission further, please feel free to contact me or via email.

Yours Sincerely,

**Evan Knapp**

Executive Officer, SA Freight Council.