



Xavier Martin  
President

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Australia's Maritime Logistics System Inquiry  
Productivity Commission  
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<https://www.pc.gov.au/inquiries/current/maritime-logistics/make-submission#lodge>

## NSW Farmers' Comment on Draft Report on Australia's Maritime Logistics System

### *Overview of International Freight and Agriculture*

NSW Farmers welcomes the opportunity to provide input for the Productivity Commission's final report of the inquiry into Australia's Maritime Logistics System.

NSW Farmers generally supports the intent of the recommendations and the findings in this draft report, which if implemented in part, would improve Australia's maritime logistics. However, there is also a need to recognise the impact of outdated road and rail infrastructure that is constrained by geography and built urban infrastructure, inhibiting port access and therefore the growth of agricultural exports. In-principal support is provided for improvements to industrial relations in ports and stevedoring services and the repeal of the Part X exemption of the *Australian Competition and Consumer Act 2010*.

Support is provided particularly to recommendations 6.2 and 6.3 and findings 5.1 and 6.3. However, NSW Farmers does not support findings 7.2 and 7.4.

NSW primary producers export around 75% of their total output. These exports, worth approximately \$6.6 billion in 2020-21, were led by wheat at \$4,156 million – a 541% increase (year on year)<sup>1</sup>. Consequently, the sector is heavily reliant on international freight supply chains – including freight, landside, port and international shipping. This leads to significant exposure to cost imposts where there is inefficiency in the total supply chain. This impact has been exacerbated because of the global COVID pandemic, due to restricted shipping, and resultant increase in international freight cost - in some instances increasing six-fold.

The value of broader freight movement to the state economy, based on Transport for NSW projections, shows an increase from 482 million tonnes in 2016 to 618 million tonnes by 2036<sup>2</sup>. The growing volumes of freight in NSW is being driven by population growth, economic growth, and global commodity demand. With a rising population and income in Asia driving demand for premium agricultural products.

Any singular focus on COVID-19 regarding the rapid increase in prices masks the systemic inefficiencies in NSW supply chains. Australian ports are in the bottom quartile for productivity according to the world bank. NSW Farmers believes this is a national disgrace given the critical importance of export to the national economy.

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<sup>1</sup> Performance, Data & Insights 2020-21; NSW Department of Primary Industries; 2021

<sup>2</sup> NSW Freight and Ports Plan 2018-2023; Transport for NSW; 2018

The cost to Australian exporters is exacerbated by inefficiencies and abysmal productivity of the landside freight network and ports. The 2020 LEK Consulting Benchmark Study<sup>3</sup> estimated that up to 50% of the final price of wheat goes to freight and logistics. This is similarly argued in the *Deloitte's Global Sophistication Index*<sup>4</sup> which ranked Australia's economy at number 37 in the world, arguing that there has been a legacy of complacency in the economy and therefore not a focus on developing greater economic diversification.

Landside port charges have increased 600% since 2017 and that port operators have just shifted costs from quayside charges which the shipping lines bear to landside charges which exporters bear due to the increase in bargaining power shipping liners have relative to container terminals. Therefore, support is provided to recommendation 6.2 that the terminal access charges, and other fees are charged to shipping lines and not transport operators.

### ***Infrastructure Needs***

The Productivity Commission's Draft Report argues against increased investment from government in rail port infrastructure (Finding 7.2 and 7.4), concluding that the infrastructure needs are being met, and that increased use of rail will only be achieved with "significant and uneconomic investment in dedicated rail lines and intermodal terminals". The report argues instead of government investment, most of the container ports are planning substantial investment in rail infrastructure. We find contention with this finding. Port Botany in their recent report on Landslide Improvement Strategy are considering actions which would limit rail. Agriculture is already having troubles accessing the container terminal at Port Botany via rail. Having to compete with mining slots as well as the busy passenger network in Sydney makes it difficult.

The Auditor General's 2021 report into rail freight in Greater Sydney established that two thirds of all freight in NSW moves through Greater Sydney, and the volume of freight moving through Greater Sydney is expected to increase by 48 per cent by 2036, with 288 million tonnes of freight volume predicted to pass through Greater Sydney in 2036, up from 194 million in 2016<sup>5</sup>. The projection for freight handled by Port Botany itself is to increase from 14.4 million tonnes in 2016 to 25.5 million tonnes in 2036, representing an increase of 77 per cent. The movement of freight across NSW contributes \$66 billion to the gross state product and 46% of agriculture commodities are transported by rail, which is the second biggest commodity transported by rail besides mining. The draft report has acknowledged rail freight produces 16 times less carbon pollution per tonne kilometre when compared with road freight, this allows rail to be an integral part of Transport for NSW's transition to net zero by 2050 plan.

For the Port of Newcastle, Transport for New South Wales' Freight and Ports Plan has emphasised along with the Port Deed, the biggest constraint of private investment in the medium to long-term expansion of the port, include pressures on the shared rail network in the Upper Hunter Valley and access via the New England and Golden Highways<sup>6</sup>.

There is a clear cost advantage in transporting high-value commodities by rail compared to roads over the longer distances. NSW Farmers argues for an increase in rail freight capacity to improve productivity and accommodate the future increase demand for freight movement, while alongside that, metropolitan transport networks in NSW are expected to carry double the current volume by 2056. This will require strategy and planning to alleviate an already congested rail network. The proposed duplication of the Port Botany rail line will not be completed by the Australian Government until 2030. The Australian and New South Wales Governments have clearly identified objectives to increase the share of freight that is moved by rail. Advocating against more government investment in rail infrastructure is counterintuitive to the needs of the maritime logistic system, the economy of Australia and the objectives of government in Australia.

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<sup>3</sup> International Comparison of Australia's Freight and Supply Chain Performance; LEK Consulting; 2020

<sup>4</sup> Australia remade: a country fit for the age of disruption; Deloitte; October 2021

<sup>5</sup> Rail freight and Greater Sydney, NSW Auditor General, October 2021

<sup>6</sup> NSW Freight and Ports Plan 2018-2023, Transport for NSW 2018

### **NSW Farmers' Association**

### ***Port of Newcastle***

The Draft Report concludes that the privatisation process of the Ports in New South Wales has been less than ideal. NSW Farmers considers that this has resulted in a highly dysfunctional port system for the State. The lease agreements have stifled competition between the state's ports by merging Botany and Kembla, as well as through the Port Deed placing a cap on Port of Newcastle's ability to expand container capacity. In general, ports already have a level of inbuilt monopoly powers due to their location capturing a specific region.

The Port of Newcastle has railway-to-port connectivity; however, this advantage cannot currently be fully utilised due to the Port Deed. Impeding competition between the three main ports stifles growth and placing a cap on the Port of Newcastle restricts investment, limiting enhancements that should underpin regional export growth. Therefore, NSW Farmers supports finding 5.1 and by extension, removing of the anti-competitive NSW Port Deeds that protect against a competing container terminal at the port of Newcastle.

Should further information be required on the above comments, the Productivity Commission is invited to contact David Tregenza, Policy Adviser

Yours sincerely

Xavier Martin  
**President**