

Australia's Maritime Logistics System Inquiry  
Productivity Commission  
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Dear Madam/Sir

Accord is pleased to provide the following initial submission to the Productivity Commission's Inquiry into Australia's Maritime Logistics Sydney (the Inquiry).

### **Introducing Accord**

Accord is the peak national industry association representing the manufacturers and marketers of formulated hygiene, personal care and specialty products, their raw material suppliers, and service providers. Accord member companies make and/or market a broad range of consumer and commercial goods that play integral roles in safeguarding public health, promoting personal hygiene, boosting confidence and emotional wellbeing, maintaining comfortable homes and enhancing quality of life, as well as keeping the wheels of commerce and industry turning. Member companies include large global manufacturers as well as small dynamic Australian and family-owned businesses. A list of Accord member companies is available on our website: <http://accord.asn.au/about/members>.

The formulated hygiene, cosmetic, personal care and specialty products industry is a significant industry sector contributing to a prosperous Australian economy. Our industry's products include household and commercial cleaning agents; disinfectants; make-up and beauty products; toiletries and personal care products; hair-care products; skincare products, including sunscreens; oral hygiene; fragrances and perfumes, feminine hygiene products; industrial and agricultural sanitisers; household pest control; and adhesives and sealants.

Recognising the importance of this sector to the public health of the nation and its contribution to Australia's economy, Accord commissioned EY to prepare the first-ever *State of the Industry Economics Report for the Australian Hygiene, Personal Care and Specialty Products industry*<sup>1</sup>. This top-down economic report looks at the entire value of the industry across all market segments represented by Accord. It quantifies the key economic indicators for the industry, highlighting the economic importance of the entire hygiene, personal care and specialty products industry to Australia.

Some topline results follow, based on 2018 economic data:

- Total turnover: \$26.3bn (17th largest industry sector in Australia!)
- Industry value-add: \$5.6bn (upstream and downstream value added by our industry to the Australian economy—an indicator of how our sector drives economic activity)
- Jobs: 68,117
- Wages: \$3.4bn
- Export value: \$1.3bn.

The Report identified a number of other significant observations regarding our industry, including:

- Diversity in production, with businesses operating across all aspects of the supply chain from production through to the retail of final goods.
- Varied client base, with industry products consumed by a wide range of end-users and spanning a wide range of product types from basic consumer necessities to janitorial cleaning supplies to luxury cosmetics.
- Resilience to changes in economic conditions (likely arising from the above two characteristics).
- The higher growth in our industry's value-add than the Australian GDP over the past five years, meaning that our industry added proportionately more value than some other industries in the economy.

### **Supply chain impacts and recommendations**

Accord welcomes the Inquiry and indeed was one of the many industry associations that as supply chain difficulties grew through the pandemic, advocated for a review of the performance of the maritime logistics systems. And while such acute disruptions were a consequence of the global response to the pandemic, it is considered that underlying market inefficiencies of the maritime logistics systems warrant attention and remedy.

That said however, for industry associations such as Accord representing those businesses that are predominantly users of the systems, we have encouraged member businesses to provide examples of the issues they have encountered.

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<sup>1</sup> Hygiene, Personal Care and Specialty Products industry: Economic State of the Industry report Accord Australia Ltd  
Final report 15 October 2019: <https://accord.asn.au/media-policy/>

The Productivity Commission in their study into vulnerable supply chains has already acknowledged that supply chains are neither simple nor linear, that they are complex networks with inter-dependencies.

By way of summary, our member businesses experiences from the recent significant disruptions in the maritime logistics systems have predominantly resulted in **escalating fees and charges** (unpredictable and compounding throughout the supply chain ecosystem including congestion, demurrage and other ad hoc changes) and **costly delays** (again exemplified by unpredictable changes e.g. last minute timetable changes, vessel delays, missed ports, and significant reduction or even lack of viable alternatives). There are serious concerns that the apparent support for more profitable shipping routes may further reduce the number and frequency of maritime options to and from Australia.

These impacts are felt by all our member businesses importing either finished products or critical inputs for local manufacturing and processing (alternatives of which are unavailable locally), as well as those exporting locally manufactured products, and significantly affects the industry's longer term profitability, competitiveness, and sustainability.

Given the nature and volume of hygiene, personal care and specialty products in Australia, the industry is highly reliant on an efficient and competitive maritime logistics systems in the supply of consumer and commercial inputs and products. For example, it is not able to readily pivot to alternatives such as air freight.

In an endeavour to mitigate some of these recent impacts, businesses have where possible diversified sourcing and even manufacturing site options. They have also sought to increase inventory holdings, but when widely applied, such strategies too can have considerable negative flow on effects, such as clogging both warehousing and on-shore logistics systems through lack of available capacity across the breadth of the local supply chain (e.g. critical pallet shortages, access to containers and/or storage, lack of capacity and flexibility in associated road and rail transport).

Such strategies also erode important business capital that would otherwise be spent on local investment.

To date, many of the additional costs due the acute supply chain disruptions have been absorbed by the industry's manufacturers and suppliers, but this is obviously not able to be sustained.

Ultimately, given the size of the local market, if logistics and supply chains cannot be adequately improved, Australian based businesses may have to look to further offshore manufacturing and processing to ensure more reliable availability of inputs and/or trade routes – the very reverse of the relevant investment incentives and goals of the modern manufacturing initiatives established and reinforced during the pandemic. Price increases, diminished consumer choice and reduced commercial options are inevitable.

At this stage, we wish to add our voice to those with common experiences (as well as those who may have more specific recommendations) and urge the Productivity Commission to focus on recommendations to address the following priorities:

1. Maximise market competition across the breadth of the supply chain including the fundamental interface between international maritime and costal shipping, as well as on-shore logistics;
2. Draw on the findings of the ACCC Container Stevedoring Monitoring report and the market-level inefficiencies already identified;
3. Build on the work identified by the Productivity Commissions' previous considerations of supply chain vulnerability e.g. formation of industry expert groups for more in-depth consideration of specific vulnerable, critical and essential goods;
4. Review other areas to maximise competition, efficiency and productivity, to better safeguard business certainty and continuity of supply chains for hygiene, personal care and speciality inputs and products, including where necessary waterfront industrial relations;
5. Formulate potential initiatives and/or support programs that would increase and sustain competition in the freight industry, across the breadth of the supply chain, and support greater infrastructure investment;
6. Encourage increased local investment and modernisation of logistics systems and supply chain infrastructure including the enhancements offered by increased digitalisation;
7. Consider more transparent and comparative reporting of port performance;
8. Remove other unnecessary barriers, costs and trade imposts in the Australian system by significantly improving cost efficiency and international alignment across all levels of business and product/ingredient regulation to further the opportunities for enhanced competition and growth;
9. Clarify the lead/central government portfolio as the primary business contact for such ongoing issues in supply chain vulnerability and improving resilience for the short, medium and long term;
10. Develop and retain standing mechanisms for industry engagement and scenario planning to learn from recent experiences and better pre-prepare for any future shocks.

*Given the breadth of the terms of reference and at this initial stage of the Inquiry, it has been somewhat difficult to select which of our members' business experiences would be most useful to expand, so we look forward to further engagement with the Commissioners on any areas of specific interest and/or where additional details may be useful.*

**Supply chain resilience: Critical need for removal of existing trade barriers and costs**

In relation to regulatory reform, our industry has long advocated for significant improvements in the way in which our products and ingredients are controlled locally. Regrettably most attempts for major reform to our sectors' business environment which is impacted by many areas of regulatory intervention (including that for industrial chemicals, therapeutic goods, agricultural products, customs and biosecurity, transport, consumer law and workplace legislation) have failed to deliver tangible outcomes, and frequently result in further complexities, reduced alignment with international approaches which adds additional direct costs for the hygiene, personal care and specialty products industry, and further erodes resilience of our industry.

This is despite initial genuine reform intent and overarching policies aimed at much more cost effective and efficient systems, including mutual recognition and accepting trusted international standards and products.

We would argue that this is because of the inherent complexity of the overall system, the lack of singular portfolio responsibility and accountability within the respective regulatory silos as well as failure to inculcate sustained cultural change across the agencies, to better commit to a more competitive business environment through lighter touch regulation – one that recognises not only industry's economic contribution to Australia, but at the same time, the size of the Australian market in global terms.

We would therefore encourage the Productivity Commission, as was identified in the previous Study of Vulnerable Supply Chains, to include recommendations to reduce the ongoing regulatory barriers to trade as a further mechanism to alleviate current and future stresses across in the breadth of the supply chain i.e. to ensure that:

- a whole-of-government approach to regulatory policy is achieved,
- barriers affecting Australia's productivity growth and competitiveness are reduced, and
- regulations are well-designed, better fit-for-purpose and support businesses to grow and create jobs.

Such recommendations would include:

- increase the resources of the centralised deregulatory agenda within the Department of Prime Minister & Cabinet, empowering the area with greater incentives to drive accountability for delivery of a more efficient and cost-effective Australian regulatory systems; and
- promote and expand specific regulatory efficiency work areas including the acceleration of those relevant programs that have already commenced such as;
  - Review of 100% cost recovery of regulatory agencies by industry,
  - Simplified Trading System to improve efficiency through reduced administration and compliance costs, and
  - Biosecurity reform priorities identified in the Inspector-General of Biosecurity (IGB) report, especially risk pathway partnership

We trust these initial comments and identification of priority areas for the hygiene, personal care and specialty products industry are useful and look forward to working further with the Productivity Commission in the progression of this very important Inquiry to ensure that Australia's competitiveness now and into the pandemic recovery period are considerably improved.

Your sincerely

[unsigned for electronic submission]

Bronwyn Capanna  
**Executive Director**  
18 February 2022