

**Victorian
Farmers
Federation**

SUBMISSION

**Productivity Commission
Australia's Maritime Logistics System**

February 2022

INTRODUCTION

The Victorian Farmers Federation (VFF) welcomes the opportunity to comment on the Productivity Commission's Inquiry of the Australia's Maritime Logistics System.

The events of COVID-19 have highlighted the strategic importance of ports and shipping to Australia's ongoing well-being and prosperity.

As an export-orientated industry, a well-functioning maritime logistics system is especially critical for Victoria's agriculture industry that relies on the nation's ports and shipping networks to transport their products to overseas markets.

Furthermore, Victoria's agricultural production supply chains are highly reliant on imported inputs such as fuel, fertiliser and chemicals that are transported to Victoria by bulk and container ships.

As this paper will explore, port and maritime inefficiencies compounded by COVID are having a profound and detrimental impact on Victorian agriculture.

Recognising the pivotal role ports and shipping play in protecting Australia's national interest, it is critical that solutions are developed to ensure the nation's continued prosperity and well-being.

The VFF makes the following recommendations:

Recommendation 1: Strengthen stevedore pricing regulation

Recommendation 2: Strengthen port pricing and market rent regulation

Recommendation 3: Repeal Part X of the Competition and Consumer Act and replace with a block exemption that meets minimum standard of procompetitive features.

Recommendation 4: Work with New Zealand to make North-South shipping routes more attractive to shipping lines.

Recommendation 5: Review port buffer planning provisions

Recommendation 6: Improve capability of local governments to adequately consider characteristics and impacts of industrial activity and associated freight movements when considering zoning adjustments

Background:

Victoria is Australia's largest exporter of food and fibre, and Australia's largest exporter of dairy products, sheep meat, wool, poultry meat and horticulture.

Demonstrating the importance of agricultural exports to the Victorian economy, in 2019-20, Victoria's food and fibre exports alone were valued at \$14.5 billion and represented nearly half of Victoria's total goods exports.

Victoria has three major ports, the Port of Melbourne, Port of Geelong and Port of Portland that each play an important role for the Victorian agricultural industry.



Source: <https://transport.vic.gov.au/ports-and-freight>

The Port of Melbourne is Australia's largest container port and is a critical export gateway for Victorian agricultural produce, with agricultural goods making up 43% of all containerised exports from the Port of Melbourne. The majority of agricultural exports such as dairy products and meat are exported in containers from this port. While the Port has some bulk grain exporting facilities, with 1.2 million tonnes of grain exported over the 2020-21 period, it has become an increasingly important gateway for the growing containerised grain industry with 1.6m tonnes of grain exported in containers out of the Port of Melbourne during the same period.

The Port of Geelong is Victoria's key dry bulk and bulk liquid port and Australia's sixth largest port by tonnage, responsible for approximately \$7.8 billion of trade each year. The Port is the main location for Victoria's bulk grain exports with over 2 million tonnes exported from the GrainCorp terminal alone in 2020-21 and is also a gateway for critical inputs imports such as fertiliser and fuel into Victoria.

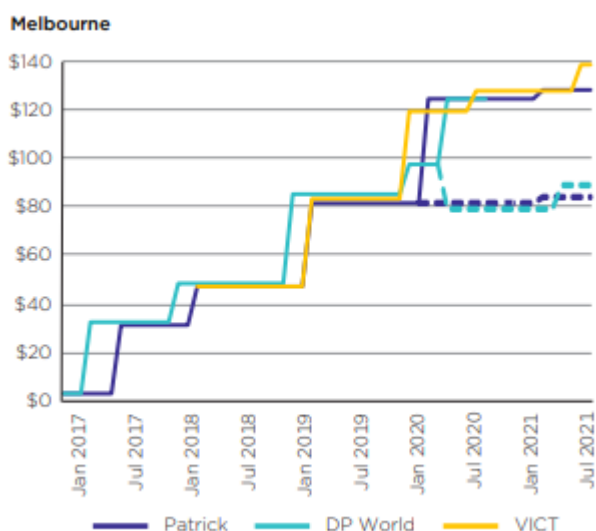
The Port of Portland is one of Australia's busiest regional ports and specialises in the export of bulk commodities such as grain due to its strategic position near the key grain growing region of the Wimmera Mallee. In addition, the Port also is a site for live export of sheep, cattle and dairy cattle industries and receives critical fertiliser imports.

Discussion:

High terminal access charges:

The VFF are deeply concerned by the current lack of formal regulatory oversight of stevedores' ability to further increase landside charges on what is essentially a monopoly infrastructure.

As the below chart demonstrates, terminal access charges on containers have increased substantially at the Port of Melbourne over the last 5 years.



Source:

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

Terminal access charges (or infrastructure charges as they are sometimes known) are charged by stevedores to trucks and trains for collecting or dropping off full containers at their terminals.

It is important to note that it is the shipping lines that choose the stevedore and farmers or the transport operators delivering their produce must go to the stevedore to which they are directed.

DP World's previous comments that the charges can simply be 'passed through the supply chain, without negative impact' fail to understand agriculture.

Especially for high-volume, low-price exports such as containerised grain and hay, these costs are either borne by the individual farmers that deliver the entire 25MT to fill the containers or risk making Australian exports uncompetitively price.

Demonstrating the impact terminal access charges are having on individual farmers, one VFF member from Central Victoria that grows export hay estimated the charges had cost him an additional \$25,000 in the last year alone and that he could see no improvements in services despite the substantial increases in charges.

Additionally, the VFF have sighted examples of farmers being charged inflated terminal access charges by transport operators.

The introduction of the Victorian Voluntary Pricing Protocol has failed to address rising landside fee increases, and there are several examples of stevedores not adhering to the protocols.

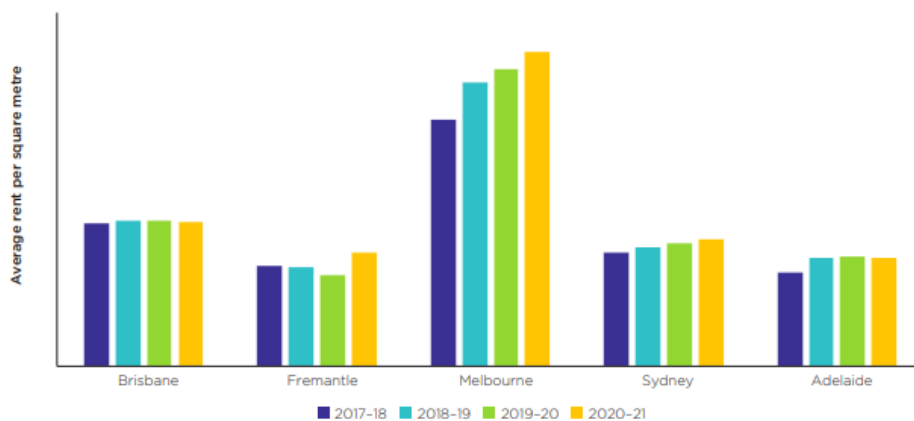
Whilst it is a positive first step that National Transport Commission are developing voluntary national guidelines for applying stevedore infrastructure and access charges at Australia's container ports, it is critical that this monopoly infrastructure is effectively regulated to strengthen competitive market processes.

Recommendation 1: Strengthen stevedore pricing regulation

Insufficient pricing and market rent regulation:

Similarly, the VFF are deeply concerned about the insufficient current regulation of port pricing and market rent and the impact this is having on agriculture and the broader Victorian economy.

As the below chart in the 2021 ACCC Stevedore Monitoring report highlights, the Port of Melbourne’s aggregate rent for stevedores per square metre is more than double that of any other Australian container port.



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

The current limited level of economic regulation of the Port of Melbourne is seen to contribute to these high prices, with the Essential Services Commission of Victoria (ESC) finding in its 2020 Port of Melbourne Market Rent Review that the Port of Melbourne had exercised its market power in the process for setting and reviewing land rents in a way that caused material detriment to Victorian consumers. The ESC recommended an enhanced negotiate-mediate-arbitrate framework independently overseen.

Similarly, the ESC’s 2021 Inquiry into Port of Melbourne Compliance with the Pricing Order found there was “significant and sustained non-compliance” and that “existing incentives within the regulatory framework of the Port Management Act 1995 (Vic) are not working, and that this has contributed to a finding of significant and sustained non-compliance with the pricing order.”

As a critical monopoly infrastructure that is central to the prosperity of Australians, it is imperative that there is greater regulatory oversight of market rent and pricing.

Recommendation: Strengthen port pricing and market rent regulation

Impact of COVID-19 on container shortages and shipping delays:

Recent container shortages and shipping delays as a result of COVID-19 have also had a profound impact on Victorian agriculture.

Agricultural exporters typically require specific food-grade or refrigerated containers to transport for their products to market. During COVID-19, however, many exporters had difficulty accessing these containers due to reduced space being allocated to empty food-grade containers on vessels entering Australia and a reluctance to send empty containers to Australia, because shipping lines can get higher freight rates on more profitable routes.

This has resulted in many exporters having to delay or cancel their bookings or even scale back their export programs, negatively impacting domestic agricultural commodity prices.

This was particularly apparent in the Victorian pulse industry which typically relies on containers to export their products.

A Victorian pulse packer was forced to temporarily stop purchasing pulses from Victorian farmers because of difficulty accessing containers for export and securing freight rates from shipping companies.

To resume exporting, the pulse packer had to move from container export from the Port of Melbourne to bulk shipments out of the Port of Portland. This has significant implications for export markets as bulk export of pulses limits potential selling points, especially into key markets such as India and Sri Lanka.

Similarly, other grain packers have voiced concern about the long-term implications for Australian trade from the consistent difficulties exporters are facing in meeting contract terms as a result of delays accessing containers and attracting vessels.

Furthermore, delays due to the difficulties in obtaining food-grade quality containers, compounded by long periods at port, have impacted on the freshness of horticulture products being exported and there are reports of livestock artificial insemination products expiring at the port because of long wait times.

Whilst the challenges of COVID on global supply chains are unprecedented, it has been exacerbated by low levels of shipping regulation. The 2015 Harper Review found that the international shipping liners were one of the only industries that had legislative exemption from Australia's competition laws and recommended Part X of the Competition and Consumer Act 2010 (CCA) which regulates international liner shipping should be repealed and a block exemption granted by the ACCC should be available for liner shipping agreements that meet a minimum standard of pro-competitive features.

These issues are adversely affecting exporters' ability to meet their contractual obligations, negatively impacting the global competitiveness of Australian exports.

Recommendation 3: Repeal Part X of the Competition and Consumer Act and replace with a block exemption that meets minimum standard of procompetitive features.

Recommendation 4: Work with New Zealand to make North-South shipping routes more attractive to shipping lines.

Urban growth and inappropriate development around ports:

Urban growth and development around ports are an increasing long-term threat to port operations across the country.

As Melbourne's population grows and demand for inner-city living increases, urban development is increasingly encroaching on the Port's boundaries. For example, the renewal of Fishermans Bend will see substantial redevelopment of the surrounding Port Melbourne areas, resulting in an influx of thousands of new residents. Without appropriate planning controls, a desire to avoid amenity impacts on residents can result in operating restrictions on freight movements, cutting the sector's productivity. There are already truck curfews on several streets to access the port which impact the productivity of port's 24-hour operations.

Similarly, the Port of Geelong is facing increasing urban encroachment and GrainCorp, Barret Burston Maltings and Victorian Regional Channels Authority recently successfully appealed council approval of a seven-story office development in the port precinct at Victorian Civil and Administrative Tribunal that could have impacted the port's operations and future development.

A 2020 Independent review of the Victorian Ports System found that the approach to buffer controls for incompatible uses in the land surrounding the ports requires further strengthening and a review of buffer planning provisions be commissioned by the Government.

Recommendation 5: Review port buffer planning provisions

Recommendation 6: Improve capability of local governments to adequately consider characteristics and impacts of industrial activity and associated freight movements when considering zoning adjustments

The Victorian Farmers Federation

Victoria's agricultural production accounts for over \$13 billion of Victoria's economy and over 25 per cent of the State's exports per annum. Victoria's farmers produce high quality food and fibre, produced to high standards of safety, with little taxpayer support, and to some of the strictest environmental and highest animal welfare controls in the world.

The Victorian Farmers Federation (VFF) represents the Victorian farming community which endeavours to ensure a profitable, sustainable and socially responsible agriculture sector connecting with consumers.

We have a proud history representing Victoria's farm businesses since 1979 – primarily family farms that produce the eggs, grain, fruit and vegetables, meat, and milk that help to feed Victoria's six million people, and the bigger global community, every day.

The VFF consists of commodity groups: dairy, grains, horticulture, chicken meat, eggs, pigs and livestock – and expert committees representing; water, planning, environment and climate change, farming systems, farm business, transport and Infrastructure and workforce and social infrastructure.

Our vision is for a secure farming future -for Victoria and for generations to come. In our mission we are the voice of Victorian agriculture: we protect and progress farmers' interests