

BUSINESS HUNTER

21 October 2022

The Productivity Commission
[via website form](#)

RE: Submission to the Draft Report: Lifting productivity at Australia's container ports.

Business Hunter is pleased to submit on the Productivity Commission's "*Lifting productivity at Australia's container ports: between water, wharf and warehouse - Draft Report*" (the draft report) and provide feedback for consideration.

Introduction

As the peak business organisation in the Hunter region, Business Hunter is the voice of Australia's largest regional economy, with a membership group spanning more than 4,200 businesses across ten local government areas. We represent the perspectives of member and affiliate businesses across all sectors and all sizes of business in a wide range of sectors, including those involved in major import and export activities.

Business Hunter endorses the submission provided by the Australian Chamber of Commerce and Industry (ACCI) to the draft report and offers further salient points from across our network as a region invested in port operations aligned to the key themes of this report.

Considerations

As detailed in the draft report, international trade underpins Australia's economy, and any issues in the maritime logistics system have the potential to echo through the economy.

As Australia's largest regional economy, the prospects and challenges for the region are very much tied in with those confronting the nation as a whole. As the composition of activities undertaken across the nation and the region change, the Hunter region will play a key role in Australia's ability to diversify its economy and leverage emerging opportunities, particularly in the new energy economy and sovereign manufacturing. Appropriate supporting infrastructure and enabling frameworks are crucial to this.

1. Draft report question – '*Is market power impeding system performance?*'

As detailed in the draft report, the Australian economy is strongly anchored in trade, so we need to ensure products are imported and exported through our port systems efficiently, effectively, and competitively. Yet, as the draft report clearly indicates, Australia's maritime logistics sector is plainly inefficient, and the statistics are concerning.

The biggest problems for Australian ports overwhelmingly relate to containerised shipping, with Australia's major container ports ranked among the worst performing 20 per cent of ports globally, with the exception of Brisbane, which was ranked among the bottom 30 per cent. Further to this, Port Botany was last year [ranked by the World Bank as one of the least efficient ports in the world](#), appearing in the bottom 10% of 351 global ports.

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The draft report noted inefficiencies at Australia's major container ports directly cost the Australian economy an estimated \$605 million a year, and lack of competition in some parts of the maritime logistics system, including container terminal services, means business and consumers pay too much. The report details that \$316 million of this estimated cost is attributable to Sydney, which is the likely current import and export point for many regional businesses.

These direct costs don't include flow-on costs to businesses, consumers and the economy, and the report notes that "any sustained disruption to imports or exports has the potential to cause substantially larger economic impacts than the direct cost estimates suggest".

The Port Commitment Deeds included in the long-term lease agreements with NSW Ports, the operators of Port Botany and Port Kembla, requires the NSW Government to compensate the operators if the Port of Newcastle container traffic exceeds a specified cap, at a rate equivalent to the wharfage fee the port operators would receive if they handled the containers. Port of Newcastle is then required to reimburse the NSW Government for any compensation paid to NSW Ports. This has effectively halted Port of Newcastle's plans to develop a multi-purpose deep-water container terminal and greatly limited recent investment to increase its container handling capacity.

The proposed Port of Newcastle Multi-purpose Deepwater Terminal would make it a viable alternative to Port Botany, Port Kembla and the Port of Brisbane for importers and exporters and take advantage of Port of Newcastle's existing access to heavy vehicle road and rail networks without the need for government to invest capital in these elements.

Independent analysis by [HoustonKemp estimated the proposed Port of Newcastle Multi-purpose Deepwater Terminal](#) has the potential to contribute \$2.5 billion to the national economy and generate a further 15,000 direct and indirect jobs to the 9,000 the Port of Newcastle already supports, while reducing road and rail congestion around Port Botany and substantially reducing freight costs for regional importers and exporters.

Business Hunter understands local and regionally businesses are experiencing pressure from significant delays and sharp increases in freight costs, which ultimately dampens economic growth and places additional pressure on the cost of living as prices increase. Unlocking the container capabilities at the Port of Newcastle broadens choice for businesses importing and exporting freight, potentially unlocking significant benefits across the Hunter and the state.

Business Hunter has a long history of advocating and supporting actions that will lead to the growth and diversification of trade through the port of Newcastle. As far back as 1997, Business Hunter (then known as the Newcastle and Hunter Business Chamber) championed the idea of reusing what was to become the former BHP steelworks site as a multipurpose terminal to be known as the "Intertrade Industrial Park". For a range of reasons, the plan did not materialise and history shows that much of the 150 hectare former steel works site has been left vacant or underutilised for over 20 years.

In 2013, much of this land was included in the lease offered to the market, which was ultimately awarded to Port of Newcastle who are now using and accessing around 100 hectares of the site. However, their opportunity to use the site as the market might dictate was stymied from the outset.

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If we can increase competition and allow the market to determine if it's cheaper and quicker to freight materials through the Port of Newcastle, businesses and for that matter the consuming public should have that option and the Productivity Commission report notes they don't at present.

The incentive for players in the industry to invest in productivity gains and improve their competitive position in the market is missing. Australia's maritime logistics system with the port of Newcastle hamstrung by the implications for the current arrangements, does not provide for a competitive environment.

It is vitally important that the maritime shipping sector and Australia's port system operates under a more competitive ecosystem, driving industry players to be more efficient. With greater competition comes greater incentive for operators to invest to improve productivity. We don't have this environment currently.

2. Draft report question – 'Infrastructure needs'

If, as the draft report projects, by 2050 containerised freight is set to more than triple at the Port of Brisbane, almost triple at the Port of Melbourne, and increase two and a half fold at Port Botany, With this increase comes an urgent need to increase capacity and lift productivity.

The draft report finds substantial investment in port and rail infrastructure is needed to increase the productivity of ports and reduce congestion and recommends this investment should be made by port operators without the need for taxpayer funding. Any taxpayer funding for rail infrastructure beyond the port precinct should be subject to a clear cost benefit analysis.

More generally, investment in port infrastructure in Australia is well behind the curve relative to other comparable nations, such as New Zealand, Europe, East Asia and North America. For example, New Zealand has built a secondary terminal at Auckland with forward planning and land holdings for expansion and servicing of larger ships - a capability seriously lacking among Australia's container ports.

There is no current infrastructure, or proposed new investment, to service the larger ships which are becoming increasingly more common on international shipping routes. To service these larger ships, substantial investment is needed to create and maintain necessary channel depth, develop the wharf infrastructure to accommodate larger volumes including larger and heavier equipment, and integrate with rail and heavy vehicle road networks including longer rail sidings, intermodal facilities, and accommodations for trains longer than 1.2km.

The proposed investment in Port of Newcastle Multi-purpose Deepwater Terminal concept would accommodate larger shipping vessels in Australia and have land available for future development activities. Newcastle is one of the few major ports with deep water access and the land available to enable significant expansion, as well as existing rail and road infrastructure to support it. The development has the potential to increase competition and stimulate investment to improve productivity at the other major ports in NSW and the Port of Brisbane.

Newcastle's close proximity to major NSW export and import hubs provides a shorter journey by road or rail, making it the efficient option for container imports and exports to central, north, north-western and far-western NSW, currently routed through Brisbane.

Located on the former BHP steel industrial manufacturing site, the Port of Newcastle has legacy infrastructure in place that can be leveraged to deliver a quick win. This infrastructure includes:

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- Potential for deep water berthing
- A shipping channel that can accommodate larger vessels over 18,000 TEU, through the construction of large gantry cranes, with jibs at 74 metres – capability that does not currently exist anywhere in Australia
- Uncongested freight rail network connections and direct on-dock long train access
- Direct heavy rail access to Sydney, and via the Inland Rail, to Melbourne and Brisbane
- Excellent heavy vehicle access

Notably, Newcastle also offers the opportunity to develop a greenfield container site, something last realised in this country in Western Australia way back in 1983. With private investment of over \$2.4 billion, the Port of Newcastle requires no public investment to progress the development of a world-class facility capable of accommodating the foreshadowed container freight needs into the future.

However, as noted above, the Port of Newcastle development, and/or the entry of any new stevedore willing to build a new container port in NSW, is being held back by anticompetitive clauses built into the long-term lease agreements with the NSW Government.

In summary, Australian businesses are paying a price for inefficiencies identified in the draft report. It is in the nations interest to move beyond past practices of planning and providing for port expansion and the provision of road and rail infrastructure incrementally.

Working closely with businesses to understand their needs is an important first step, as well as removing impediments to competition across the entire logistics supply chain and allow market forces to guide future private sector investment. Developing agile planning approaches in the ports sector that can adapt to changing circumstances will be critical to Australia's future resilience and success.

Business Hunter would welcome the opportunity to discuss this submission in greater detail or present to the Commission if the opportunity arises.

Yours sincerely,

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Business Hunter