

Productivity Commission review into Australia's maritime logistics system.

1. First and foremost, we need to understand that the bulk of Australia's ports are privately owned and operated, and thereby driven by making profits. There are a few ports with some state government controls in place, but basically, they all operate independently in the marketplace.
2. Some ports do have the ability to expand their footprints with some impact on surrounding areas, but the vast majority will struggle to increase capacity. Even when ports can increase their capacity, issues arise from the lack of expandable capacity of council and state-owned roads and infrastructure.
3. For many years now, there has been constant noise made about using rail and rail hubs, to move cargo to and from the ports to reduce traffic! Unfortunately, the rail lines that used to run to quayside have long since disappeared which then means a shuttle system needs to be used to relocate freight between the stevedores and the rail hub at the port. Who would do this, and would there be a cost benefit?
4. Interstate rail freight networks have been touted for more years than I care to count, with nothing being done and the longer these are delayed, quite obviously the costs are ever increasing.
5. Australian ports use much the same container handling equipment as the bulk of the ports worldwide. Given this, how do we explain the productivity differences from country to country and from port to port within each country? There are many thoughts on this subject, and it is not a one size fits all answer. There are multiple parties involved here, and currently, one would like to think that there is an ability to work together to find a middle ground that works fairly for all parties. Unfortunately, this is not the case and is not likely to be resolved anytime soon so this will always be part of the causes that show deficient performance.
6. Shipping lines are increasing the capacity of vessels which leads to ports needing to make significant infrastructure changes, at massive costs, which, ironically, shipping lines expect to be covered by the ports and not be passed onto them through stevedore handling charges, even though they are the cause of the changes!!
7. From Australia's point of view though, shipping lines are not making large capacity changes, they are reducing sailings, as we are not considered a significant part of their international trade and our port performance has caused them delays and costs in the past.
8. Maritime Logistics is just one part of a very much larger and broader supply chain logistics that gets goods from factory to the consumers door. This tends to be forgotten by governments when they investigate why there are delays in consumers obtaining goods.
9. Increasing vessels and aircraft is not as simple as turning a key and driving away like you do in your car. There must be an incentive, like any business model, for operators to come to Australia. Yes, there is cargo available, more import than export, but when they arrive here, are they handled efficiently? With export volumes lower, operators then must bear the costs of using under-utilized vessels and aircraft, which then means exports costs are higher, this in turn impacts on our exporters ability to sell their goods.
10. Having arrived in Australia, the next step is to get cargo from the ports and out to warehouses for unpacking and subsequent distribution to retail outlets. Guess what, because local councils have only seen the benefit of income from urban developments, they have allowed housing to

be built close to ports, which leads to massive issues with transport and noise. The damage is done and cannot easily be undone, so now comes the difficult task of trying to expand infrastructure in what has become a confined space. Roads need to be bigger but there is no land for them, rail networks need a lot of dedicated land (generally straight lines and long curves) which is almost impossible to obtain in our “modern” cities!

11. What does this all mean from an economic standpoint – increased costs!
12. Sea freight and air freight costs have rocketed up, from being below cost to being many times above breakeven, and having gotten there (thank you Covid), they are not going to reduce significantly as can be attested to the fact that cargo movements have not fallen. These costs flow on through other parties in the logistics supply chain, and eventually to the consumer in increased prices at the checkout.
13. Can Maritime Logistics Productivity reduce these costs, probably not from a direct point of view? However, by improving productivity shipping lines will increase capacity if they can rely on their vessels being serviced faster. This means more cargo moving in, and the potential for a reduction in freight costs! Increased productivity and thereby sailings, thereby allows for warehouses to not hold as much inventory and the costs associated with this.
14. In the middle of all of this is a labour force that can make or break productivity. We have industrial relations legislation, we have unions, and we have people who want to be a part of the workforce.
15. Often all of these are conspiring to work against us rather than with us and all that does is increase costs!
16. Ports need a few things to make them successful and efficient: readily expandable land mass, quayside expansion ability, ability for trucks to move in and out quickly, empty container parks with ease of access, rail options to move cargo in and out to distribution hubs to keep trucks away from the port precinct, and of course cargo!
17. This all takes infrastructure, both private and government, and all needs to be funded, again both privately and publicly, and the costs passed on. But to whom and how? In a world which is built very much on user pays these days, ultimately it will be the consumers, deciding who pays what and when within the supply chain has always been argumentative.
18. Improving infrastructure from the point of entry into a port by a vessel, to the final delivery point of cargo where the consumer picks it up is massive. However, all too often, and probably due to costs, only small pieces are handled at a time and in a very ad hoc manner. There needs to be long-term plans drawn up, and then integrated with those plans that local authorities have, to come up with plans that can see benefits for the whole community and not parts of it!
19. With shipping lines based offshore and away from much of our laws, they are becoming very much the deciding force on who is going to be paying the costs at a maritime level. Their reasons for this are blurred, but we need to look at a model not unlike the USA Maritime Legislation (better written of course) to encourage fairer actions from shipping lines? Again, not a one size fits all approach, but one of several pathways that need to be looked at.
20. Research is an invaluable tool, and is updated technology, but again there are large gaps between completion and integration. There have been changes made at a couple of stevedores with the advent of driverless container handling equipment. Yes, it reduced some of the workforce and did show improvements in productivity and less equipment failures. Not the first industry to go through these changes and will not be the last. The investment costs are massive,

so the monetary savings take a while to flow through (even with less employees) but these changes are often looked at from a negative point of view. We live in a very rapidly changing world, not always for the better, but nonetheless it is with us, and we need to find ways to adapt.

21. Although this commission has its focus on Maritime issues, this needs to go hand in hand with air cargo, rail, and road as they all need to work together. At the moment air cargo is down but bouncing back as more airlines start returning to Australia. This will not have a significant impact on maritime trade simply because air cargo rates have also exploded, and because everyone has been forced to pay them, it is not likely that airlines will reduce their rates significantly either. Why should they, they are in business to make money, just like shipping lines, and all of us as well!
22. At the end of the day there are multiple federal, state, and local government departments that need to work closer together with industry to help improve how we handle cargo logistics in general terms. And I think, in part, that because there are so many departments this often slows down infrastructure improvements!
23. There are some things that might be easier to start the processes with than others, such as:
24. Creating a federal maritime regulator to work with the ports and shipping lines
25. Develop a code of behavior with shipping lines about the handling and movement of their empty containers and the rates of container detention billed which has a direct correlation to the costs of new containers
26. Have a close look at our competition and consumer legislation and bring international companies in general (not just shipping lines) in line with our ways of doing business
27. Enforceable notification periods on all shipping lines and stevedores (not just guidelines) when it comes to pricing increases or service variations to give industry time to take them into account and adjust.
28. The International Freight Assistance Mechanism has been a major assistance factor in helping keep limited airlines servicing Australia, something that needs to be looked at for the future as the recovery time from Covid is likely to be 5 years and even then, we will be operating in a vastly different world to what we were in 2019!
29. No one likes to see increases in legislation to get things done, unfortunately that seems to be the way of the world these days (common sense has disappeared), but if we need to go down that path then so be it. In saying that we need to ensure that the legislation is uniform and at a national level.
30. Resourcing, both through infrastructure and people, is always going to be hard for Australia because of our massive land mass, our geographical location, and the fact that we have a comparatively small population with which to do all of this.
31. Through all of this, Australia will still be able to maintain the exacting standards it has with Border and Biosecurity controls for the benefit of our country and our community.