

PRODUCTIVITY COMMISSION

AUSTRALIA'S MARITIME LOGISTICS SYSTEM INQUIRY – DRAFT REPORT

Ports Australia has appreciated opportunities thus far to contribute to the Productivity Commission's inquiry into the long-term productivity of Australia's maritime logistics system; and welcomes this next opportunity to respond to the draft report "Lifting productivity at Australia's container ports: between water, wharf and warehouse" (the Draft Report). In this submission, Ports Australia provides further insight into the operations and perspective of the maritime sector, to assist the Productivity Commission in making the most valuable recommendations for the sustainability and efficiency of the Australian supply chain.

Selected findings and recommendations from the Draft Report are listed below along with statements from Ports Australia. Should the Productivity Commission require further information from a ports perspective on any item detailed below or otherwise, please do not hesitate to contact Ports Australia.

PC Draft finding 3.3 The framework for measuring Australian container port performance could be enhanced
PC Draft finding 3.8 International evidence also suggests that Australian ports could lift their productivity
PC Draft finding 3.9 Improving container port productivity would deliver significant benefits

Ports Australia agrees with the Productivity Commission's assertion that the current container port performance framework could be enhanced. As the Productivity Commission notes, the World Bank Container Port Performance Index (WBCPPI), "did not account for the fact that some ports can turn ships around faster because they use more inputs. And higher turnaround times will not be a good thing if they rely on inefficient use of inputs.", and that this is a substantial issue when using the WBCPPI to compare ports.

There is significant concern in using the WBCPPI as the sole dataset for port productivity insights, as it has substantial completeness issues and the measures used do not accurately account for the Australian context. The comparison of Australian container ports and Yokohama is a prime example, on face value the data reflects poorly on Australian ports however the contextual differences between the ports should render the comparisons irrelevant.

Thus, Ports Australia has commenced a project working with the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) and the Bureau of Infrastructure and Transport Research Economics (BITRE) to identify productivity measures, that better reflect port efficiency, with close engagement from industry and government. It is intended that by undertaking this initiative, greater agreement can be made on the appropriateness of measures.

Relevant stakeholder workshops will be held to determine the appropriateness of each measure and the ability for a set of measures to illustrate a reasonably comprehensive efficiency assessment at a port. Brief qualitative data as part of this reporting could be included and enable a more holistic view of each port's context e.g. information on constraints and regulation specific to that jurisdiction. Productivity Commission support of this initiative would be valuable.

It is, however, emphasised that port efficiency needs to be reported in conjunction with supply chain efficiency. This would allow for an improved understanding of where along the supply chain issues and bottle necks exist, enabling more informed cost-benefit analyses and following this more prudent investment by industry and government. The *National Freight and Supply Chain Strategy* has a critical action which is focused on this, “Action 4.1: Develop an evidence base of key freight flows and supply chains and their comparative performance to help business and governments improve day-to-day freight and network operations, make better investment decisions, and monitor and evaluate the performance of the freight system”. The Strategy has been agreed to by all Australian governments, and now is being implemented by federal and state governments, departments and agencies in collaboration with industry. Ports Australia thus recommends that the Productivity Commission further support this action, by highlighting that its progression should be prioritised by industry and government.

As noted by the Productivity Commission, whilst “Yokohama turned vessels around more quickly, but was less efficient than all five of Australia’s major container ports in its use of inputs. Faster turnaround times are a good thing, but not at any cost.” By examining port efficiency as a part of overall supply chain efficiency, a better system perspective can be obtained. The supply chain is inextricably interconnected between states and territories, between Australia and other countries, between aviation, rail, trucking and shipping, and ports are one integral component to the network. It is therefore important that metrics, including performance, across supply chain entities is understood, to enable performance improvement particularly where there is an opportunity for that benefit to be compounded across the system.

PC Draft finding 5.4 No case has been found for further regulation

Ports Australia supports the Productivity Commission’s draft finding that there is no case for further regulation of the ports. As described in Ports Australia’s initial submission to the Productivity Commission, ports in Australia are heavily regulated entities, by federal, and state and territory government departments and agencies, including the Australian Maritime Safety Authority, the Department of Home Affairs, the Department of Agriculture, Water and the Environment amongst others. Port regulation includes but is not limited to, price, access, operations, security, criticality of infrastructure, work, health and safety, planning, environment, and biosecurity. Further regulation could have deleterious effects on investment and productivity for both bulk and container ports.

PC Draft finding 7.1 Port expansions to accommodate bigger container ships do not need taxpayer funding
PC Draft finding 7.2 Most container ports are planning substantial investments in rail infrastructure

The Productivity Commission made multiple draft findings around infrastructure investment, including that port expansions do not require taxpayer funding, and that government investment in rail infrastructure would require thorough cost-benefit analyses. Government owned ports will require taxpayer funds for growth and investment, however whilst privately owned ports do not need taxpayer funding to accommodate larger ships at their port, there is likely to be consequential connecting infrastructure (road/ rail / channel) that needs to be delivered in order to accommodate larger ships within the supply chain. Taxpayer funding of these connecting infrastructure will be required and would be subject to cost-benefit analysis which should capture benefits and disbenefits. For example, rail has a multitude of benefits beyond the immediate infrastructure including in the efficient land-based transport of large freight volumes in one movement, the reduction of road wear and tear, improved work health and safety, and reduced emissions of greenhouse gases and noise.

PC Draft finding 7.3 Planning systems should allocate land around ports to highest value uses
PC Draft finding 7.4 Long term planning appears to be adequate

Long-term planning of Australia's supply chain is imperative for efficiencies and government support in planning is integral to this. The *National Freight and Supply Chain Strategy* and the *National Urban Freight Planning Principles* have been significant contributors to improved supply chain coordination, and these measures need to continue to be supported and progressed. Four of the seven *National Urban Freight Planning Principles* directly address industrial land use planning approaches, and are listed below:

- Principle 2. Safeguard the resilience of all major freight handling facilities and freight corridors within and between neighbouring jurisdictions, including local government areas.
- Principle 3. Identify and plan areas for new freight facilities and freight intensive land uses.
- Principle 4. Plan for efficient freight movements and complementary land uses around freight facilities and precincts, including intermodal terminals.
- Principle 5. Promote building and precinct design and usage that takes into account freight needs.

As outlined in the principles above, urban land management approaches must identify current and plan for future industrial land needs, including freight corridors. Planning decisions should support the selection of land based on its highest long-term value for the population, not a single entity. Benefits and disbenefits across stakeholder groups (beyond simply monetary value) are important to capture to ensure sensible planning decisions are made, as these decisions can have significant and irreversible consequences for the economy and population which are reliant on the efficiency of Australia's supply chain.

Urban encroachment is an issue at almost all of Australia's major container ports and industrial land protection is important for overall supply chain efficiency as well as for satisfied residents. It is an issue which has recently been raised as part of the NSW Greater Cities Commission's Industrial Lands Review. This work involved an independent review of industrial lands in NSW and included cost-benefit analyses which resulted in the reflection that there does need to be safeguarding of industrial land to ensure that "the productivity and economic functionality of Greater Sydney is not compromised".

Based on the above, Ports Australia advocates for the revision of draft finding 7.3 to be consistent with the NSW Greater Cities Commission findings that industrial land should be retained to support container port precincts and create urban buffer zones.

PC Draft recommendation 9.1 Prohibit enterprise agreement content that imposes excessive constraints on productivity in the ports and costs on the supply chain
PC Draft recommendation 9.2 Improving bargaining practices in the ports

Ports Australia broadly supports the Productivity Commission's intention to improve bargaining practices and prohibit excessive constraints in enterprise agreements. Ports Australia respects the need for enterprise agreements and related negotiations, and simultaneously makes several recommendations that will support continued and enhanced supply chain operations:



- A more optimal framework to reduce negotiation timeframes, thereby reducing uncertainty and impact on supply chain operations, as well as reducing the time and investment involved in negotiations;
- A framework to ensure that enterprise agreements:
 - accommodate change for the benefit of productivity;
 - support efficient utilisation of labour; and
 - support innovation and technology-based initiatives; and
- Guidelines on protected actions to minimise impacts across the supply chain.

PC Draft finding 10.1 Port workers appear to acquire the skills they need

PC Draft finding 10.2 If they arise, skills shortages for seafarers can be solved through immigration and industry led solutions such as cadetships

Australia's port workers whilst small in population, are integral to the community. In the coming years, the skill set required of port workers will continue to shift and it is necessary that these individuals are equipped to handle new approaches and technologies being adopted. As recognised by the Productivity Commission, immigration will need to be able to support this, not just of seafarers but of other critical port workers such as engineers and pilots. In addition, it would be beneficial for the Productivity Commission to also recognise that educational institutions will play a role in meeting the needs of industry, and alternate methods of means of training may be required to address any skills gaps, to support remote learning and to support continued professional development to meet the changing needs of the industry.

PC Draft finding 11.2 There is no case for a government run port community system

PC Draft finding 11.3 Government should continue to overhaul cargo clearance systems

Ports Australia thoroughly supports the Productivity Commission's recommendation that government continue to overhaul cargo clearance systems, and Ports Australia and its members have been keen contributors to the scoping of the simplified trade system. Whilst there is the suggestion that a government run port community system may not be advantageous, Ports Australia recommends the Productivity Commission highlights the importance of establishing system and data standards to enable data transfer and system integration across the supply chain. In light of recent data breaches in other sectors, a port community system would need to be highly secure, and it is expected that government will play a leadership role in this. Port community systems may be able to offer greater transparency across the supply chain, however more work needs to be done to determine the scope and benefit of such a system in the Australian context and whether this can enable substantial real-time flexibility and long-term efficiency gains for industry and government.
