



14 October 2022

Australia's Maritime Logistics System Inquiry
Productivity Commission
4 National Circuit
Barton ACT 2600

Via email: maritime@pc.gov.au

RE: Submission on the Productivity Commission's Draft Report on Australia's Maritime Logistics System: *Lifting productivity at Australia's container ports*

The National Farmers' Federation (NFF) welcomes and strongly supports the recommendations and findings of the Productivity Commission's draft report on Australia's Maritime Logistics System: *Lifting productivity at Australia's container ports: between water, wharf and warehouse* ('the draft report').

As an industry that exports more than 75% of farmgate output and is a price taker, Australian agriculture suffers immensely due to inefficient and globally exorbitant costs for international freight services.

The cost of container freight rose exponentially throughout 2021, as compared to pre-COVID prices, and continues to remain elevated largely due to the subversion of market forces. To put this vulnerability in context, according to a 2020 LEK Consulting benchmarking study up to 50% of the final price of grain can go towards freight and logistics, and those Australian producers pay significantly more per kilometre of grain freighted than grain producers in competing countries. As a pertinent example, it costs the same to ship a container of grain from South Australia to Indonesia as it does from Canada to Indonesia. This is despite the Australian journey being some 10,000 km shorter (or one-third the journey as compared to Canada).

The NFF's concerns are strongly reflected by the Productivity Commission's draft key review findings. There is no better summation of the issue than the Productivity Commission's finding that inefficiencies at Australia's major container ports directly cost the Australian economy an estimated \$605 million a year. Farmers and consumers ultimately bear the cost of international agricultural supply chain inefficiencies, which are perpetuated by the lack of competition in parts of the maritime logistics system. Additionally, inadequate workplace arrangements and prolonged disruptions lower port

productivity, the effect and cost of which is heightened by the pre-existing efficiency strain on agricultural supply chains.

Maritime freight and logistics do not exist in a vacuum. The findings of the Productivity Commission are exacerbated by the inefficiency of landside freight, and specifically inefficient road and rail freight networks. Further, maritime freight and logistic services must be considered in the context of broader supply chains, inclusive of securing critical infrastructure and inputs, and the role of shorter domestic supply chains and manufacturing. This integrated approach is vital in securing the viability of the agricultural sector with respect to critical inputs, such as fertilisers, ag-vet chemicals and farm machinery.

Key draft report recommendations

The NFF strongly supports the draft findings and recommendations relating to competition, workplace relations and national shipping concerns.

Addressing competition issues

The NFF is supportive of draft findings which highlight the productivity, efficiency and economic constraints created by a lack of competition in Australia's container ports system. The effects of a lack of competition are multifaceted and occur at several levels, extending from port providers operating in regional monopoly environments through to the increasing bargaining power of shipping lines.

The NFF strongly supports draft recommendations 6.1 - 6.3 as necessary means to regulate the actions of providers with substantial market and bargaining power and ensure they are held accountable to Australian Consumer Law. Repealing Part X of the *Competition and Consumer Act 2010* (Cth) is a valuable solution to better mitigate the excessive bargaining power of shipping line operators, noting that no other industry has an exemption like Part X, inclusive of industries with similar characteristics to the shipping industry.

Additionally, the NFF is strongly supportive of introducing regulation to ensure terminal access charges can only be charged to shipping lines, rather than deferred to transport operators or further down the supply chain. The current system which enables this deference of any fixed fees associated with delivering or collecting a container to stakeholders that have no contractual relationship with the proponents, being stevedores and terminal operators, is frankly absurd. For example, terminal access charges can be borne by individual farmers who deliver enough product to fill entire containers. It is this type of illogical structure, fuelled by a lack of competition and regulation, that can severely dent the international competitiveness and viability of

Australia's agricultural export supply chains and ability to pursue market diversification opportunities.

Workplace relations

In recent years, employee initiated industrial action has led to significant disruptions at ports, including shipping lines bypassing ports due to these disruptions and go slows. This has been propagated by the unfettered and substantial bargaining power of unions, resulting from conditions in container terminal operations together with the workplace relations framework. Importers and exporters should no longer be held to ransom as a bargaining chip in negotiations between maritime workers and waterfront infrastructure owners.

Sustained industrial action has caused millions of dollars of additional costs for freight users. As a recent example, farm machinery destined for the Port of Fremantle was instead diverted to Port Melbourne, creating millions of dollars in additional costs to freight the machinery back to Fremantle via land, and weeks of delay.

The NFF in principle supports draft recommendations 9.1 – 9.10 as means to address the rife industrial relations issues hindering the productivity of Australia's international freight of agricultural products.

National shipping concerns

The NFF supports the case for reform of coastal shipping regulation to allow greater competition from foreign vessels on domestic sea routes, noting current impediments to international competition. Reforms which facilitate an increase in competition in the international shipping market are welcomed.

Additional comments

In regard to draft finding 7.3 that planning systems should allocate land around ports to the highest value uses, the NFF notes that urban encroachment is creating significant issues with respect to the 'last mile' of the journey in and around ports. This urban encroachment has placed restrictions on freight movements, including for livestock, where there is a lack of infrastructure to facilitate the movements within regulatory boundaries (for example the availability of effluent dumps etc.). This draft finding requires greater nuance.

For any government to ignore the recommendations of the draft report would be to undermine the ability of our industry to meet its ambitious target of becoming a \$100 billion industry by 2030, and perpetuate industry barriers to sustainability, global competitiveness and improved efficiency.

The NFF calls for the finalisation and implementation of the draft report's recommendations as a matter of urgency, noting the draft report comes at a time when our country's ludicrous cost of freight and logistics continues to contribute to mounting cost-of-living pressures facing Australian households.

The NFF thanks the Productivity Commission for the opportunity to comment on the draft report. The contact for this matter is Charlotte Wundersitz, Policy Officer (Trade & Economics)

Regards,

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Chief Executive Officer