

## Submission to the National Ports Strategy

Ports are one element in supply chains, where the performance of all elements is equally important. It is often overlooked that ports are a service industry, placing a significant annual cost on the imports and exports of Australia. The productivity of ports is, therefore, critical to Australia's trading performance. The cost of using ports is similarly decisive. From all accounts, Australia does have a problem with the performance and productivity of container ports and related supply chains; that is the problem. Having acknowledged the problem, the National Ports Strategy should be about remedying the causes of the problem.

Deficiencies in urban road transport planning have already compromised the performance of most container supply chains associated with Australian capital city ports. The encouraged increasing use of rail and intermodal terminals for the transport of containers with origins and destinations within relatively short distances from ports appears to support that claim. Seemingly, that situation results from the adverse social, environmental and economic impacts of trucks using inadequate and residentially encroached road networks, where congestion causes significant delays. However, those encouraged transport arrangements place costs, additional to the cost associated with using unhindered road transport, on the transport of containers, because normally road transport is more efficient and less costly than rail transport over short distances. The cost of short distance container transport in metropolitan regions is at a premium because of inadequate port related road network planning.

Instead of suffering the increased road transport costs of using congested inadequate road networks serving ports, traders instead suffer the additional costs associated with the use of rail and intermodal terminals for short container journeys. There is an assumption that the increased costs of using congested road networks serving ports are higher than the additional handling costs of using rail and intermodal terminals. A further advantage of using rail and intermodal terminals is the apparent limiting of the social and environmental impacts on communities. With the increasing use of rail, particularly during the night time, that advantage will be progressively eroded and a new problem will emerge. Interestingly, comprehensive and pragmatic comparisons of the costs of using rail and intermodal terminals as opposed to using direct but hindered road transport are rarely, if ever, produced.

Either way, the cost of transporting containers is higher than it would be had urban transport planning ensured that roads serving port were able to properly accommodate growth in future container trades. That fact is often overlooked in the rush to address the social and economic costs of using congested, inadequate and residentially encroached road networks serving ports through the use of rail transport for short container journeys. The retro-fitting of buffers to port related land transport infrastructure is, realistically, an impossible challenge. It has been suggested that enforced commercial and operational adjustments are necessary to address the social and environmental impacts associated with port related road transport and to improve container transport productivity. However, rarely, if ever, are cost/benefit analyses of those proposed adjustments conducted.

While politically unpalatable, it could be argued that the community should accept a reasonable level of social and environmental impact associated with container trucks, on the basis that the community benefits from the imports and exports transported by those trucks. Furthermore, it is often overlooked that cars make the major contributions to road network congestion and, in the transport sector, to green house gas emission.

Compounding the unenviable situation with container transport, the report of a study conducted by the BITRE in September 2009, which was titled Australian Container Ports in an International Context, indicated that the performances of Australian capital city container ports were generally below the median performance of a selected range of overseas container ports. Australian ports generally handle fewer teus, have less container ship visits, handle fewer teus per hour, handle fewer teus per metre of berth length, handle fewer teus per hectare of terminal area and have longer ship turnaround times than the medians of the range of overseas ports compared in the study. Seemingly,

the productivity of most Australian capital city container ports compare unfavourably with the productivity at many overseas container ports. Competition or, more pointedly, the limited competition between and within Australian container ports may present an answer to the undesirable situation at those ports.

Evidently, in the Australian port industry, there is a huge tendency to avoid allowing competition to assist with enhancing efficiency. This may be as a result of the fairly unique Australian container terminal/stevedoring ownership model, where the two stevedores have, to all intent and purposes, national coverage and inter-capital city port land transport networks are, for the most part, inefficient. In some cases, the significant distances between capital city ports may also have a role in stifling competition.

Increasingly, container supply chains are being micro-managed. That situation results from a universal mindset in Australia, which advocates the use of harsh container terminal receipt and delivery arrangements, a range of interventions in truck, empty container park and warehouse operations and commercial business relationships, together, in some cases, with subsidised rail transport to supposedly capture efficiency in the transport and handling of containers. Those arrangements are invariably put in place without any analysis of the real cost of their introduction.

Furthermore, the 11th annual monitoring report of the Australian Competition and Consumer Commission emphasised the fact that shippers and ocean carriers have been paying over the odds in port charges and terminal handling charges due to the lack of competition evidenced by the D P World and Asciano Patrick duopoly. Seemingly, container terminal operators in Australia have captured most industry parties in supporting their self interest. While equipment utilisation, population density and transport costs may be accepted arguments for concentrating container handling in the capital city ports, selectively spreading the handling of containers to regional ports may have benefits in limiting the impacts of container road transport on communities and increasing competition.

For some period, the Waterline Reports, which are produced by the BITRE, have consistently indicated that the transport costs associated with the movement of containers at capital city ports have been rising. While research may have indicated which elements of the transport task are contributing to that situation, little has been done to establish why the costs associated with those elements are rising. There are a multitude of reasons why the cost of container transport has been continually increasing.

The COAG or ATC could usefully commission a study to investigate the reasons behind the continuing rise in container land transport costs.

The industry has a partiality to addressing unfavourable outcomes (problems) rather than the cause/s of those outcomes, on the basis of uninformed assumptions. It would be disappointing and a wasted opportunity should the National Ports Strategy become involved in a similar practice. Arguably, the productivity, performance and costs associated generally with Australian container ports and container supply chains are substandard. Notwithstanding the Federal Government's general desire to accelerate the introduction and implementation of its decisions, gaining a thorough and comprehensive understanding of the reasons behind that situation would seem essential to provide direction prior to developing a National Ports Strategy.

Interestingly, most States have 'sea freight/logistics councils' which have been operating for many years. Notwithstanding the efforts, the myriad of studies undertaken, the strategies developed and the concerted opposition to normal environmental and heritage requirements by those 'councils', little by way of improved container port productivity and performance has occurred in recent times.

The handling and transport of containers is conducted by commercial service providers seeking, as is the case with most companies, to maximise benefit from their endeavours. Where competition is prevalent, focus on performance, productivity and efficiency is essential to stay in business. It is questionable whether arrangements, strategies, regulations and requirements introduced by third parties can successfully produce similar outcomes as competition. What is certain is that they will

introduce additional and, perhaps, unnecessary and unjustifiable costs. Often those that insist on others introducing changes to operating procedures and working hours would not entertain similar proposals for them selves.

Since the reforms initiated by the efforts of Corrigan, the performance of container ports has stagnated, and perhaps in relation to related land transport, declined. Furthermore, it is questionable whether, at any stage, the poor productivity and relatively high costs of Australian container ports have been seriously addressed. It would be disappointing if the National Ports Strategy jumped entirely on the band wagon of the 'councils' and failed to identify an innovative way forward to improving the performance, productivity and costs of Australian container ports, while supporting the States in their responsibility for ports.

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