

## **PORTS AUSTRALIA - SUBMISSION ON APPLICATION FOR AUTHORISATION LODGED BY DP WORLD AUSTRALIA LIMITED AND PATRICK STEVEDORES PTY LTD**

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Ports Australia welcomes the opportunity to respond to the Australian Competition and Consumer Commission's invitation to make a submission on an application made by DP World Australia Limited and Patrick Stevedores Pty Ltd for a Final Authorisation to establish a joint arrangement at the Port of Fremantle to accord preference to truck operations engaged in "dual runs".

### **Ports Australia - Representation**

Ports Australia is the peak industry body representing all port corporations, both publicly and privately owned, at the national level. Our website is a [www.portsaustralia.com.au](http://www.portsaustralia.com.au). Ports Australia is a company limited by guarantee, with a board of Directors comprising the CEOs of ten member port corporations.

### **Summary of Position**

Ports Australia supports the granting by ACCC of a Final Authorisation for the proposed two-way loading arrangements.

The establishment of two-way loading arrangements is strongly supported by our member ports, who are working cooperatively with a view to implementing this type of initiative on a wider basis. The ACCC has been appraised of these ongoing consultations.

The initiative will generate substantive community benefit including in relation to:

- it will promote increased efficiency and productivity in port operations which impacts directly on the cost of trade and Australia's international competitiveness. It is an essential measure in improving port landside capacity in the context of strong forecast growth in Australia's container trades and strong pressure on valuable port land and on road and rail access corridors
- the successful establishment of two way loading will exercise a constraining influence on increasing numbers of urban truck movements, with consequent implications for noise, emissions, congestion and urban amenity. Such measures are essential to the long term sustainability of our city based container ports including their successful co-existence with the urban communities and cities they sit alongside.

The introduction of two-way loading can only be sensibly implemented via the active and coordinated management of truck and container movements on the part of the stevedores and other port industry stakeholders.

As a productivity measure two-way loading is closely aligned with the type of initiative advocated in the National Ports Strategy and in a series of landmark industry reports which have indicated that Australia's trade performance stands to be compromised if assertive action is not taken to improve landside access arrangements.

The development of the scheme in the Port of Fremantle has involved the participation of all interested industry parties and is accordingly “owned” by the Fremantle ports community as a whole.

Ports Australia also submits that the design of the scheme, and in particular that priority slots will be open to all operators, means that the arrangement is inclusive and does not pose a risk of substantially lessening competition.

In the longer term new entrants to the stevedoring market would need to have an option of being party to the regime.

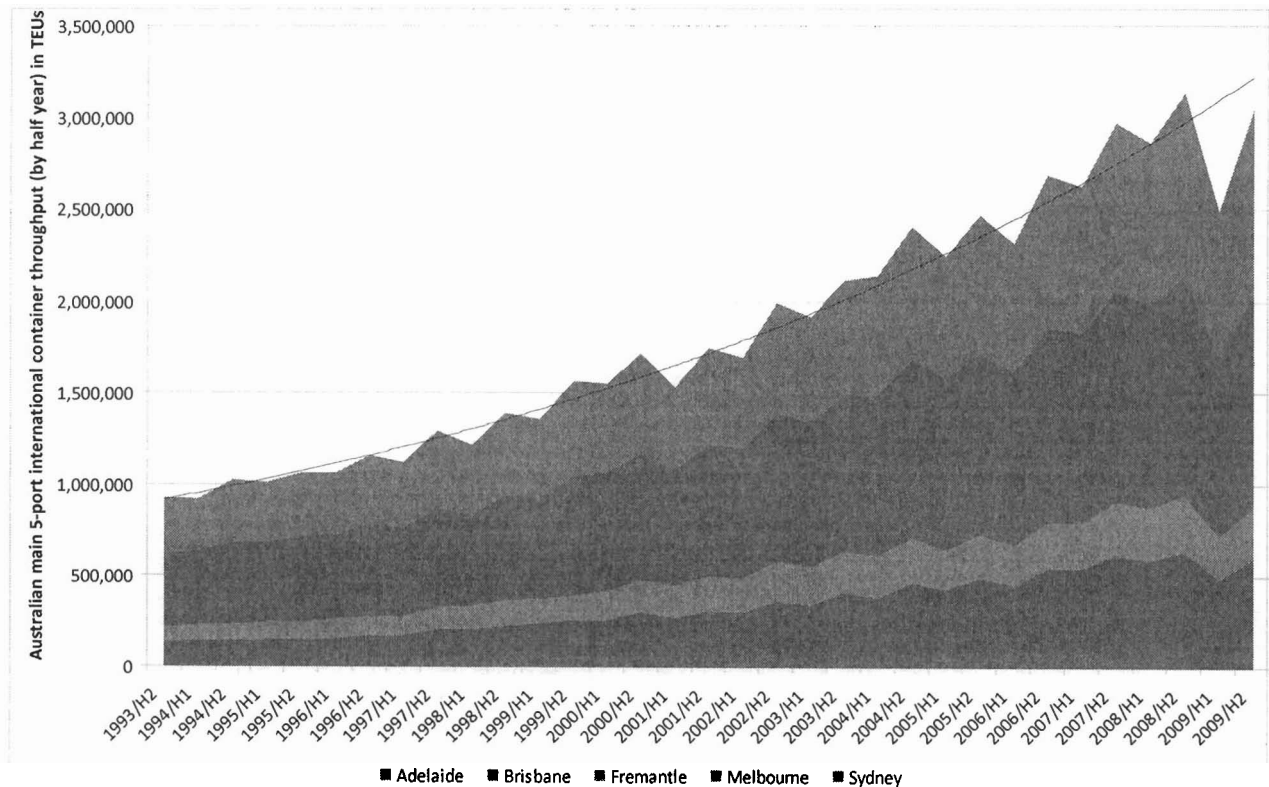
**Issues for Consideration**

1. Growth

Over the next 10 to 20 years forecast growth in Australia’s container trades is substantial. Container trades are expected to grow at a compound rate equivalent or exceeding twice GDP growth. The throughput of some of our ports will double, and in the more medium term, triple.

Below is a graph demonstrating the growth in Australia’s container trades between 1993 and the end of 2009. In the background work carried out for the development of the National Ports Strategy various growth scenarios were tested. This work established that for the container trades a “business as usual” compound annual growth rate of 5.0% - 7.5% will increase port throughput by between 3 to 6 times in 25 years. At 7.5% compound annual growth Australia’s international container task will double by 2020.

**Figure 1 Development of the main 5-port container throughput (six-monthly), 1993-2009**



Source: Industry data / analysed & graphed by GHD Meyrick

Against this background of robust growth projected in Australia's container trades have been planning failures in our capital cities which has meant, among other things, that the capacity of road and rail access to our major container ports has come under increasing pressure and will become more challenging with the projected growth in trade. This has meant in turn that the ports community views, as an imperative, that every opportunity must be taken to increase both the productivity of road and rail infrastructure and of the container supply chains servicing ports. One such response is to support measures to increase the productivity of trucks accessing the port's container terminals and to limit empty running to the extent possible.

Freight projections for the Port of Fremantle suggests a doubling of current container throughput to 1.2 million teu by as early as 2015/16. The Port of Fremantle is putting in place a number of measures to address future growth including the Outer Harbour expansion, improvements to the existing road system, affecting a shift in the current balance between road and rail carriage, and the possible development of intermodal terminals away from the port.

The Port has, through assertive action, and with the support of the State Government, achieved a measure of success in shifting freight from road to rail to the extent that rail now has a 15 percent market share. The Government has set a target of 30% which it intends to reach by 2012/13.

However, even with a modal shift of this magnitude, truck numbers are estimated to double over the next few years, in the absence of improved productivity. Surveys indicate that a significant proportion (approximately 30%, or nearly one in three trips) of trucks move in or out of the port unladen, and that the average loading on laden trucks is considerably under the capacity of many of those vehicles.

A significant issue underscoring the need for an Authorisation is that intervention is required to change this behaviour. Many operators, for example, have focussed their businesses on either exports or imports, which creates a systemic imbalance. Coordination between the stevedores is essential because they own and operate the Vehicle Booking System (VBS) which will require modification in order to effectively influence truck operator behaviour and provide the necessary incentive to increase loaded journeys.

In the event of these strategies being successful the positive community and port efficiency impacts can be modelled and measured with some certainty including in relation to:

- less truck movements and less road and port congestion and traffic conflicts
- emissions
- noise and vibration
- road crashes

The WA Port Operation Task Force reports that, as a result of the strategies to move more freight to rail at Fremantle, which now enjoys 15 percent market share, annual truck movements have been reduced by 65,000. Higher truck utilisation will likewise exercise a constraining and measurable influence on truck movements.

Ports Australia and its members are interested in extending the Fremantle model, or a variant of it, to other ports because they likewise report a significant incidence of empty running, and of vehicles running under capacity. Addressing this issue has become an imperative also because the ability of rail to increase its market share at other ports is limited. Further information can be provided to the Commission on this matter.

## 2. National Ports Strategy

Ports Australia has been closely engaged with the Federal Government and its agencies, notably Infrastructure Australia, on the development of a National Ports Strategy. The Strategy articulates a number of practical measures that can be implemented jointly by Australian governments (through COAG) and by industry, to ensure that ports are in a position to operate as effectively as possible and to bring on additional capacity to address the growing freight task, in a certain planning and regulatory environment. Ports Australia's most recent submission to Infrastructure Australia on the National Ports Strategy is attached.

The National Ports Strategy identifies four "Priority Areas" for action. One of these key elements is titled "Improving landside efficiency and reliability" and is directed in particular to container ports serving metropolitan areas. Of particular significance is that the strategy has identified that "in the last decade increases in container costs are reported to be attributable to landside factors". Empirical data can be made available to illustrate this trend.

Among the recommended actions under the above heading are:

- Some oversight of coordination with the container supply chain, and greater supply chain coordination generally
- Where possible and appropriate, introduction of incentives into the supply chain
- Use of information technology
- Greater understanding of regulatory constraints on sharing information

These recommendations all have some material bearing on, and are entirely consistent with, the proposals to achieve better truck utilisation at the Port of Fremantle.

Measures to support the implementation of the National Ports Strategy are yet to be determined by COAG but we believe that support of Australian governments is likely. It is accordingly our submission that the dual running arrangements proposed at the Port of Fremantle will demonstrate a close alignment with the broader objective of Australian governments to improve port efficiency and productivity, and to ensure the ongoing viability of our capital city ports.

Ports Australia would be happy to expand on the viewpoints expressed in this submission, in further discussions with the Commission.

David Anderson  
CEO

September 2010

**ATTACHMENT****PORTS AUSTRALIA - NATIONAL PORTS STRATEGY  
THE PROPOSED NATIONAL PORTS STRATEGY - MAY 2010**

Ports Australia appreciates the opportunity to offer further comment on the updated draft of May 2010 of *The Proposed National Ports Strategy*.

Our comments should be viewed in the context of our previous submissions and engagements. Accordingly, comment conveyed in this paper largely addresses key issues on which we believe further elaboration is useful at this juncture.

We enclose our most recent letter to Infrastructure Australia on aspects of the Strategy for ease of reference.

**General View**

Ports Australia supports the document and commends Infrastructure Australia for its clarity of language and structure.

While it is recognised that there will necessarily need to be further discussion on matters of detail Ports Australia indicates its strong support for the content of, and approach proposed to, the three critical and distinct dimensions to the Strategy addressed in the paper. They are in brief:

- The Strategic Framework embodying the Strategy
- Implementation and Action Plans
- Monitoring and Reporting

**1. The Strategy Framework**

Ports Australia has outlined the detail of its position on this matter in previous submissions to Infrastructure Australia. We support the four point framework described in the paper in that it assimilates, in a logical sequence, the key and significant matters that, in our view, should form the essence of the Strategy. It is a simple but effective concept that reforms and improvements to the operating and regulatory arrangements for ports are warranted in recognition of their key economic role and strategic position, and that such measures should be tied to meaningful long term and transparent port plans developed in response to nationally based forecasts of trade growth.

As indicated in previous submissions Ports Australia strongly supports the emphasis on streamlining planning and environmental approvals, preserving freight precincts and corridors and addressing the infrastructure requirements of road and rail corridors (pages 10-12). While we have given some prominence to the funding requirements of port related infrastructure and see this as now well placed in the Infrastructure Australia “funding pipeline”, we have been consistent in asserting that *access, regulation and planning* are the first tier issues.

The paper notes that Infrastructure Australia is “considering separately mechanisms to effect the reservation of corridors and relevant lands”. We believe that assertive action to effectively protect port and freight corridor land is one of the more readily achievable outcomes of the Strategy. We have indicated that this is one of the elements of the Strategy that could be implemented by securing the commitment of jurisdictions to a best practice model. We note further that this is one of the outcomes explicitly addressed in the attachment to the December 2009 COAG communiqué which indicated that Commonwealth infrastructure funding would be tied to particular planning disciplines. Ports Australia would be very pleased to work with Infrastructure Australia further on this matter.

In this respect also we note the current study being undertaken by the Productivity Commission into Australia’s land planning, zoning and development assessment systems which may have a bearing on that element of the Strategy addressed above.

We have previously addressed with Infrastructure Australia the considerable delay and expense that can be incurred in the process of securing dredging approvals and environmental approvals. We have formed a view that uncertain and capricious regulation in these areas is now imposing a very substantial cost on our trades. Further many regulatory authorities take no responsibility for measuring these impacts or, so it would seem, of factoring into their processes, the pro- trade, pro- jobs and industry facilitation policies of their respective governments. A number of further examples have come to our attention from members in the relatively small amount of time since our last submission, including the ease in which community groups can appeal and disrupt dredging programs on spurious and unfounded grounds.

We have recently also detected among some regulators with regard to dredging proposals, an attitude that it is reasonable to impose substantial additional costs on proponents for offsets in addition to the project itself, including associated environmental management and amelioration costs. These expectations are based on the regulator’s perceptions of future profits rather than what is reasonable under disciplines that should be exercised by any regulator to minimise the cost of infrastructure project approvals, and of regulatory imposts generally, on the economy.

On the question of productivity measures raised in the Strategy document Ports Australia confirms that its members involved in the container trades are continuing to work together at senior management level to develop a collective approach to securing improvements in container supply performance, including through more effective application of IT to freight management. The ultimate purpose of this initiative is to speed up the movement of containers through the chain through more efficient communication and messaging between the parties, particularly as volumes grow and stresses on landside infrastructure become more intense. Part of this initiative will be to engage with agencies to determine where government interventions, if any, can best assist the ports community and other stakeholders to implement these types of measures.

### *The Vision*

The Vision Statement is, in our view, essentially right and is not in need of substantial refinement. However we note that the statement, as currently worded, implies that the activity of ports, and the *quality of life aspirations of the Australian people* are necessarily mutually exclusive, which is not the signal that we would wish to convey. We understand the reasoning underscoring the Vision Statement in that it is meant to indicate that the

impact of the freight management activities of ports needs to be appropriately balanced with urban amenity, protection of the marine environment and so on, and we have no issue with that proposition. However we also, as a ports community, endeavour to convey a message to the community that we play a big part in delivering the aspirations of the community such as increasing the national wealth and providing access to consumer choice, through the efficient facilitation of trade.

This is not a trivial point in the context of broad acceptance or otherwise of the National Ports Strategy and, at individual community level, of the long term plans of ports, as envisaged by the Strategy. We have argued elsewhere in our submissions that community acceptance of port activities is dependant in the first instance on governments being prepared to talk more publicly about implementing freight management strategies with ports as the central feature (particularly in city environments), as a necessary dimension to realising the community's aspirations to increased standards of living. This has been a key feature of the Victorian Government's endeavours to gain acceptance of the plans envisaged by *Freight Futures* and subsequently by *Port Futures*.

### *Being Unambiguous about a "Nationally Coordinated Approach"*

We agree with the statement on page 9 that there is a "need for a nationally coordinated approach to the future development and planning of Australia's port and freight infrastructure". Elsewhere we have advocated that this in part should take the form of nationally agreed measures to facilitate the operating efficiency of ports and the provision of additional capacity commensurate with the requirements of growing trade volumes.

The document itself on page 10 explains that apart from fitting in with COAG's determinations about city planning and meeting national interest requirements such as those required by defence or security needs, a "more formal mechanism for coordination is not envisaged".

We agree that the Strategy does not need (at least at this stage) to embrace a notion of centralised planning over and above that suggested in this section and further concur with the observation on page 10 that the port plans proposed in the Strategy "should not be based on a one size fits all approach". However the term "a national coordinated approach" has found common usage and this is generating perceptions about the goals of the Strategy that it perhaps does not intend.

Having said that we have a view at this point that the role of the Federal Government in the strategic planning of ports at a national level will probably evolve further almost as a natural outcome of some drivers that we have listed in previous submissions, including climate change and changing international trade patterns, an interest in ensuring that its investment in port related infrastructure is as efficient as possible, and the national interest involved in ensuring that the country can deliver on its promise as a major exporter of resources and energy. Also, in proposing that ABARE and BITRE, both Federal Government agencies, produce and be accountable for indicators that can be used for port planning purposes indicates prospectively a higher level of involvement.

The notion of "national coordination" is further explored on page 15 where it is correctly asserted that "a one size fits all approach in which local outcomes are centrally determined would not be appropriate to a National Ports Strategy. National coordination should focus on an aligned framework...which...should focus on key nationwide issues such as the need for long term planning"

The subsequent discussion of the National Ports Plan as a logical precursor to the development of a national freight network strategy also supports a position that we have taken that Australian governments have become increasingly (if sometimes sporadically) disposed to move away from responsibilities described by constitutional boundaries to collective action on overall supply chain efficiency. This has moved the public policy discussion to a much better space in that it has dispensed with a pre-occupation by jurisdictions with discrete pieces of infrastructure, policy and regulatory responsibilities and laid a foundation for inter-governmental agreement on ports and freight networks that secure better national outcomes. The paper is also correct in asserting that the community and industry are calling for such collective action.

## **2. Implementation**

### *Planning*

Consistent with our previous comments we agree that State and the Northern Territory jurisdictions should have overall responsibility for the delivery of port plans, recognising that capital city port plans will need to be integrated into capital city plans being oversights by COAG (page 26).

### *Identifying Relevant Ports*

Ports Australia has previously raised the issue of according appropriate recognition, within the Strategy, of smaller ports involved in international trade, particularly those that potentially are the larger ports of the future. This matter was not raised because of some generalised notion of fairness but it has important strategic underpinning. The operation and development of these ports are as equally impeded by slow moving and sometimes uncertain regulatory and approvals processes as those of their larger peers, even if the national economic impact is not immediately as significant. It is accordingly a logical proposition that smaller ports, particularly those with opportunities for substantial future growth, should equally be protected by regimes that, for example, provide political support to dredge channels to accommodate larger vessels, preserve road and rail corridors and land for future expansion, and to put in place now the settings to avoid future land use conflicts.

It is our interpretation however that the long term port plans (for ports of national significance) required in the Strategy should drive the right outcomes in this particular regard. That is, it places an onus on State jurisdictions, within the broader strategic planning of their states and regions, to identify these ports (which can be an ongoing process) and to bring them into the total National Ports Strategy by subjecting them to the discipline of preparing long term port plans. It accordingly should also place some incentive on individual jurisdictions to make determinations, in a fairly rigorous way, about the manner in which future trade growth that goes beyond the projected capacities of their current major ports, will be addressed.

### *Overseeing Implementation*

The National Ports Strategy constitutes major national reform and is the foundation stone of the National Freight Strategy. Adequate landside access to ports and the provision of channel capacity commensurate with the freight task are essential to the efficient operation of the whole economy – if they do not function properly it is immaterial whether the rest of the freight network is operating efficiently.



Ports Australia therefore believes strongly that for the Strategy to be successful it should have a high level of continuing visibility within COAG and accordingly with First Ministers.

We further support the view that to ensure best prospects of success, implementation of the Strategy should be overseen by an agency or agencies independent of both the COAG and the ATC processes. Accordingly we agree with the proposal (page 23) that the implementation of the Strategy should be overseen by the National Transport Commission in consultation with Infrastructure Australia.

### *Role of ABARE and BITRE*

We consider the suggestion that ABARE and BITRE further develop appropriate indicators as an integral part of the Strategy, is a good one in that, in that it will provide consistent empirical baselines at the national level for some of the key elements of port planning. Importantly a transparent process of this kind will also inform jurisdictions and their ports about the key influences on growth at the national level. This process could usefully support data particular to jurisdictions about key influences on growth at regional and local level, and indeed particular to individual ports gained through the relationships they have with their respective customers and markets at the strategic level.

### *Details of Recommended Actions*

Ports Australia has closely reviewed the proposed *Details of Recommended Actions* and agrees with the framework and proposed matrix of actions. We make two important observations:

1. Some outcomes are dependant on complex inter-relationships and appropriate alignments. In particular we strongly advocate that the preparation of port precinct plans and the reforms that are consequent on these plans should not, in the first instance, have to await absolute completion of broader regional plans and city plans, some of which have extended timelines against them. This will bog down the National Ports Strategy which in many respects can stand alone. Ports can prepare plans, say along the lines of the Gladstone model, or get well into the process without having to await processes of inter-agency coordination and so on within their own jurisdictions. In this particular respect we fully support the application of a “lead agency framework” (page 34) by September 2010 at the latest.
2. Ports Australia has developed a strong view that given the complexity of some of the recommended actions and the coordination required that the success of the Strategy is contingent on some early wins being delivered. This suggests to us that the Commonwealth will need to lead from the front and address as soon as possible some of the key actions. Where the Commonwealth is not directly responsible for these actions it should be party to setting deadlines and take a ‘reward for effort’ approach on these deliverables (as it has previously foreshadowed it would do).

We note that some of actions are tagged as “immediate” and we support this approach on each of those designated items. We also recommend early action on the following:

- BITRE and ABARE development of forecasting and key indicator frameworks be designated “immediate”. These agencies could also assist some of our smaller, but nevertheless significant ports, to develop forecasting or forecasting templates.

- The development of a nationally consistent environmental management scheme should be brought forward from end 2011 (page 33). A considerable body of work has already gone into streamlining environmental processes and progress in this area lends itself to strong Federal Government leadership.
- Likewise the nomination of freight corridors for assessment can be carried out well in advance of mid 2011. We accept that this process will necessarily need to subject to a rigorous methodology, and that this process may need in the first instance to be informed by Infrastructure Australia, but again a fair body of work has been carried out on these corridors.
- The action contained in 4.1 (Principles regarding the role of ports) should be specifically endorsed by COAG. Acceptance of the principles themselves can be secured immediately. The recommendation as worded, on the application of the principles, is presumably envisaging some legislative changes at least in some jurisdictions, although issues at stake here also embody behavioural as well as legislative factors.
- The ACCC could deliver a more effective and speedy framework for stakeholder consultations on supply chain improvements

#### *Fiscal Policy and Resources available to Key Regulators*

This matter is deserving of more than passing attention on the part of COAG in the context of the implementation of the Strategy.

It is a common response of governments to make across the board cuts to their agencies when tightening their budgetary policies. Accordingly, bottlenecks occur within agencies in processing the various approvals necessary to ensure that infrastructure projects such as channel deepening proceed in a timely way, and in keeping with reasonable project timelines. In this particular instance, for example, the competence of the relevant federal agency is not in question, rather it is a matter of the lack resources available to it in the relevant business centres to process these proposals within a reasonable time frame, and to keep pace with increases in infrastructure investment.

Accordingly an integral part of the Strategy must be to ensure that these key areas are adequately resourced.

### **3. Reporting and Monitoring**

We agree that reporting on the implementation of the Strategy should be through the COAG Reform Council on the advice of the National Transport Commission and an expert industry panel.

We fully concur with the proposal that oversight be assisted by a small independent panel with significant prior private sector experience in port and freight logistics, including in the major sectors such as bulk commodities and general freight.

As previously stated we also favour the process being advised by agencies “independent” of the COAG or ATC process and believe that that Infrastructure Australia and the National Transport Commission are best placed to carry out this role.

Ports Australia has made the appropriate representations seeking involvement in the appointment of this panel.

## **Conclusion**

The National Ports Strategy represents a unique opportunity to secure a quantum leap in the capacity of our ports community to carry out its task as effectively as possible, to plan additional capacity with confidence and certainty and to position the nation effectively to handle growing freight volumes in our trades. It also presents an opportunity to enhance the country's productivity on a very broad basis to ensure that we are better positioned to deliver in competitive global markets.

The growing limitations imposed by regulation and by landside constraints render it imperative that the strategy be delivered with some resolve otherwise the literature warns that our trade performance stands to be compromised.

Ports Australia looks forward to continuing engagement with Infrastructure Australia and other agencies, as well as industry partners, on the implementation of the National Ports Strategy

Ports Australia  
June 2010