

s22(1)(a)(ii)

From: Johnson, Andrew
Sent: Thursday, 8 September 2022 12:54 PM
To: s22(1)(a)(ii) - irrelevant material
Cc: DLO CKing
Subject: FW: ADVANCE COPY and briefing reminder - Lifting productivity at Australia's container ports: between water, wharf and warehouse (draft report) [SEC=OFFICIAL:Sensitive] [SEC=OFFICIAL]
Attachments: EMBARGOED-maritime-draft.pdf; EMBARGOED-maritime-technical-paper.pdf; Draft PC Inquiry report MS22-001703 (Final).docx

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As mentioned in the meeting this morning, I have attached a short brief with our initial thoughts on the draft PC report on Maritime logistics. It will come up via the PDMS as well.

Happy to discuss.

Regards
Andrew

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Australian Government

Department of Infrastructure, Transport,
Regional Development, Communications and the Arts

To: The Hon Catherine King MP, Minister for Infrastructure, Transport, Regional Development and Local Government (for decision/for information)

cc: Senator the Hon Carol Brown, Assistance Minister for Infrastructure and Transport

Subject: Productivity Commission Draft Report – *Lifting productivity at Australia's container ports: between water, wharf and warehouse* (the Report)

Critical Date: 9 September 2022. The Productivity Commission (PC) plan to release the Report on this date. A copy of the Report and supporting Technical Paper is at **Attachment A**.

Recommendation/s:

1. That you note the enclosed briefing and recommended handling strategy.

Noted / Please Discuss

The Hon Catherine King MP

Date:

Comments:

Key Points:

1. In December 2021, the former Australian Government asked the PC to examine the long-term factors affecting the productivity, efficiency and dependability of Australia's maritime logistics system and to identify mechanisms to address issues raised. This report sets out initial findings and draft recommendations, and seeks feedback and further information/data. The Report notes analysis has been constrained by poor data availability and quality.

Key findings

2. The Report finds the productivity of Australia's container ports has been increasing but higher productivity is achievable and would deliver significant benefits. Inefficiencies at the major container ports directly cost the Australian economy an estimated \$605 million per year.
 - a. The report notes these issues are complex to understand and more data is needed to assess the issues properly.
3. Other key points arising from the draft report include:
 - a. Workforce arrangements were found to lower productivity, with the report calling for incremental changes to the *Fair Work Act 2009*.
 - b. There is a lack of competition in some areas resulting in increased cost to consumers. The PC suggests shipping lines be charged terminal access charges instead of

transport operators, and for shipping contracts to be brought under Australian Consumer Law to deal with unfair practices, particularly container detention.

- c. The PC recommends the repeal of Part X of the *Competition and Consumer Act 2010*, pointing out no other industry has an exemption like it. Their view was shipping lines should demonstrate a net public benefit before an exemption is granted.
- d. There is adequate investment in infrastructure and technology, with no need for additional planning arrangements or government investment in port expansion. Any government investment should be supported by robust cost-benefit analysis – more capital may not be the answer.
- e. There is a need for investment in enhancing digital interaction between industry and government in border services, but not investment in port community systems.
- f. The PC found coastal shipping regulation impeded competition and recommended amending laws to increase competition. It also found a strategic fleet requires further evaluation as on present evidence it is not the best remedy for concerns about domestic shipping capacity and training.

Proposed Handling Strategy

4. The release of this report is likely to attract significant attention from maritime stakeholders, particularly in relation to industrial relations, calls for the removal of Part X, strategic fleet, coastal shipping and terminal access charges.
5. It is recommended you highlight the challenges experienced by the PC in data collection and encourage stakeholders to assist the PC wherever they can.
6. In relation to queries about specific issues, it is recommended you note this is a draft report and more work needs to be done by the PC before there are final recommendations for the government to consider.
7. Proposed handling strategies for Part X, industrial relations and strategic fleet are at **Attachment B**.

Stakeholder Implications:

The report makes recommendations with the potential to impact across the maritime industry and maritime transport users, particularly in the container market.

Consultation: The department engaged with the PC during the report's development.

Media Opportunities: N/A

Attachments:

Attachment A: Productivity Commission report and technical paper

Attachment B – Proposed Handling Strategy

Cleared By: Andrew Johnson

Position: Assistant Secretary, Maritime and Shipping Branch

Division: Surface Transport Policy

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Contact Officer:

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Section: Maritime Safety Governance and Shipping

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Date: 8 September 2022

Instructions for MPS: Nil

Responsible Adviser: s22(1)(a)(ii) - irrelevant material

PDMS Distribution List: Jim Betts, Marisa Purvis-Smith, s22(1)(a)(ii) - irrelevant material

Attachment B – Proposed Handling StrategyPart X

1. In relation to Part X, calls to repeal Part X are not new. The PC (in 2005) and the Harper review (in 2015) recommended repealing Part X. However, Part X helps ensure shipping services are regular, reliable and competitive by allowing shipping lines to achieve economies of scale. If Part X is repealed, an alternative regime will be needed.
2. Alternative regulatory regimes will fall under other parts of the Competition and Consumer Act and will be led by the Treasurer.

Industrial Relations

3. On industrial relations, you may wish to point to the work currently being undertaken under the Jobs and Skills summit arrangements and that this report provides an input into that process.

Strategic Fleet

4. The Government has committed to appointing a strategic fleet Taskforce to guide it on the establishment of the fleet and to advise on what legislative and regulatory reforms are necessary to reinvigorate Australian shipping. The Government is establishing a taskforce to advise on the establishment of a Strategic Fleet. The establishment of the Taskforce reflects the need to work through the details of how to establish a Strategic Fleet to ensure it maximises the training and other outcomes expected to be achieved. The members of the Taskforce and its Terms of Reference are yet to be announced. An assessment of the current regulatory framework and how it support the establishment of the strategic fleet and how it supports Australia's shipping needs will be part of the analysis undertaken by the Taskforce (including the coastal shipping regulatory framework).