Inquiry into the long-term productivity of Australia's maritime logistics system

NSW Government submission to the Australian Government Productivity Commission

February 2022

Contents

1. Introduction

On 10 December 2021, the Australian Government's Productivity Commission (the Productivity Commission) commenced an inquiry into the long-term productivity of Australia's maritime logistics system (the Inquiry) and released a terms of reference[1] which was provided by the Federal Treasurer.

To guide the Inquiry, the Productivity Commission has released a paper calling for initial submissions and comments, particularly on issues relevant to the scope of the Inquiry.

As part of the initial submissions, the NSW Government understands the Productivity Commission is particularly seeking feedback on the following matters:

- evidence on ways the system performs well and less well
- answers to the following questions:
    - if the system is underperforming, what needs to change and why?
    - how and why would any changes lift performance, and by how much?
    - who needs to do what to make those changes happen?
        - in particular, what should governments do? And what should the private sector do?

The NSW Government welcomes the opportunity to contribute to the Inquiry being carried out by the Productivity Commission and understands feedback provided will inform the Draft Report which is expected to be released in late May 2022.

This submission outlines the NSW Government's responses to the terms of reference and issues relevant to the Inquiry's scope.

[1] Australian Government Productivity Commission, Australia's Maritime Logistics System, Terms of reference

2. NSW context

2.1 NSW Freight and Ports Plan 2018-2023

The NSW Government's NSW Freight and Ports Plan 2018-2023[2] (the Plan) was published in September 2018 and outlines the NSW Government's priorities for the sector across the next five years.

The Plan provides industry with the continuity and certainty it needs to make the long-term investments which benefit not only their businesses but NSW's future growth and prosperity.

The Plan recognises the efficient operation of Sydney's ports relies on:

- strong coordination between port owners, stevedores, road and rail managers and service operators
- congestion management on the connecting roads and rail infrastructure
- ensuring there is sufficient 'landside' capacity for freight, which is particularly important for Port Botany given population growth in the Eastern City and other land uses in the precinct which also generate freight movements.

To help meet these objectives, key initiatives and projects are being planned or in operation as further outlined in section 3.4 of this submission.

2.2 Ports in NSW

NSW has three major ports – Port Botany, Port Kembla and Port of Newcastle – which have been leased to private port operators.

NSW's three trading ports contribute more than $6 billion to the NSW economy each year and examining their efficiency is important to ensure NSW continues to be internationally competitive with respect to global opportunities.

Port Botany currently handles 99.6 percent of NSW's containerised freight volumes and has an expected potential terminal operating capacity of more than seven million twenty-foot equivalent units (TEUs) per year. Each year, 2.5 million TEUs passed through Port Botany[3].

Port Kembla is NSW's largest motor vehicle import hub and bulk grain export port, and the second largest terminal for coal exports. The Port also caters for a growing range of dry bulk, bulk liquid and general cargo. Port Kembla has also been identified as the location for the development of a future container terminal to supplement capacity at Port Botany, due to its proximity to major warehouses, distribution centres and intermodal sites in western and southwestern Sydney.

Port of Newcastle is the world's largest coal export port and the primary coal export facility for NSW. In 2021, Port of Newcastle handled 166.1 million tonnes of cargo[4] including coal, dry bulk, bulk liquids, roll-on roll-off cargo, general and project cargoes and containers.

The NSW Government recognises efficient and productive ports are a key contributor to the overall freight supply chain, the cost of goods, the value of exports, the NSW economy and the people of NSW.

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[2] Transport for NSW, NSW Freight and Ports Plan 2018-2023
[3] NSW Ports | Port Botany, Capabilities
[4] Port of Newcastle, Records tumble as Port of Newcastle Diversified Trade Volumes Grow in 2021

2.2.1 Port operators

There are two private port operators in NSW – from April 2013, NSW Ports has operated Port Botany and Port Kembla under a 99-year lease, and from April 2014, Port of Newcastle Operations Ltd has operated the Port of Newcastle under a 98-year lease.

The Port Authority of New South Wales (Port Authority) is a state-owned corporation and is the operator for Sydney Harbour (also known as Port Jackson) and the minor ports at Yamba and Eden. The Port Authority also manages safety and emergency environmental response for all ports in NSW, including privately operated ports.

The three port operators in NSW report to the Minister for Transport on port charges levied on ships accessing the ports under the NSW Government port price monitoring scheme[5].

2.2.2 Stevedores

Private companies Patrick Terminals, DP World Australia and Hutchison Ports Australia operate the three container terminals at Port Botany. The stevedores are tenants of NSW Ports, the port operator.

DP World Australia and Patrick Terminals use 1-Stop Solutions, a company which provides a vehicle booking system (VBS) service, for truck access to their container terminals. Hutchison Ports Australia operate a Truck Appointment System for truck access to its terminal.

2.3 Port-landside operations in NSW

In NSW, there are around 270 road transport operators servicing Port Botany, with the largest 20 operators moving around 50 per cent of the volume by road. The majority of all containers transported to and from Port Botany, around 85 per cent, are moved via road carriers, with the remainder moved by rail.

Port Botany is the only container port in Australia with on dock rail facilities at each of its container terminals and it handles the highest volume of containers transported by rail in Australia (around 400,000 TEU per year). Currently, five freight rail operators service Port Botany via the Port Botany freight line.

To regulate the performance of stevedores and road carriers at the three Port Botany container terminals, the NSW Government introduced the Port Botany Landside Improvement Strategy (PBLIS) following recommendations from the Independent Pricing and Regulatory Tribunal of NSW in 2008. The role of the PBLIS is further noted in section 3.6 of this submission.

2.4 Port regulatory frameworks in NSW

The *Ports and Maritime Administration Act 1995* (PAMA Act) sets the framework for ports and maritime management across NSW, including relevant functions of the Port Authority and the two private port operators, marine safety, wharves and moorings, port price monitoring and the regulation of parts of the port supply chain.

The PAMA Act also enables the PBLIS which is implemented through the *Ports and Maritime Administration Regulation 2021* (PAMA Regulation) and the *Port Botany Landside Operations Mandatory Standards* (Mandatory Standards).

The Regulation also covers other matters relevant for efficient port operations, including calculation of port charges, the management of dangerous goods at ports and port boundaries.

[5] Ports and Maritime Administration Act 1995, pt. 6, https://legislation.nsw.gov.au/view/html/inforce/current/act-1995-013#pt.6

An independent review of the PAMA Act and the PBLIS (including relevant parts of the PAMA Regulation) is currently underway in NSW. The review will consider the objectives, impacts and benefits of the PAMA Act and the PBLIS to assess whether they are effective and remain appropriate for current needs and the expected future NSW ports and maritime environment. A Discussion Paper was released in December 2021 for public consultation.

Specific consideration of stevedore charges, beyond existing references relating to the PBLIS penalties, will be out of scope for the NSW review. This Inquiry will provide an opportunity for stevedore charges, including pricing, to be given due consideration as a national economic issue.

3. NSW position

The NSW Government has carefully considered the Inquiry's terms of reference and scope, and provides the below position with regard to a number of aspects of Australia's maritime logistics system and sector.

3.1 Long-term trends, structural changes, and impediments which impact the efficiency and dependability of the maritime logistics system

The NSW Government supports the examination of the long-term trends, structural changes, and impediments which impact the efficiency and dependability of the maritime logistics system, and has identified a number of key short-term and long-term issues which should be considered as part of the Inquiry, including stevedore charges.

3.1.1 Stevedore charges

Stevedore charges are applied to landside transport operators and passed on to cargo owners. This represents a recent shift in the charging structure of most stevedores from quayside to landside operators.

The same stevedores operate across many of Australia's primary container ports – DP World Australia and Patrick Terminals in Sydney, Melbourne, Brisbane and Fremantle; Hutchison Ports Australia in Sydney and Brisbane; Victoria International Container Terminal in Melbourne; and Flinders Ports in Adelaide.

As outlined in the Australian Competition and Consumer Commission (ACCC) *Container stevedoring monitoring report 2020-21*, within the container supply chain, importers and exporters contract directly with shipping lines for the movement of their cargo and shipping lines choose the stevedore they use. This means landside transport operators are unable to choose a stevedore with lower charges or negotiate their own individual terms of access, including price.

Similarly, while cargo owners have a choice of shipping line and land transport operator, they do not choose which stevedore is used which means they may also be impacted by the lack of bargaining power and market influence, in so far as the charges are passed on to them by landside transport operators.

In NSW, stevedores introduced landside infrastructure and access charges in 2017 and 2018 which have significantly increased (Figure 1).

These increases have raised significant concerns among landside transport operators, including freight-forwarders, cargo owners and transport companies, who have sought government intervention. In particular, land transport operators have noted the lack of market power which sees the charges imposed on trucking operators who do not have a choice in which stevedore's container terminal they attend.

The ACCC has reported that revenue across Australia from Patrick Terminals, DP World Australia and Flinders Ports landside terminal access charges had increased from nil in 2016/17 to more than $278 million in 2020/21. In contrast, revenue from quayside charges paid by shipping companies reduced from $1,005 million to $853 million across the same period. The overall revenue for stevedores increased by $1,232 million to $1,371 million[6] across the period.

[6] ACCC, *Container stevedoring monitoring report 2020–21*, October 2021, Page 49

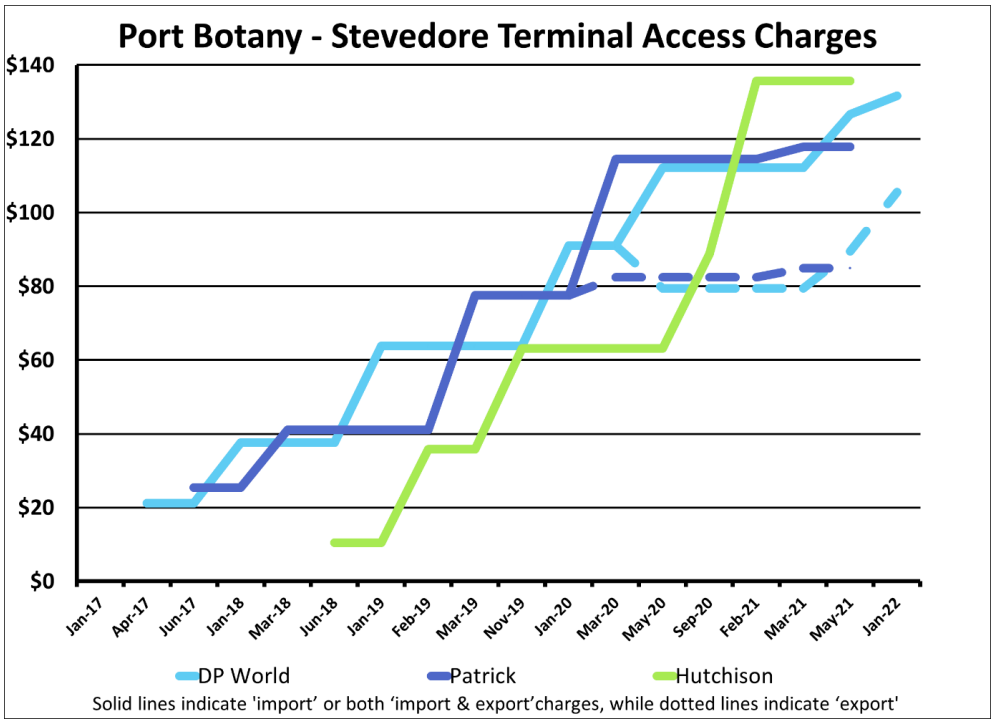

Figure 1: Port Botany stevedore terminal access charges between January 2017 and January 2018 (Source: Transport for NSW)

The NSW Government does not currently have visibility of full costs throughout the supply chain or the ultimate impact of these stevedore charges on customers and the economy but it is expected the stevedore charges are adding to the costs of shipping for exports and importers, with productivity implications for businesses and consumers.

The Inquiry should consider the impact of these charges and assess requests for further government intervention as well as the appropriate level of government regulation, including any increased role for the ACCC.

The NSW Government considers the matter of stevedore charges a national productivity issue as stevedores operate across multiple jurisdictions and issues may not be addressed through increased state-based regulation. Importantly, if the Inquiry recommends any increased control or oversight, this should be undertaken at the national level.

3.1.2 Governance of ports

As a number of ports across Australia have been privatised in recent decades, the Inquiry should consider examining the rules for engagement with regard to responsibilities, accountabilities and performance requirements to provide clarity and transparency around how the different parts of supply chain engage.

3.1.3 Market structures

The number of parties involved in the strategic and operational performance of ports and their related supply chains means there is no single operator which has responsibility for driving efficiency and productivity across the supply chain on an ongoing basis. The Inquiry should consider this issue in the context of the different interests of the parties currently involved.

3.1.4 Supply chain efficiency and coordination

Currently, there is not a common agreement on what overall supply chain efficiency looks like in Australia. Actions for one or more members of the supply chain do not always necessarily produce optimal supply chain outcomes and ultimately benefit the community and economy.

The NSW Government suggests that there needs to be clear definition of Efficiency and Productivity standards, with transparent methods to evaluate performance against those standards.

Additionally, there is a lack of coordination across the supply chain as members often operate in respective silos in the context of their own commercial interests which may not always provide optimal outcomes for the supply chain and ultimately, the community and economy.

Diminished levels of collaboration around information sharing has led to further reduced overall efficiency of the supply chain as a whole, both at port and landside. As a result, the NSW Government has carried out investigations to assist with the issue and is developing a Strategic Business Case for a NSW Freight Community System, which is further noted in section 3.4 of this submission.

Stakeholder feedback on the NSW Freight Community System has also identified a desire from many stakeholders for a national approach, as many businesses operate across multiple jurisdictions.

3.1.5 Supply chain disruptions

The supply chain, particularly the ocean section of transport and port operations, are subject to naturally induced and difficult to predict disruptions due to extreme weather such as storms, heat, winds, rain and large swell.

Ideally, there would be sufficient resilience within the system to cope with berthing programs and on-dock operations which do not meet schedules due to natural events or other unplanned disruptions such as global pandemics and industrial disputes as minor disruptions can have major long-term impacts on the supply chain.

Anecdotal evidence suggests the system comes under significant stress during such times which leads to long delays, change of rotation of ports (leading to further instability) as well as instances of shipping companies bypassing ports which has consequential effects on increased inefficiency in landside transport and costs to market.

3.1.6 Rail freight

Although there has been significant Government and private sector investment in freight rail infrastructure to and from Port Botany, including the Southern Sydney Freight Line and new intermodal terminals, rail mode share was 14.5 per cent in 2021 which is a decline from 19.3 per cent in 2017 (the highest annual mode share for the 2010s decade).

While there is under-utilisation of rail infrastructure (both in terms of utilisation of rail infrastructure into and out of Port Botany, and stevedore utilisation of rail infrastructure), there are opportunities to review mode-share within the supply chain. Improved mode-share could improve the efficient utilisation of port supply chain infrastructure and landside capacity of ports to meet long-term projected growth in container volumes.

3.1.7 Common standards and data sharing between jurisdictions and private entities

The NSW Government recommends the Inquiry considers the impacts of the absence of common standards and data sharing between the Australian Government, state and territory governments and other entities.

The absence of common standards often results in the existence of various systems which do not communicate with each other, further resulting in information having to be duplicated and submitted multiple times, in multiple formats.

Seamless availability of critical operational data in real time is critical for forward planning and would allow swift corrective action to be taken when issues arise.

The need for data sharing is further outlined in section 3.5 of this submission.

3.1.8 Coastal trading reform

The NSW Government supports reforms to Australia's coastal trading requirements under the *Coastal Trading (Revitalising Australian Shipping) Act 2012*.

The development of policy proposals by the Australian Government to reduce unnecessary regulatory and administrative requirements for the maritime freight industry and the continued growth of the cruise sector is encouraged.

3.2 Broader economic impact of the maritime logistics sector and associated operating models

The national freight task assumes high significance to Australia's economy and to the Australian consumer, with a recent study indicating that around 42 per cent of all goods and products in a typical Sydney household are sourced overseas and arrive through Port Botany[7].

The importance of the freight and logistics industry has come to the fore in recent years, particularly as several other parts of the economy diminished during the COVID-19 pandemic. While there were many restrictions and disruptions during 2020 and 2021, one area which continued to function effectively was the freight and logistics industry. Recent interruptions caused by COVID-19 have again highlighted how much Australians depend on this sector for the supply of necessary goods and services.

The NSW Government notes there is an import and export imbalance within the freight and logistics industry. Generally, Australia, but particularly NSW, has always been an equipment 'surplus' port, where the imports far exceed exports. This is exacerbated by export markets shipping heavier commodities in 20-foot containers, as opposed to imports which arrive in 40-foot containers.

As freight rates have significantly increased in some trade sectors, shipping lines have increasingly shifted to shipping empty containers back to the high demand areas in other countries at a cost of catering to the export market. This practice means exporters have been left competing for equipment and space on ships, driving freight rates up for those able to secure bookings. This has resulted in increased costs for exporters from Australia which is impacting primary producers and other producers and manufacturers.

Additionally, in line with objectives outlined in the Greater Sydney Commission's *Greater Sydney Region Plan*[8], the NSW Government supports initiatives which improve competition and increase industry opportunities and diversity in the broader sector.

The NSW Government also acknowledges the leasing limitations on ports but notes there is potential to encourage competition up the supply chain, particularly in instances which are highly vertically integrated. It also notes there are opportunities to increase coordination of port operating models.

The NSW Government also notes there are opportunities to assess innovations which encourage better use of existing infrastructure, through new technologies and advancements in infrastructure management and operating models to maximise use, efficiency and overall productivity of existing assets.

3.2.1 Economic impacts of port delays

Australian producers and manufacturers in NSW rely on key international ports for sustained access to international markets. The NSW Government is aware of producer concerns around

[7] NSW Ports, https://www.nswports.com.au/nsw-container-ports
[8] Greater Sydney Commission, Greater Sydney Region Plan: A Metropolis of Three Cities – connecting people

port delays and the impact on products which often remain stagnant due to bottlenecks which are often caused by slow container movements within the port and the backlog of ships waiting to get into ports for loading/unloading activities.

These delays are impacting on producers who send time critical products and produce to ports, as they are at risk of not meeting their contracts for supply or potentially risk impacting produce freshness.

This has been an ongoing issue at key Australian ports for a number of years but has been exacerbated by the COVID-19 pandemic and recent industrial relations restrictions. There is concern that continued inefficiency will lead to a reduction in the number of key international companies using the ports, which would worsen an existing issue for producers.

3.2.2 Economic impacts of biosecurity threats

New biosecurity risk pathways are emerging as a result of increased global and cross border movements of imports, which has made track and trace operations more challenging.

The NSW Government recommends consideration is given to the flow on economic impact of ports and related transportation systems in the protection of Australia's shores from pests, diseases, weeds and contaminants.

3.3 Workforce issues and structural shifts in the nature and type of work in the maritime logistics sector

The NSW Government notes there is a continued shortage of key personnel in the maritime logistics sector.

The sector has expressed concerns around the lack of adequately qualified maritime pilots, with no personnel available to replace pilots leaving the industry due to retirement or other reasons. The lack of skilled and experienced pilots will compromise vessel safety and general safety in the maritime environment.

Similarly, there is a continuing shortage of short and long-haul heavy vehicle drivers, due to an aging industry and challenges in attracting new workers. This shortage has become a bottleneck for producers moving their containerised freight to and from the ports.

The COVID-19 pandemic has impacted on heavy vehicle drivers and operations, including requirements for mandatory testing, border crossing administration, testing in compliance with Work Health and Safety plans, and reduced workforce availability. This reduced availability is impacting the ability of regional businesses to take advantage of export market opportunities.

The potential for long-term skill shortages in the sector and opportunities to attract key personnel should be examined further as part of the Inquiry.

NSW Government agencies, including Training Services NSW, TAFE NSW and Investment NSW are in the process of delivering targeted skilling options to support the sector's evolving needs, manage costs pressures and overall productivity.

3.4 Infrastructure needs and constraints for the maritime logistics sector

The NSW Government encourages efforts to improve coordination across the multiple primary and secondary functions which contribute to Australia's maritime logistics system. This will have the potential to deliver shared solutions to overcome shared barriers to allow the sector to work together effectively.

The NSW Government supports the assessment of infrastructure needs and constraints, including options to enhance the efficiency of ports and connected landside supply chains and

the interactions between decisions of different levels of government, and has identified a number of key issues which should be considered as part of the Inquiry.

3.4.1 Competitive and efficient maritime supply chains

Government policies should promote efficient and competitive uses of port infrastructure and associated supply chains. This is important to NSW's overall productivity given the large volume of import and export trade which passes through NSW's ports.

3.4.2 Berthing capacity

Evidence provided by World Bank Rankings and ACCC's Container stevedoring monitoring report demonstrates the 'turn time' of vessels has progressively increased over time, which is consistent with stakeholder feedback. This is understood to be the result of multiple factors including weather, navigational conditions, availability of adequate tug and pilot services, and industrial disputes.

The inability of ports to respond and quickly rebound from these disruptions within timeframes benchmarked against ports globally may be due to a lack of 'buffer' at berth, to cater for extra demand due to backlogs.

It is difficult to assess the impact of these factors on the capacity of Port Botany, recognising the various operational and network constraints which inform that capacity. There is a risk that delays and inefficiencies will be exacerbated as volumes increase at the forecast rate, and when larger ships begin to call the port – this will reduce the ability to service multiple ships at the same time.

The NSW Government recommends berthing capacity of ports across Australia is considered by the Inquiry.

3.4.3 Crane capacity

The NSW Government recommends that factors which impact crane utilisation at ports are considered by the Inquiry.

According to information provided by shipping lines, the average crane intensity (that is, the number of cranes on average working a ship) is relatively low on ships serviced at Port Botany, compared to other ports for similar sized vessels.

3.4.4 Maximisation of existing infrastructure

The NSW Government notes opportunities to expand capacity at Newcastle and Wollongong ports could be explored, including the re-use or repurposing of port infrastructure with the transition away from coal. It should be noted that in the medium term, demand for coal is likely to remain relatively stable, and in some circumstances, global demand for thermal coal could be sustained across the next twenty years or more.

Regional ports (outside Newcastle, Sydney, and Wollongong) are a potentially underutilised link in the maritime logistics system. Ports in Eden and Yamba play a significant regional role, with a focus on fishing, forestry, maritime, naval and tourism related activity.

Changes to the Biosecurity Act have affected Port of Eden's ability to maximise its opportunities due to a lack of biosecurity and quarantine waste facilities.

Eden's deep harbour is strategically placed between Sydney and Melbourne, with an existing woodchip terminal, Navy Wharf and Cruise Wharf. There is potential to establish Port of Eden as an overflow and emergency use port with appropriate resourcing and infrastructure improvements, including improved Australian Border Force facilities and staffing, landside infrastructure to support increased road freight movements to and from the port, and establishment of quarantine waste facilities.

Similarly, Port of Yamba is a significant regional port as it is home to the second largest fishing fleet in NSW, and is also home to a growing maritime services, shipbuilding, and repair industry. Businesses in the NSW North Coast currently utilise the Port of Brisbane and associated freight networks for their shipping requirements.

The NSW Government notes the current utilisation of existing capacity and infrastructure, and identification of improved management and co-ordination are examined and considered by the Inquiry.

3.4.5 Empty container parks (ECP)

The role of ECPs is to a provide crucial link for the movement of empty containers between importers and exporters, and provide staging locations to accommodate the divergent timing of import and export peak times.

Australian ports, including Port Botany, have relatively unique empty container supply chains, with dedicated ECPs having a more significant role compared to many international ports. Such imbalance between full imports and empty export containers creates challenges to the effectiveness of the export supply chain.

A number of broad transactional and commercial arrangements and practices have exacerbated the effect of capacity shortages and increased costs. Additionally, congestion and land development within port precincts has created increasing challenges for the storage of empty containers.

The NSW Government established the Empty Container Working Group (ECWG)[9] in July 2020 to identify industry-led, voluntary solutions to address inefficiencies in the management of the empty container supply chain at Port Botany. The ECWG has enabled a number of effective initiatives to improve empty container supply chain efficiency, including the introduction of monthly reporting against nine key metrics based on data shared by group members.

The NSW Government notes the importance of improving the movement of empty containers into and out of ports and recommends the issue is considered by the Inquiry.

3.4.6 Existing NSW initiatives to support more efficient port supply chains

The NSW Government supports improving the efficiency of its port-based supply chains as they are an important part of critical import and export supply chains.

From an export perspective, rising populations and incomes in Asia are driving increased demand for premium agricultural products, which in turn provides increased opportunities for NSW producers to export their products. Port efficiency is critical to realising these opportunities.

As noted in section 2.1 of this submission, key initiatives and projects are being planned or are in operation to meet objectives outlined in the *NSW Freight and Ports Plan 2018-2023*.

Freight Community System (FCS)

Alongside physical infrastructure improvements, the NSW Government believes a key principle for improving port efficiency is greater transparency of digital data as product moves through the supply chain. Key benefits of enabling data visibility across the supply chain includes more informed decision making, leading to increased productivity and lower costs.

The NSW Government is examining the development of a FCS to provide visibility across the supply chain for all participants through a digital, transparent, scalable and trusted solution. The system is intended to reduce inefficiencies which have resulted in stagnating productivity.

[9] Transport for NSW, NSW Empty Container Study, https://www.transport.nsw.gov.au/operations/cargo-movement-coordination-centre-cmcc/nsw-empty-container-study

The NSW Government will review and evaluate the Strategic Business Case and carry out all necessary assurance processes.

Industrial Lands Policy Review

The NSW Government's *Productivity Commission White Paper 2021: Rebooting the Economy*[10] was released in May 2021 and included a recommendation to: "Evaluate the retain-and-manage approach to managing industrial and urban services land in Greater Sydney against alternative approaches, to identify what would maximise net benefits to the State." And "Adopt the approach that maximises the State's welfare in the next update to the Greater Sydney Region Plan.".

The NSW Government is currently reviewing and assessing potential changes to the existing retain and manage policy. Other approaches to managing industrial land (Review and Manage, and Plan and Manage) will be considered in the 2023 update to the Greater Sydney Region Plans.

Western Sydney Freight Line (WSFL)

The WSFL is a proposed dedicated freight rail line which will connect the Western Parkland City with the Southern Sydney Freight Line (SSFL) through to Port Botany and southern NSW, and the Main West Line connecting to western NSW.

The corridor has been investigated and identified in strategic planning documents for more than a decade. The project will support employment opportunities in Western Sydney and reduce congestion on local roads by allowing the transport of goods by rail across Greater Sydney.

The WSFL aims to support growth at Port Botany by enabling the expansion of freight transported by rail, and by linking growing industrial areas and distribution centres. This includes a proposed new Inter-Modal Terminal (IMT) site in the Mamre Road Precinct, which will ultimately be a major freight and logistics precinct.

The Strategic Business Case will provide a robust evidence base to assist both the Australian and NSW governments to determine the strategic merit, justification and need for future investment decision making in relation to the WSFL project.

Port price monitoring

The NSW Government administers a 'light touch' port price monitoring scheme. The relevant port charges are outlined in the PAMA Act, with Part 6 outlining the price monitoring scheme. The price monitoring scheme requires that port operators notify the Minister:

- in advance of any planned changes to service charges and provide details of what the charge will be used for, how it is calculated and who will pay the charge
- annually of port charges revenue for that year (by 1 October each year).

Empty Container Incentive Scheme

Since July 2021, NSW Ports has implemented its Empty Container Incentive Scheme to encourage the shipping industry to achieve a balance between the number of containers loaded for export and the number of containers discharged for import, referred to as the Load/Discharge ratio (L/D ratio).

National Voluntary Guidelines

The NSW Government supports the introduction of the National Voluntary Guidelines (NVGs) for stevedores applying infrastructure and access charges at Australia's container ports. The NVGs establish voluntary guidelines for the introduction of any new stevedore landside charges, notification periods and explanation of price increases at NSW ports.

[10] NSW Productivity Commission, *Productivity Commission White Paper 2021: Rebooting the economy*

Stevedores in NSW have agreed to the implementation of the NVGs which will provide greater transparency and consistency in timing of pricing increases for industry participants.

The NVGs have been developed by the National Transport Commission in consultation with transport bodies, stevedores and road transport operators, with each jurisdiction to determine how they will be implemented.

NSW Government feedback to stevedores will generally be limited to ensuring statutory requirements are being met, such as non-recovery of PBLIS penalties and process issues.

3.5 Mechanisms to improve the maritime logistics sector's resilience and efficiency

The NSW Government acknowledges the importance of research in helping to improve the maritime logistics sector's resilience and efficiency but has identified a number of key issues which should be considered as part of the Inquiry.

3.5.1 Lack of visibility and understanding of 'true state'

Whilst the consequences due to the siloed operation of the supply chain are readily visible and well canvassed, the true cause for these effects have not been as evident. The availability and accessibility of data is important to understand the capacity and performance of ports and their related supply chain – in the absence of data, this can lead to anecdotal evidence and inadequate data being utilised to arrive at conclusions.

There is currently a lack of access to relevant data and a diminished ability to enforce the requirement for particular data, as private entities often resist sharing information they believe will compromise their ability to compete.

Mechanisms for the provision of data to government to support evidence-based strategy and policy development across portfolios, including transport, land use planning and economic policy, should be considered. Alternatively, commissioning independent studies carried out by entities not related to transport could assist in providing information to formulate public policy, but are often costly, ad-hoc and equally unable to secure comprehensive data.

3.5.2 Adoption of technology

Particular sections of the supply chain (ships, shipping companies and ports) have been early embracers of cutting-edge technology and are revising their business plans accordingly to provide them with an advantage on their competition.

In addition to efficiency and productivity gains, these entities are also becoming more resilient in the way they handle contingencies and are able to maintain high levels of performance through adverse periods.

Various technologies could be adopted, including:

- improved navigation and channel management, forecasting and automation
- new technologies such as 'Box Bay' or 'EagleRail' which optimise yard management
- supporting ships running on methanol or liquefied natural gas (LNG).

It will also be essential to keep up to date with advances in technology which support the environmental objectives, including net-zero emissions. On-shore power from renewable energy sources is also becoming increasingly necessary, and port operators and tenants will need to make evidence-based choices to be prepared for next generation requirements.

3.6 Interlinkages and dependencies between the maritime logistics sector and other logistics systems

The NSW Government notes the importance of highlighting the interlinkages and dependencies between the maritime logistics sector and other logistics systems, such as air freight and landside supply chains, and has identified a number of key issues which should be considered as part of the Inquiry, as outlined in sections 3.6.2, 3.6.3, 3.6.4 and 3.6.5.

The NSW Government also acknowledges work which has been carried out in partnership with the Australian Government (Western Sydney Airport) to assess improvements and innovations for air freight and landside supply chains.

3.6.1 Port Botany Landside Improvement Strategy (PBLIS)

As briefly outlined in section 2.3, the NSW Government established the PBLIS to improve the competitive access and service arrangements which guide container movements between stevedores and transport carriers.

Under the PAMA Regulation and the Mandatory Standards, the PBLIS applies regulated operational performance standards to stevedores and road carriers at container terminals in Port Botany, primarily via truck servicing arrangements based on mutual accountability of stevedores and truck operators – penalties are paid to the impacted industry party if they are not met.

The PBLIS applies requirements for stevedore container slot bookings, gate procedures and associated operational performance measures. This includes rules for Vehicle Booking Systems (VBS) such as specified truck turnaround times (TTT), truck servicing requirements and the cancellation of bookings and time zones.

Stevedores are also subject to a regulated rail servicing charge and are required to collect, keep and provide truck and rail servicing records and data to Transport for NSW (TfNSW).

The PBLIS requires road carriers to comply with gate procedures, booking cancellations, truck arrival times and truck identification information requirements.

TfNSW has oversight of these regulatory requirements (ie. using invoicing information to reconcile penalties and ensure compliance with the Regulation) and ensures that stevedore charges are not introduced or increased for recovering costs of paying financial penalties under the PBLIS.

Key indicators such as TTT, booking efficiency measures and on time arrivals give some indication of landside transport efficiency at Port Botany.

3.6.2 Land availability and use

Industrial lands around ports play a vital role in ensuring goods from containers are efficiently received and dispatched to commercial and residential areas of Sydney.

For example, Port Botany is surrounded by 386 hectares of industrial land. Intermodal terminals and their surrounding industrial precincts are important in ensuring Port Botany is efficiently connected to consumers.

Currently, there is a lack of well-located and sufficient industrial land in Sydney which creates a number of challenges, including availability, cost and location. Retaining and optimising the use of industrial lands within the vicinity of Port Kembla and Port of Newcastle will be an equally important consideration into the future to ensure opportunities are not lost for highly functioning ports.

3.6.3 Continuous (24/7) operations

Though port terminals operate 24 hours a day, seven days a week, many other parts of the supply chain operate primarily on weekdays and during daylight hours only.

This creates large demand for 'slots' at port terminals on weekdays during peak periods (5am to 12.59pm), compared with off-peak periods (9pm to 4.59am), which leads to a shortage of 'slots' during peak periods which has consequences for other parts of the supply chain, such as Empty Container Parks, and means available infrastructure is not completely utilised.

3.6.4 Intermodal terminals and regional NSW

Intermodal terminals are facilities which provide for the transfer of freight from one transport mode to another, for example from rail to road.

There are a number of intermodal terminals in NSW, with five in the greater Sydney area and more than four in regional NSW. Many of these terminals are located near distribution centres where containerised goods are unpacked and distributed to their final destinations.

The NSW Government is significantly investing in regional precincts and supporting enabling infrastructure to support regional economic development. These initiatives work in unison with maritime freight to link regional industry to global supply chains and export markets. The completion of the Inland Rail project in coming years will increase opportunities for businesses and industry along the rail corridor but will also rely on efficient access to ports and shipping for businesses to maximise these opportunities.

The NSW Government recommends the Inquiry considers the impact of intermodal hubs, including Riverina Intermodal Freight and Logistics Hub (Wagga Wagga), Western Riverina Intermodal Freight Terminal (Leeton/Griffith), and QUBE (Harefield), and how they interact with road and rail freight infrastructure linking regional industry to ports.

Businesses in regional NSW rely on port connections in Melbourne and Brisbane, as well as Sydney. Port of Melbourne is the main port for southern NSW, with businesses in the north and northwest of the state relying on Port of Brisbane for much of their maritime freight requirements, so a national approach is required to ensure efficiencies are maximised for the whole economy.

3.7 Reports related to aspects of Australia's maritime logistics system and sector

The NSW Government notes industry stakeholders in regional NSW support the key themes raised in the ACCC's *Container stevedoring monitoring report 2020-21* and has also been advised similar concerns exist at other Australian ports.

This feedback is particularly relevant given the expected increase in movement of goods from regional NSW to ports across the eastern seaboard due to investment in freight linkages and intermodal hubs.

3.8 General comments

The NSW Government welcomes the inquiry into the long-term productivity of Australia's maritime logistics system and notes the potential for positive impacts across regional industries.

Of significant note, the NSW Government is heavily investing in renewable energy zones, road and rail transport linkages, hydrogen facilities, enabling infrastructure for intermodal connections, as well as regional jobs and activity precincts to support the maritime logistics sector.

Many regionally based industries in NSW will have an export market focus, meaning access to efficient port facilities which are seamlessly integrated with road and rail connections will be a critical success factor.

3.8.1 Maritime logistics sector biosecurity

It is noted biosecurity risks are increasing, with outbreaks from exotic incursions rising in volume, complexity and severity which is placing significant pressure on the sustainability of the $19.2 billion NSW primary industries sector as well as the social and environmental amenity of the state.

These risks are increasing, partially due to increased overseas shipping through NSW ports and related transport systems, and disruptions to established freight and travel networks due to the COVID-19 pandemic. However, these factors have only accelerated what was already a rapidly increasing global threat profile.

It is estimated around 40 per cent of containerised imports are destined for regional locations so it is important that increasing maritime biosecurity risks are noted.

The Australian Government Department of Agriculture, Water and the Environment (DAWE) estimates there is a 42 per cent probability that Australia will experience an internationally notifiable major animal disease outbreak in the next five years, which could close access to overseas markets, with response and recovery costs estimated in the billions.

The NSW Government recognises work is currently underway within DAWE to address these biosecurity risks but as one of the largest trading states in Australia, these solutions will require greater education and engagement of the sectors, the building of data and intelligence and potentially establishing improved controls within the regulatory framework to address these specific risks.

This could include developing a national approach to biosecurity within the ports sector, increasing monitoring by operators in the supply chain, investing in new techniques and technologies to detect and contain future threats sooner and more efficiently, and increasing record keeping on treatment and movement documentation to enable improved traceability.

Additionally, expedited detections of biosecurity risks, enhanced analysis and better risk assessments through the adoption of interconnected data standards and mechanisms will enable greater data sharing amongst relevant Government agencies. These solutions would minimise the spread of pests and diseases, and maximise opportunities for containment and eradication as well as reduce financial impact on industry and Governments.