Supplementary submission to the Productivity Commission responding to submission by MUA regarding DP World productivity

27 May 2022

This supplementary submission responds to certain statements made by the Maritime Union of Australia (**MUA**), relating to an assessment of the productivity of automated crane operations at Australian terminals.

DP World does not propose to respond comprehensively to the MUA submission, although we note that there are a number of statements and contentions made by the MUA that are, in our view, incomplete or inaccurate. This submission is intended to respond to the specific comments made by the MUA in relation to the process of automation of operations at container terminals, including by DP World at its operations at the Port of Brisbane.

Ultimately, the MUA calls for the development of a new Waterline metric to track different container terminal technologies (i.e. types of automation) in order to permit benchmarking of these different technologies as between terminals and ports.[1] DP World has already made the point that container stevedoring is already one of the most scrutinised markets in Australia.[2] A further metric, as proposed, would be both unnecessary and unlikely to provide helpful or meaningful insights.

The choice of terminal operating mode and technology is, ultimately, a commercial decision for each terminal operator. The decision can be informed by a range of factors, including:

- the size of vessels and volume of containers handled at a port;
- physical limitations of the terminal, including the quay line and yard area;
- cost and other commercial considerations; and
- legal or regulatory obligations, including lease commitments.

The choice of yard and crane technology – including the degree of automation – balances these factors in order to achieve the most cost-efficient and effective outcome.

Ultimately, the task of getting this judgment and capital decision right is an important feature of effective competition in the stevedoring market. A simplistic attempt to benchmark technologies (through crane rates or other measures) or to suggest a “one size fits all” solution should be adopted across terminals and ports can never properly reflect the commercial, physical and geographic factors that are involved in this decision.

DP World implemented semi-automation of its operations, through the introduction of automated stacking cranes (**ASCs**) in its Brisbane terminal, which commenced operating in April 2014. The process of yard automation has been successful and DP World views Brisbane as one of its most efficient operations, by global standards.

[1] Page 27.

[2] DP World submission at pp 74 and 84

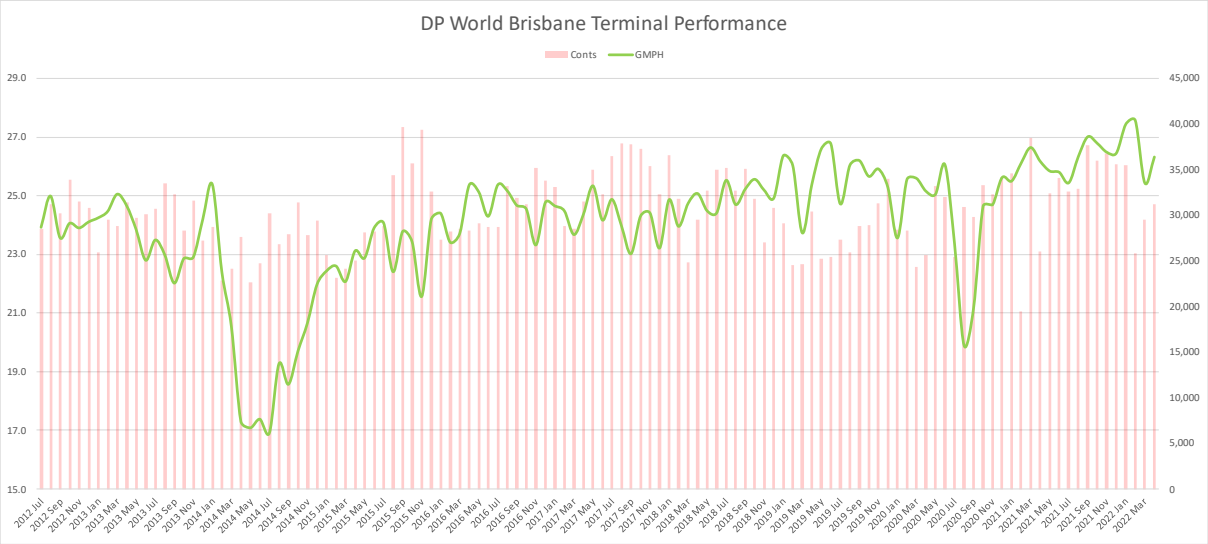
In relation to the specific criticisms made by the MUA of the DP World experience with yard automation (at pages 35 to 40 of its submission), DP World notes the following:

1 The GMPH measures set out at Table 4 of the MUA submission do not reflect DP World's data over the relevant period – and particularly in relation to the period before automation.

2 Automation commenced in April 2014, not in May 2013 as indicated.

3 Rather than falling over the subsequent decade, crane productivity has *increased* at our Brisbane terminal, in the context of largely stable container volumes. This is clear from **Figure 1** below, which maps both the number of containers and crane rate at the DP World Brisbane terminal over the period from 2012.

Figure 1. DP World Brisbane Terminal performance



4 The attempt to compare and benchmark our Brisbane operations with other Australian terminals, such as the Flinders terminal at Port Adelaide (page 36), which is not automated, is reliant on a different source of productivity data in each case – and results therefore in an unreliable comparison. It also fails to have regard to the different volumes, physical characteristics and commercial considerations of each operator and site.

5 DP World does not accept the proposition that the introduction of ASCs has necessarily resulted in an increase in container movements within our port operations (page 37). The number of moves per container on average remains less than four. To the extent that additional moves are required, these are also usually undertaken outside of peaks, and so do not result in any increased inefficiency or delay.

6 DP World categorically rejects any inference (at page 38) that the introduction of ASCs at our Brisbane terminal has not achieved significant labour cost savings.

7 A number of the issues which the MUA identifies as interfering with terminal operations (e.g. internet and computer server issues) – affect operations whether automated or not.

8 To the extent that the MUA suggests that falling *revenue* per container at Australian terminals is evidence of falling *costs* associated with labour productivity improvements, it is incorrect (page 29). DP World submits that falling revenue per container reflects continued over-capacity of Australian terminals and associated impacts on profitability. It does not reflect any meaningful improvement in labour productivity.

For all of these reasons, DP World rejects the primary submission of the MUA in relation to terminal automation – which appears to be that automation has proven generally ineffective or unsuccessful at Australian container terminals. Certainly, this is not consistent with the commercial experience of DP World in relation to its semi-automated Brisbane operations.