

# Long-term productivity of Australia's maritime logistics system

I, Hon Josh Frydenberg MP, Treasurer, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, hereby request that the Productivity Commission undertake an inquiry into the long-term productivity of Australia's maritime logistics system.

## Background

The long-term productivity of the maritime logistics sector is vital for supporting Australian businesses and communities to access and supply global markets at competitive rates.

COVID-19 has stretched ports and shipping to their limits around the world. While there are limited steps the Australian Government can take to address short to medium term global supply and demand pressures, we can examine the readiness of Australia's maritime logistics sector — including ports and the workforces and infrastructure that connect them — to address the challenges of the future.

Identifying the constraints and opportunities facing the maritime logistics sector will help improve the sector's resilience and support Australia's productivity.

## Scope of the inquiry

The purpose of this inquiry is to understand any long-term trends, structural changes, and impediments that impact the efficiency and dependability of Australia's maritime logistics system and connected supply chains. As part of this, the inquiry should have regard to operational cost drivers including industrial relations, infrastructure constraints, data sharing and technology uptake in Australia's ports and related transportation networks in order to assess the overall competitiveness of Australia's ports. The inquiry should also identify any mechanisms available to address identified issues.

In undertaking the inquiry, the Commission should:

1. Examine the long-term trends, structural changes, and impediments that impact the efficiency and dependability of the maritime logistics system, including developing a framework of performance measures to determine port performance and benchmarking Australian ports internationally.
2. Determine the broader economic impact of the maritime logistics sector, and assess the sectors' operating model and any structural impediments, on consumers, business, and industry. This should include examining costs of curfews imposed at some ports, impacts of urban encroachment on ports and connections to ports, and adequacy of development planning and land protection. It should also look at the economic impact of delays; uncertainty and the capacity for logistics chains to respond; and increased freight costs (including fees and charges in the sector) and cancellations of sailings, including on importers, exporters, and supply chains.
3. Examine workforce issues, including industrial relations, labour supply and skills, and any structural shifts in the nature and type of work in the maritime logistics sector.
4. Assess 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. This should include reviewing rail access at container ports; any imbalance between the types of containers for imports versus exports; the suitability of container storage facilities; and costs and benefits of investing in new port and shipping infrastructure or enhancements to existing infrastructure to enable the use of larger ships. This should also identify the role of Governments and the private sector in meeting current and future infrastructure challenges in the sector.
5. Research mechanisms to help improve the sector's resilience and efficiency. This should include examination of technology uptake, innovation, data capture and sharing across international freight networks compared to Australia; examples of areas where Australia does well; identification of technologies that offer the greatest

productivity gains in the Australian circumstances; and identification of any barriers to greater uptake of technology and innovation.

6. Have regard to the interlinkages and dependencies between the maritime logistics sector and other logistics systems, such as air freight and landside supply chains. For example, the impact of the resumption of air freight on ports, the preparedness of ports for disruptions in these supply chains and the role of ports for landside supply chains.
7. Have regard to the ACCC's container stevedoring monitoring report; the Productivity Commission study into vulnerable supply chains; the National Freight and Supply Chain Strategy agreed by Commonwealth, state and territory governments; and the Government's in-principle acceptance of the Harper Review's recommendation to repeal Part X of the *Competition and Consumer Act 2010*.

## Process

The Commission is to undertake an appropriate public consultation process including holding hearings, inviting public submissions and releasing a draft report to the public.

The Commission should consult broadly, including with Commonwealth, state and territory governments. The Commission should also consult with Infrastructure Australia, relevant state and territory infrastructure bodies, the ACCC and industry stakeholders, such as ports, unions, importers, exporters and shipping lines.

The final report should be provided by the end of August 2022.

**Josh Frydenberg**

Treasurer

[Received 10 December 2021]