



*A NATIONAL STRATEGY FOR
AUSTRALIAN PORT DEVELOPMENT*

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Impact of Global Financial Crisis on Ports

- Up till late 2008, container, break bulk and commodity volumes had been on long term growth path
- Since late 2008 national container movements are down by 7.5%, Sydney's break bulk down by 75.5% and a drop in the value, if not volume, of commodity exports
- Has required an innovative industrial and political response.
- Now need to plan for renewed growth in upturn but under a new strategic model





Ports Now Integrated in National Transport Planning

- Ports and sea transport are now belatedly being linked to national transport planning
 - The National Transport Plan is taking a whole of supply chain approach
 - Prime Minister Rudd announced in May the development of a National Ports Strategy involving Infrastructure Australia and the National Transport Commission (NTC)
 - It is likely that the outcome of the Review of the NTC will result in a widening of its charter to include maritime/ports



Benefits of a National Approach to Port Planning

- Opportunity for Ports Ministers to meet under the Australian Transport Council umbrella for first time
- Helps integrate all freight modes into national transport planning – been road and rail dominated to date
- Creates opportunity to link domestic shipping to ports strategies



Benefits of a National Approach to Port Planning (cont)

- Provides opportunity to adopt national approach to port planning, port regulation and port competition
- Provides opportunity to examine the link between shipping contract terms and port efficiency
- Brings a renewed focus on regional ports



National Ports Policy Co-ordination

- To date, Ports Ministers have acted in isolation
- Minister Tripodi now wants Ports Ministers meetings under ATC banner
- The change from mode based policy to freight corridor and supply chain approach brings ports and shipping into the transport planning equation



Port planning, regulation and competition

- MUA has been calling for better integration of strategic port planning, port regulation and port competition
 - State based approaches are failing, are costly and inefficient
- Requires consistent principles for planning, governance (tendering, service provider performance standards) and competition
 - To allow more collaboration in supply chain management eg Hunter Valley Coal Supply Chain
- Regulations must generate favorable conditions that encourage increased investment in port services



Shipping and Port Efficiency

- FOB shipping terms is a significant factor leading to large ship queues at Australian commodity ports
- Loss of control over ship utilisation
- Loss of business opportunity for Australia
- Drain on Balance of Payments



Shipping and Port Efficiency (cont)

- There are benefits in using non-FOB shipping contracts:
 - Greater control over ship scheduling and efficiency would lead to a reduction in demurrage costs which in 2008 cost Australia \$1.84 billion
 - Greater control on ship safety and security standards
 - Creates a basis (along with other policy measures) for more Australian flagged vessels in Australia's commodity trade, eg the LNG trade



Increased Role for Shipping

- In view of Government's commitment to revitalise domestic shipping, port planning must now facilitate growth of shipping
 - Facilities
 - Port and stevedoring charges
 - Resource allocation/investment
- The Infrastructure Partners Australia *Meeting the 2050 Freight Challenge* report of April 2009 predicts increased role for shipping



Port Competition & Regulation

- Proposals to introduce new stevedoring entrants must:
 - Demonstrate benefits to consumers & producers
 - Take into consideration economic conditions
 - Not impede stevedoring investment
- Regulation design should unlock opportunities for further capital and labour productivity
 - BITRE's Waterline shows continued improvement in labour productivity, but no equivalent improvement in capital productivity



Regional Ports

- There is now a better focus on the role of regional ports as evidenced by:
 - The two major maritime funding projects out of the 2009 budget were regional ports:
 - ❖ Oakajee - \$339 million
 - ❖ Darwin - \$50 million
 - The restructuring of Queensland regional ports
 - The infrastructure focus on regional commodity ports



Port Privatisation

A questionable strategy

- Privatisation plans announced by Queensland and Western Australian Governments
- Does it enhance or detract from the Federal Government's capacity to achieve national planning and coordination objectives?
 - Loss of effective control
 - Investment by private equity will lag behind other sections of the supply chain
 - Loss of successful Government enterprise



Funding Port Development

- Government funding options limited by the GFC
- Private investment limited and tougher lending conditions
- New funding sources required:
 - Sovereign wealth funds
 - Workers capital (industry superannuation)
 - Global strategic partnerships



Conclusion

- It is important that all stakeholders grasp the opportunity to participate in national strategic policy coordination in the port sector
- National strategic ports policy must facilitate the revitalisation of Australian shipping. Shipping must therefore feature in port planning and regulation
 - The greatest opportunity to achieve this outcome is probably in regional ports
- We all need to be more innovative in our thinking about the funding of port infrastructure