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HOUSE OF REPRESENTATIVES
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TRANSPORT AND
REGIONAL SERVICES

Maritime Union of Australia

Submission to the House of Representatives Standing Committee on Transport and Regional Services

Inquiry into Integration of Regional Rail and Road Networks and their Interface with Ports

December 2005

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1. Introduction

- 1.1 The Maritime Union of Australia (MUA) represents workers in the shipping, stevedoring, port services, hydrocarbons and diving industries.
- 1.2 In Part A of our submission we respond to some of the key issues raised in submissions and in evidence to the Committee.
- 1.3 Part B of our submission responds in particular to some elements of term of reference 3.

Part A: Responding to issues raised during the Inquiry

2. Deficiency in the terms of reference

- 2.1 The MUA is disappointed that the terms of reference did not encompass the role of shipping in the freight transport task under consideration by the Committee. We consider this a major oversight and tends to reflect the lack of policy and strategic attention which shipping as a transport mode receives in the Australian national transport policy debate.
- 2.2 We are conscious that the Committee has nevertheless been prepared to consider some of the shipping issues, though tangential to the Inquiry, and we welcome this interest. If the Committee is constrained to focus on shipping in its findings and recommendations given the terms of reference, we would hope that the Committee recommends that the Senate consider a further reference to the Committee to examine shipping policy and the role of shipping in the Australian freight transportation task at a later time, but ideally before the 2007 election.
- 2.3 We note and support the submission of Shipping Australia Ltd which said:

"It is the view of Shipping Australia that the Committee should also enquire into our domestic shipping task i.e. the inter-State and intra-State shipping of coastal cargo as it is a transport corridor that is often overlooked in the discussion of the freight transport network and provides an important competitive component to our road and rail network particularly over longer distances. Shipping Australia would recommend the Terms of Reference for this inquiry be varied to incorporate consideration of those issues."

- 2.4 We also note and support the sentiments in the submission of Mr Lachlan Payne, CEO of the Australian Shipowners Association who said in evidence that:

“Shipping performs 28 per cent of the non-urban freight task in tonne kilometre terms, but it is often absent from policy considerations. As I said, we are seeking to take opportunities to introduce shipping into the transport logistics framework discussion. We sought to highlight the patterns of domestic shipping in our submission and to show the importance of long-distance intrastate and interstate freight movements by sea. A key point is that the facilitation of such movements by sea minimises infrastructure costs in such trades.”

- 2.5 Mr Payne made further important points in his submission which again are supported by the MUA. He said:

Shipping “policies and measures should be aimed at ensuring that a commercially sensible, stable and predictable legislative regime is applied to all shipping servicing Australia’s domestic freight task; that legislation applicable to shipping operations and seagoing employment should be consistent with measures—including those relating to treatment of capital and taxation—applicable to other transport modes; and that allocation of freight to a transport mode should be determined by service, cost efficiency and environmental considerations and should not be influenced by a reluctance, because of regulatory uncertainty, to invest in what might otherwise be a more efficient transport mode. Finally, we submit that all transport modes should form a total transport package for Australia and should be the subject of a consolidated transport policy framework, not a framework that tends to concentrate on the land transport modes”.

3. Lack of shipping and maritime policy in Australia

- 3.1 The MUA notes that countries such as the UK, USA, Germany, Greece, Malta, Sri Lanka, India, China, the Netherlands and Brazil have or are in the process of strengthening and/or modernising their shipping and maritime policies aimed at placing their domestic shipping industry on a sound footing to take advantage in the growth in world trade and shipping tonnage, covering all aspects of the shipping task.
- 3.2 Regrettably, Australia does not have a credible shipping or maritime policy, as the Committee will have become aware through written submissions and as explained by a number of witnesses. At a time when container throughput at major Australian ports is growing at 8+% per annum, when bulk commodity exports are at record levels, when freight logistics is one of the most rapidly expanding industry sectors, and where fuel costs and environmental considerations are some of the major challenges facing global leaders in Government and industry, it is a blight on the Australian policy landscape that such little attention is paid to shipping.

4. Abuse of the coasting trade Permit Guidelines issued pursuant to Part VI of the Navigation Act 1912

- 4.1 Of immediate concern to the MUA is that Australia is applying existing maritime legislation (the *Navigation Act 1912*, in particular Part VI) through the *Ministerial Guidelines for Granting Licences and Permits to engage in Australia’s Domestic*

Shipping in a way which directly and deliberately undermines Australian shipping investment and the opportunity for shipping to fairly compete with other transport modes.

- 4.2 The MUA considers that a range of discriminatory commercial behaviour pervades coastal shipping in Australia, which marginalises its position and role in the Australian transport task. This behavior amounts to virtual monopolisation of the coasting trade by foreign operators with no interest in the Australian transport industry whatsoever. And, it is not foreign operators in general, but a few players who are abusing the Ministerial (Permit) Guidelines. We consider that current commercial behaviour could amount to corruption and/or illegality. It is certainly anti-competitive. Regrettably, officers of the Australian Government are complicit in this behaviour. Foreign shipping operators who are granted permits to operate in the coasting trade are not required not comply with Australian commercial, taxation, immigration or industrial law.
- 4.3 It is for these reasons that the MUA has consistently argued that the Australian Competition and Consumer Commission (ACCC) has allowed unfair competition to exist in the Australian coastal shipping industry. In addition to the way in which the permit system is being abused, there are discriminatory taxation and visa laws which further undermine fair competition in the coastal shipping trade.
- 4.4 In relation to visas, a Ministerial Instrument allows seafarers on vessels to which a permit issued under the Navigation Act has been granted to be deemed to have a Special Purpose Visa for the whole of the period for which the permit is granted, which could be up to three months in the case of a Continuing Voyage Permit. This contrasts to other vessels that are not imported (permit vessels are deemed not to be imported) where the Special Purpose Visa lasts for five days. Again, a discriminatory practice which results in unfair competition.
- 4.5 The MUA asserts that the alleged benefits from the use of foreign shipping in the Australian coasting trade, i.e. lower costs to shippers, is not being passed on to consumers at either end of the supply chain. We consider it is more likely that any benefits accrue to the shippers and their agents in the form of profit taking. Furthermore, the use of foreign shipping has negative anti-social effects, one of which is that it results in a gaping hole in Australia's otherwise very strong maritime security regime e.g. the background checks on ships and crews of foreign vessels do not meet the International Ship and Port Facilities Security (ISPS) Code or Maritime Security Identity Card (MSIC) standards which are rigorously applied to Australian ships and crews.
- 4.6 Not only are foreign ships advantaged by the administration of the Permit Guidelines, but the side effect is that Flag of Convenience (FOC) shipping is virtually being invited onto the Australian coastline. This places Australia in breach of its international treaty obligations.
- 4.7 The MUA notes that in a joint statement issued by the Minister for Fisheries, Forestry and Conservation, Senator Ian MacDonald (with the International Transport Workers Federation and WWF International) on 2 November 2005 on the launch of the report, *The Changing Nature of High Seas Fishing: How Flags of Convenience provide cover for illegal, unreported and unregulated (IUU)*

fishing, the Australian Government acknowledged that “the FOC system provides a perfect cover for Illegal, Unreported and Unregulated (IUU) fishing”.

4.8 Minister MacDonald stated at the launch that in Tasmania that:

“Individual nations could simply make the decision not to trade or to impose some other sanction on FOC nations”.

4.9 The Minister also said that:

“If all of the CAMLR states, which contain many of the major countries, do that, it would send a very serious and telling message to the FOC nations that their actions are not being tolerated by the rest of the world.”

4.10 Minister MacDonald’s statement said that:

“Australia will now work to ensure all nations realise the seriousness of the problem and he will seek to have the issue addressed at the next meeting of the High Seas Taskforce which is due to be held in Paris, in March 2006”.

4.11 The MUJA submits that it is now time to apply this unequivocal recognition of the dangers of FOC shipping by the Commonwealth, to the coastal shipping industry. As Minister MacDonald has recognised, FOC shipping acts as a cover under which security, immigration and other potential breaches of Australian law and practice can occur.

4.12 We believe the ACCC should investigate the anti-competitive practices allowed to operate under the administration of the permit system pursuant to Part VI of the *Navigation Act 1912*.

4.13 The extent to which the Permit System has become an entrenched part of the modus operandi of the Australian coastal shipping industry is illustrated by the submission of the Victorian Ports Corporation, where at P2 it describes the Permit System as a Commonwealth “program”. Rather than the availability of permits acting as a system of last resort as intended by the Navigation Act, it now acts, quite improperly in our view as the default system – it is therefore understandable, but wrong that major players in the industry call it a “program”.

4.14 We trust that the Committee makes reference to these issues in its Report to the Parliament.

5. Competition policy

5.1 The MUA does not enter into public debate about the competitive behaviour of individual companies. Our position is that we will deal with any stevedoring and shipping operator in the same professional and objective way that we have always adopted. Our purpose is to ensure that members of the MUA, employees of stevedores and shipping companies/operators, are treated justly and fairly and that outcomes designed to improve “competition” do not adversely impact on employees in businesses under review. Irrespective of the employer, we expect that workplaces are dignified places in which to work, that employment is secure

and that workplaces provide fair remuneration and employment conditions that enable employees to fully participate in both the workplace and the wider society.

- 5.2 Having regard to that position, the MUA is opposed to the application of enforced competition arrangements that result in new market entrants capturing such a small market share or achieving such low returns on investment that they are forced to consider adoption of substandard labour relations arrangements to ensure business viability.
- 5.3 Ensuing labour intensification, where business seeks to put pressure on the variable over which it believes it can manipulate – labour relations - can only lead to insecurity of employment and instability, which are not conducive to healthy and vibrant business competition.
- 5.4 In this context the MUA notes with some concern the submission of Australian International Container Terminals Ltd and the evidence of Mr Richard Setchell, a director of AICT, but who gave evidence as both an AICT director and CEO of Anglo Ports Pty Ltd. The MUA considers that the submission and evidence comprises a raft of unsubstantiated assertions that are not supported by facts. For example:
- What evidence was provided that demonstrates that Australian stevedoring is a non competitive market – what criteria are used to substantiate such an assertion?
 - What evidence was provided to show that a two stevedore port operation is contrary to global practice?
 - What is the basis for the assertion that current arrangements cost port users in excess of \$200M pa?
 - What is the evidence to suggest the Committee should note the current arrangements are detrimental to port efficiency and productivity?
- 5.5 We refer the Committee to four reputable sources which in our view refute the assertions made by Mr Setchell.
- 5.6 First, the Report to the NSW Minister for Infrastructure and Planning and Minister for Natural Resources on the proposed Port Botany expansion undertaken by Kevin Cleland, Deputy Chairperson Commissioners of Inquiry for Environment and Planning of May 2005, which considered in detail the competition issues associated with the proposed Port Botany expansion.
- 5.7 Commissioner Cleland concluded that:

"The evidence before the Commission indicates that various factors are capable of affecting competition (and efficiency) between stevedores at Port Botany. These include:

- *Number of stevedores;*

- Total and relative berth lengths and terminal areas;
- Proportion of container trade of each stevedore;
- Productivity of quay cranes and terminal equipment;
- Number of rail sidings;
- Days and hours of operation;
- Skill of equipment operators and degree of automation; and
- Average size of container exchange.”

5.8 Commissioner Cleland further concluded that:

“The arguments for competition placed before the Commission rely to a significant extent on the basic assumptions that further competition in the form of an additional stevedore would produce greater efficiencies and lower costs in the handling of containers at Port Botany.

However, these submissions supporting a third stevedore do not provide any evidence that introduction of a third operator would in fact benefit the community through improved container logistics and lower costs. A related issue is that the current upgrade at the Patrick terminal in all probability raised the container throughput level at which the benefits of scale are achieved. This makes it more difficult for a third stevedore to establish a viable operation until container throughput rises further. The Commission also considers it particularly significant in relation to competition issues that even with the two current stevedores real term charges for handling containers at Port Botany have reduced by over 30 percent since the early 1990s.

More significant is that evidence to the Commission indicates that by providing additional terminal area and extended quayline, introduction of more efficient higher technology container handling equipment and logistics management systems could be delayed by the existing stevedores. This is because it would be initially less expensive to lease additional terminal area and quayline while using existing or currently proposed equipment.

Moreover, even if additional terminal area and quayline are developed as proposed it is not certain that a third stevedore would be successful in obtaining a lease in the absence of a Government policy in this regard. It could well be that Patrick or P&O Ports, individually or in a joint venture, could obtain the lease for the expanded container terminal area and quayline, thus excluding a third stevedore.

The Commission’s position is that the NSW community would benefit most from the availability of the most efficient long-term container handling, management and logistics systems. These need to be developed for Port Botany to ensure the lowest container handling costs, rather than competition by or of itself. Such an outcome must have due regard to effective competition but this does not need to be tied to a third stevedore, especially in the absence of any strategy to specifically exclude either or both of the existing stevedores from obtaining the lease to the expanded area.

In addition, while the existing stevedores would prefer greater terminal area and additional quayline as would be provided by the SPC proposal this could result in a lower technology Port in the medium term. SPC has not convinced the Commission that a lower technology Port would actually result in lower container handling costs for Port

Botany once the cost of providing the additional terminal area and quayline is fully costed to include externalities.

Nevertheless, the evidence before the Commission provides strong reasons for effective competition between stevedores, whether there are two or three, to be a serious consideration in the expansion of container facilities at Port Botany, but it must be considered along with other important factors."

5.9 Second, the CEO of Melbourne Ports Corporation Mr Stephen Bradford publicly refuted the evidence of Mr Setchell presented to the Committee on 21 November 2005 in a letter to the editor of the Daily Commercial News (of 1 December 2005). In that letter Mr Bradford described Mr Setchell's evidence as "*fanciful and far fetched*". Mr Bradford said that Mr Setchell's conspiratorial views suggesting that "political machinery" involving stevedores and Government, conspired to work against him is fanciful in the extreme. He noted that Melbourne Ports Corporation regularly receives proposals which it sensibly considers and assesses on the basis of what it believes to be in the best interests of the port. He advised readers that Mr Setchell approached the Port and preliminary discussions were held – "*However, Mr Setchell's proposal was not unique*".

5.10 Mr Bradford went on to say that:

"The Port, consistent with the Government's Victorian Ports Strategic Framework, is developing Swanson Dock as the key international container terminal to meet the needs of future trade growth.

This precinct will mesh with the emerging Dynon Rail precinct to form part of the Melbourne Port@I vision, Australia's leading transport hub.

We believe continued capital investment in Swanson Dock provides the best outcome for the users of the port in the short to medium term.

However, as Swanson Dock moves towards its eventual capacity or if there is a performance issue with the leaseholders at those berths, the Port has good options for additional container terminal capacity.

In any event, any proposal of the likes of that put by Mr Setchell, would necessarily be the subject of an open public process."

5.11 Third, the evidence to the Committee of Mr Tim Blood, CEO of P&O Ports, who said in response to questions about the duopoly issue that:

"...you need to create a collaborative atmosphere within a port. One of our frustrations is that we are constantly subject to criticism because we are part of a duopoly. There are some that do not like the duopoly. The ACCC has just put out a report that is very negative about the duopoly, and in our view very unfairly so. If we are going to deal with these issues (he was referring to freight movement efficiencies) in a manner that is acceptable to the whole community, it is sensible and wise to have a level of collaboration. Yet, increasingly, we feel that any collaboration between stevedores is going to be viewed by the ACCC and others as a very bad and negative thing."

5.12 He further said that:

"We are mightily concerned about this (addressing the land side issues in major ports like Sydney), because there is this fundamental contradiction between those that are determined to pursue additional competition and those that want to see community issues, like trucks going past their doors, dealt with. I suggest to you that it is not necessarily in the interests of the community as a whole to ignore the benefits of scale that the duopoly has delivered over the past 10 years through lower prices and better services."

5.13 On the issue of stevedoring competition per se, Mr Blood reminded the Committee that:

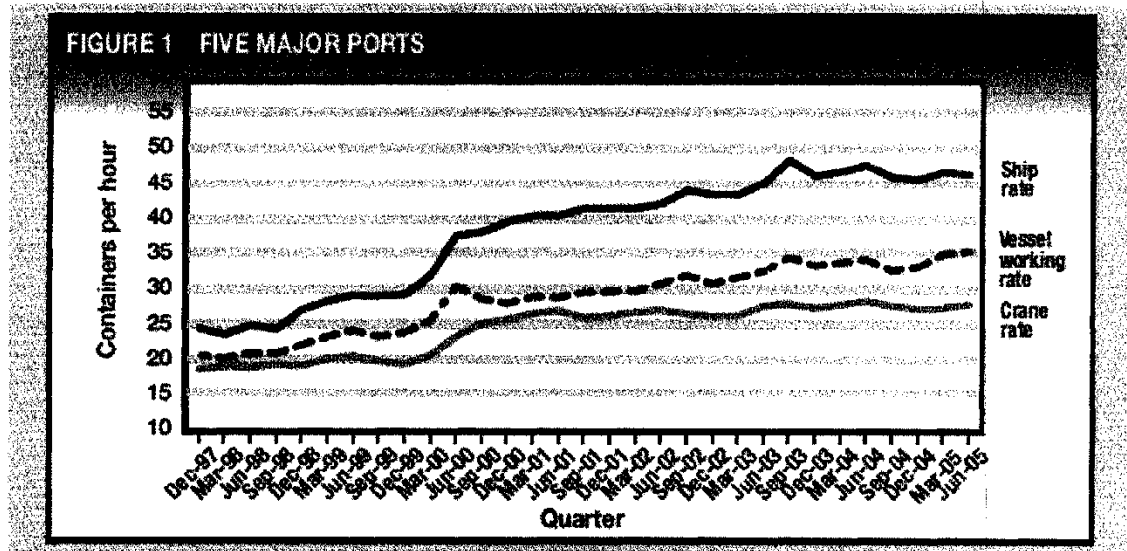
"There were five stevedores in Australia in the late eighties, early nineties. The performance was atrocious. Investment had long since ceased. Equipment was decrepit. The port corporations themselves, with a degree of intervention, effectively forced a rationalisation, down to two stevedores. Here we are 10 years later: ship rates have done that; tariffs have done that. We should be heralding this as a great success story, but instead we are subject to carping criticism. That is the current atmosphere."

5.14 Fourth, we draw the Committee's attention to a publication produced by the Bureau of Transport and Regional Economics within the Department of Transport and Regional Services called *Waterline*, produced biannually. *Waterline* reports on stevedoring productivity and efficiency. The September 2005 issue shows that:

- the five-port average crane rate (average productivity per crane while the ship is worked) was 27.5 in the September quarter 2004, 27.1 in the December quarter 2004, 27.2 in the March quarter 2005, and 27.7 containers per hour for the June quarter 2005;
- the five port total of container moves through reporting terminals decreased from 744 032 in the March quarter 2005 to 743 597 moves in the June quarter 2005, a decrease of 9 per cent below the December 2004 record of 819 744 containers; however in comparison to the June quarter 2004 container moves were up 0.9 per cent in the June quarter 2005; and
- the five-port average vessel working rate (productivity per ship based on the time labour is aboard the ship) was 32.6 in the September quarter 2004, 33.1 in the December quarter 2004, 34.9 in the March quarter 2005, and 35.3 containers per hour in the June quarter 2005, which was 3.6 per cent higher than the rate of 34.1 achieved in the June quarter 2004.

5.15 Figure 1 from the September 2005 issue of *Waterline* (reproduced below) shows that contrary to Mr Setchell's evidence, stevedoring productivity, on all three major measures in Australia's major ports, has improved over the past eight years.

Figure 1: Five port productivity 1997 to 2005



Source: BTRE, *Waterline*, September 2005

Part B – Addressing the Inquiry’s terms of reference

6. Introduction to Part B

6.1 Term of reference 3: Policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:

- land transport access to ports;
- capacity and operation of major ports;
- movement of bulk export commodities, such as grain and coal;
- the role of intermodal freight hubs in regional areas;
- opportunities to achieve greater efficiency in the use of existing infrastructure; and
- possible advantages from the use of intelligent tracking technology;

7. Harmonisation of hours of work

7.1 The MUA notes that a number of submissions to the Committee have raised concerns about the harmonisation of hours worked across the various sectors which interface with ports.

7.2 The MUA advises the Committee that industrial awards and agreements to which the MUA is a party already contain flexible working hours provisions that enable stevedores to operate a 7 day a week 24 hour a day operation as required.

7.3 We note the evidence of Mr Tim Blood of P&O Ports which indicated that the major hours of operation dysfunction occurs in the trucking interface with ports,

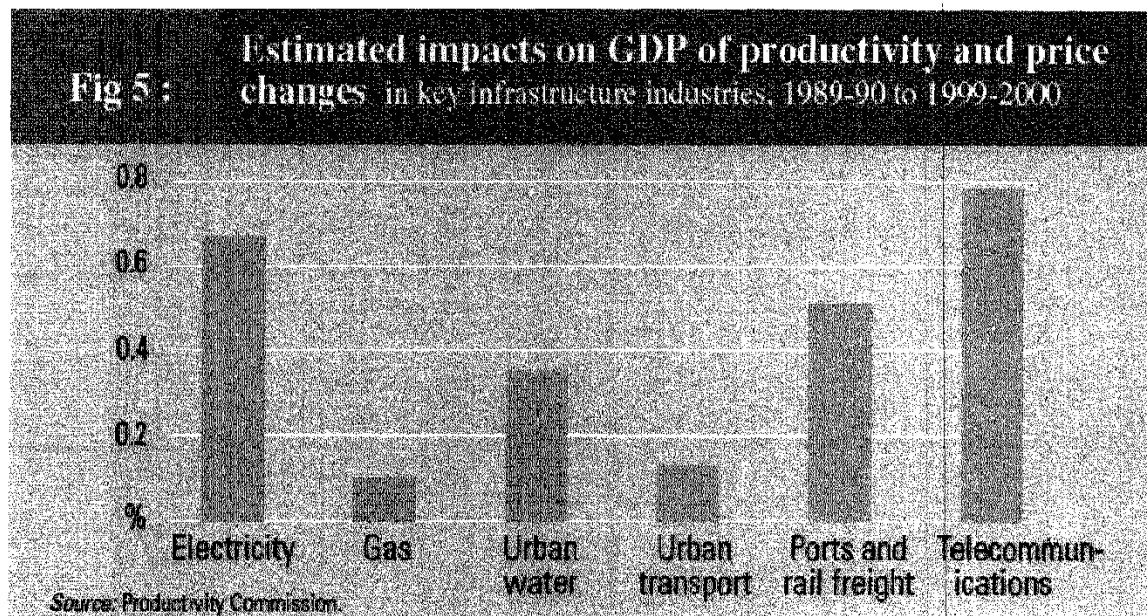
where there is an apparent reluctance on the part of trucking companies to utilise the full span of hours available to deliver and collect containers.

8. Port productivity

- 8.1 There can be no doubt that one section of the Australian workforce has been the subject of intense Government and media scrutiny over the past decade – that is the stevedoring or waterfront workforce. The issue that seems to be most debated is waterfront efficiency or waterfront productivity.
- 8.2 The MUA has no problem with that. We think that efficiency and productivity are issues that should be subject to debate and analysis, whether it be the waterfront, long distance road transport drivers, public servants in regulatory agencies or corporate chief executives.
- 8.3 We have no fear in discussing these important issues, or in having the issue publicly scrutinised. Further, as a maritime union we have no fear about committing to productivity improvement as we have done in recent EBAs.
- 8.4 What we do have a problem with is decision making based on ignorance – particularly from people and organisations who should know better. We have therefore provided the Committee with some background material on stevedoring productivity, to help inform the debate.
- 8.5 We think it important that there be an understanding of what is meant by waterfront productivity and how we should measure it - and importantly for the MUA, what is the labour contribution to productivity and how should we measure it. That then leads logically to the next question - how might it be improved where a conclusion is reached that there is a case for improved productivity or improved efficiency.
- 8.6 The International Labour Organisation (ILO) defines 'productivity' as "*the ratio between output and the total input of factors required to achieve it*". In this sense, the ILO sees productivity as being "*the end result of a complex social process including: science, research and development, education, technology, management, production facilities, workers' and labour organisations*".
- 8.7 Most analyses seeking to measure productivity confine themselves to a partial, or single factor, measure, as opposed to total factor (or multifactor) productivity – for legitimate reasons – because such measures of productivity are simpler and often more meaningful to the practitioner.
- 8.8 Single factor measures of productivity are expressed as a ratio between a given measure of output and a given measure of one factor of production such as labour, capital, raw materials, etc. It follows then, that there are many measures of productivity each of which relates to a particular factor of production.
- 8.9 Thus it is possible to speak of the productivity of labour, productivity of capital, productivity of raw materials and so on. Such measures reflect the growth in output not accounted for by the growth in that particular factor of production.

- 8.10 Thus, the ratio of output to hours worked - often referred to as a measure of labour productivity - reflects the growth in output attributable to all factors of production other than hours worked. That is, for fixed hours worked, say each hour, what is the output and what are the changes in output per hour over time?
- 8.11 Commentators, and even so called academic or Government analysts often fail to define or explain productivity before giving detailed dissertations about it, particularly when referring to waterfront productivity.
- 8.12 However, even when addressing labour productivity (which we define as the ratio of output to labour input), the figures must be read with some care; because part of a rise in labour productivity may in part be due to 'capital deepening' (an increase in the ratio of capital to labour). And in explaining labour productivity we need to be cognisant of technological advances or lack thereof, as well as improvements in the quality of labour, or to management practices and work arrangements, all of which can influence labour productivity.
- 8.13 The Prime Minister's Exports and Infrastructure Taskforce Report entitled *Australia's Export Infrastructure: a report to the Prime Minister* of May 2005 noted the significant contribution which productivity (that is, multi-factor productivity) and price changes in the ports and rail freight sector of Australian infrastructure has made to Gross Domestic Product (GDP). The figure for 1989-90 to 1999-00 shows a GDP contribution by the sector of 0.5%, third behind communications (0.8%) and electricity (0.65%) (see Figure 5 from that report, reproduced as Figure 2 of this submission).
- 8.14 The Taskforce made the point that the productivity of infrastructure assets is significantly affected by the extent to which investment in the infrastructure itself is consistent and coordinated with investment decisions being made by users. This highlights the fact that labour productivity is invariably constrained by the investment decisions of not only the employer (or manager of the capital assets), but also the employer's customers. For example, the quality of road and rail infrastructure can affect stevedoring productivity, a key point made in a number of submissions and in evidence to the Committee.

Figure 2: Impact on GDP of Productivity and Price Changes in Key Infrastructure



Source: Department of Prime Minister and Cabinet, Prime Minister's Exports and Infrastructure Taskforce Report *Australia's Export Infrastructure: a report to the Prime Minister* May 2005

8.15 Taking a look at aggregate labour productivity for the industry as a whole, that is, Transport and Storage, the average over a 10 year period to 2002-03 is an impressive 3.1% compared to the all industry average of 1.9% over the same period. At 3.1% average annual growth, Transport and Storage is the fifth best performing industry sector of the 13 ANZSIC industry sectors in Australia over those ten years. This is illustrated in Table 1.

8.16

Table 1: Labour Productivity (a), Average Annual Growth Rate - 1992-93 to 2002-2003

Industry(b)	%
Agriculture, forestry and fishing	1.7
Mining	3.0
Manufacturing	2.8
Electricity, gas and water supply	3.3
Construction	1.8
Wholesale trade	4.7
Retail trade	1.9
Accommodation, cafes and restaurants	1.3
Transport and storage	3.1
Communication services	4.1
Finance and insurance	3.2
Health and community services	1.2
Cultural and recreational services	-1.2

(a) Gross product per hour worked. (b) Estimates are not available for Property and business services,
Government Administration and Defence, Education, and Personal and other services

Source: Australian System of National Accounts.¹ Obtained from ABS Measuring Australia's Economy

8.16 Interestingly, if we look at the relative contribution of labour and capital productivity in the market sector over the whole economy over an eight year period from 1993-4 to 2001-02 we find that labour productivity has outperformed capital productivity quite significantly and has been the greatest contributor to multi-factor productivity improvement in the Australian economy, described as GDP per hour worked. This is shown in Figure 3.

8.17 This may come as a surprise to some who, if they read the daily press, might have thought that labour productivity was lagging, holding back the economy, requiring some cathartic shift in the balance of power in the workplace to achieve better labour productivity performance.

8.18 The national productivity data to which this submission refers is derived from the Australian Bureau of Statistics (ABS). The ABS provides the following commentary:

"The average annual growth rate between the latest two 'growth cycle' peaks in 1993-94 and 1998-99 was 1.8% for multifactor productivity, 3.2% for labour productivity and - 0.1% for capital productivity. The growth rate for multifactor productivity over the latest cycle is higher than for any preceding cycle since multifactor productivity was first measured in 1964-65."

8.19 That is an important set of statistics. Labour productivity is by far the greatest contributor to Australia's productivity growth. We trust the Committee will reflect on those numbers in producing its recommendations.

Figure 3: ABS Productivity Indexes – Market Sector By Factor

PRODUCTIVITY INDEXES, Market Sector (2000--01 = 100.0)

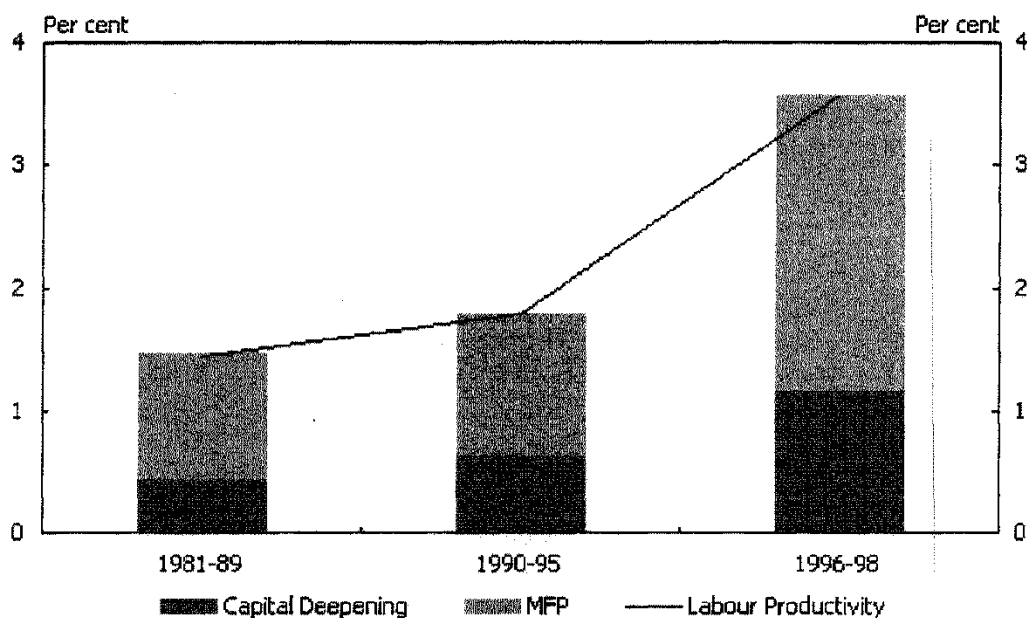


Source: AUSTRALIAN SYSTEM OF NATIONAL ACCOUNTS (S204.0).

Source: ABS *Measuring Australia's Economy* Production and Industry Productivity

8.20 The relative decline in capital deepening in the late 1990s as labour productivity has surged indicates that capital investment has not kept pace with labour reforms and that a larger part of labour productivity can be explained by improvements in skill, flexibility and the way in which labour and capital have combined. We argue that labour reforms which the MUA has supported through the EBA process over the past 7 years (since the 1998 waterfront dispute) have been a direct contributor to this productivity improvement.

Figure 4: Decomposition of Australian Annual Labour Productivity Growth

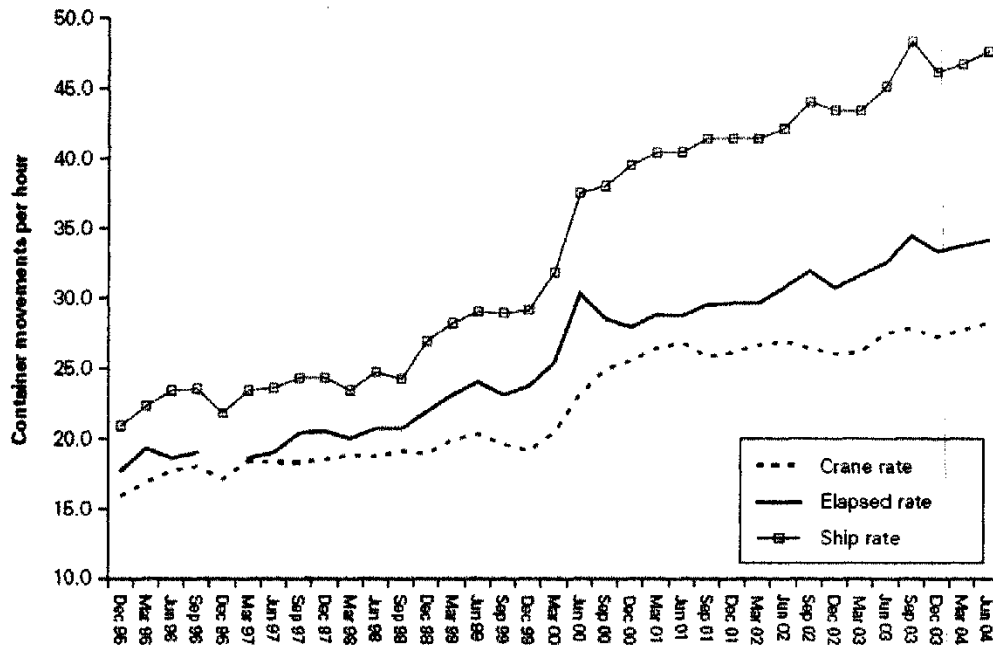


Source: Treasury, Budget 2001-02 *Statement 4: A More Productive Australia - Policy and Technology*

8.21 Looking more closely at stevedoring, the data shows the same tendencies - that is - improving levels of productivity, including labour productivity. For example, the crane rate (measured as container movements per hour), which is widely recognised as a headline measure of productivity in stevedoring, has continued to improve, particularly since 2000.

8.22 The latest issue of *Waterline* (No. 39 of September 2005) indicates that the 5 port average crane rate measured as container movements per hour was 27.7 in the June 2005 quarter, just below the best quarterly crane rate achieved over the past 10 years - being a crane rate of 28.2 achieved in the June 2004 quarter. Adelaide reached a new high of 30.4 container lifts per hour which far exceeds the Government's benchmarks set during the Patrick's Dispute of 25 containers per hour.

Figure 5: Productivity Indicators, Containers/Hour—Five-Port Average 1992–2004



Source: BTRE, *Waterline*, October 2004. Averages for ports of Brisbane, Sydney, Melbourne, Adelaide and Fremantle (reported in ACCC *Container stevedoring – Monitoring Report No 6* November 2004)

Definitions

Crane Rate = The total Containers Handled (the total number of containers lifted on/off fully cellular ships) divided by the Elapsed Crane Time (the total allocated crane hours, assuming that the vessel is ready for working; less operational and non operational delays) = labour productivity

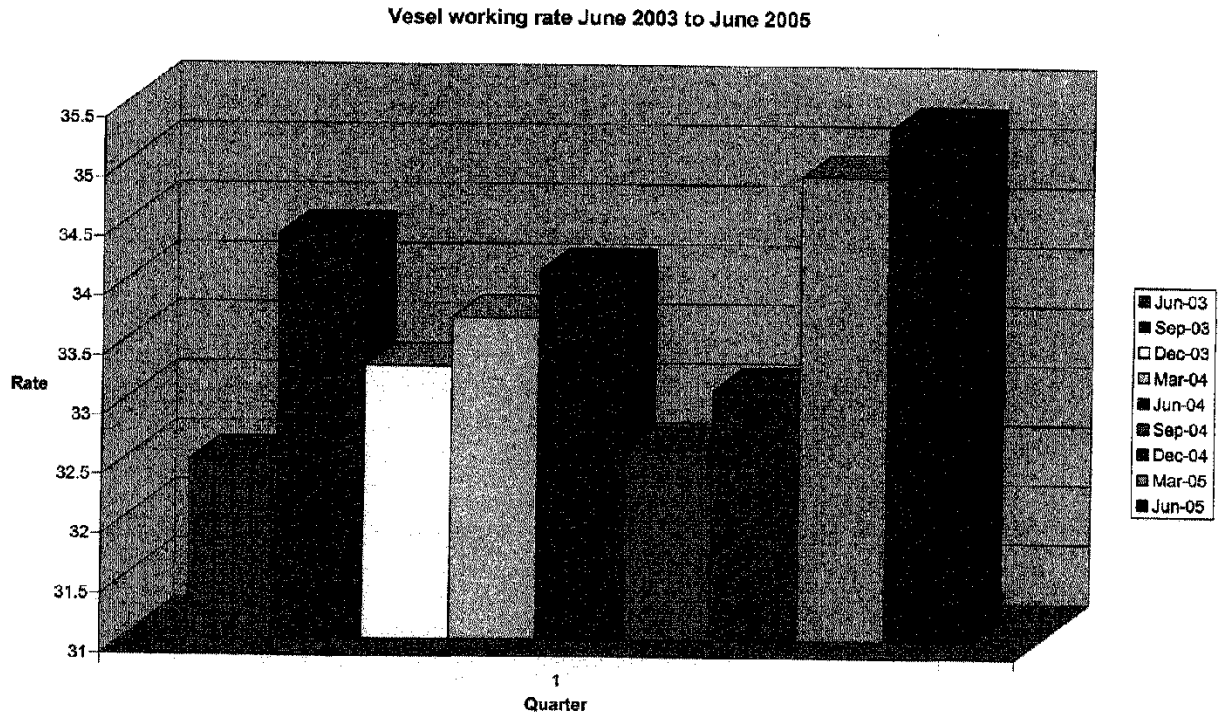
Elapsed rate = The elapsed labour rate, defined as productivity per ship, based on the time labour is aboard the ship

Ship rate = Crane Rate multiplied by Crane Intensity (Crane Intensity is the total number of allocated crane hours, divided by the elapsed time from labour first boarding the ship and labour last leaving the ship, less delays) = productivity per ship while the ship is worked.

Vessel working rate = Productivity per ship based on the time labour is aboard the ship.

8.23 Another important productivity measure is the vessel working rate, which has increased from 32.5 in June 2003, to 34.1 in June 2004 to 35.3 in June 2005. The vessel working rate is a ship productivity measure. The Committee will note that Mr Blood of P&O Ports rated this as the most important measure of stevedoring productivity. This measure is represented in Figure 6.

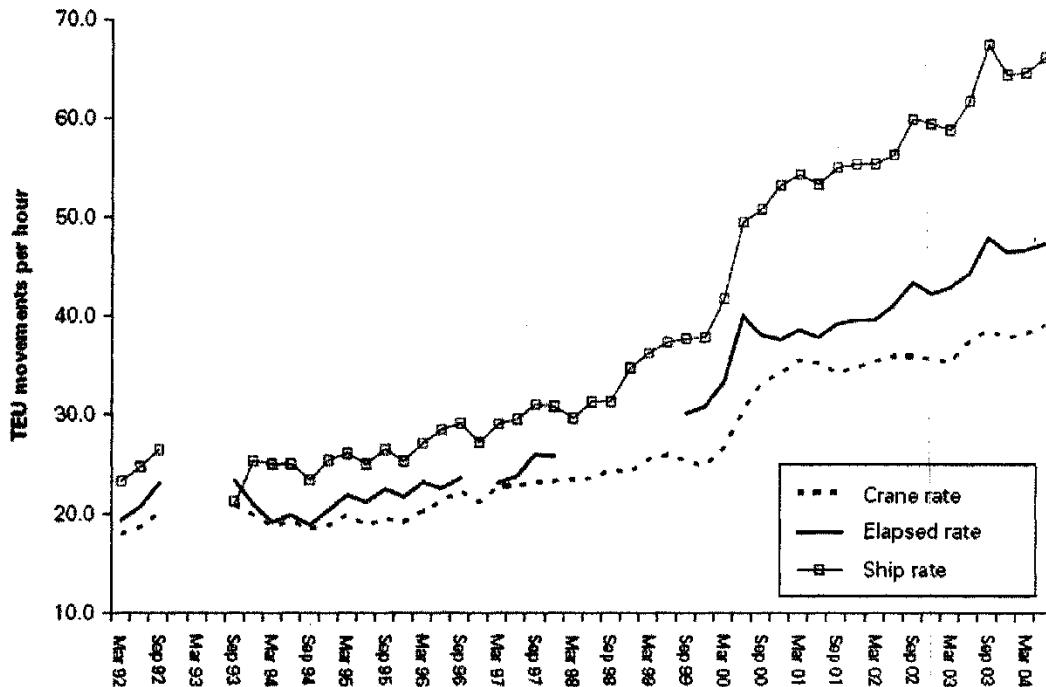
Figure 6: Vessel Working Rate



Source: BTRE *Waterline* No. 39 September 2005

8.27 Another productivity measure, the movement of TEUs per hour (a TEU being 40 foot containers X 2 plus all 20 foot containers i.e. converting all containers lifted to a 20 foot equivalent) has been trending upwards, from under 20 per hour in 1992 to close to 40 per hour in March 2004. This measure is extremely important because it shows that as more 40 foot containers enter the container mix, the volume and weight of goods moved per hour, even if the crane rate per hour remains static, is dramatically increasing. This is shown in Figure 7.

Figure 7: Productivity Indicators, TEUS/Hour—Five-Port Average 1992–2004



Source: BTRE, *Waterline*, October 2004. Averages for ports of Brisbane, Sydney, Melbourne, Adelaide and Fremantle (reported in ACCC *Container stevedoring – Monitoring Report No 6* November 2004)

8.28 Mr Blood, in his evidence of 21 November 2005 (PP29, 30), said that:

“It (productivity) has improved very significantly. As I said earlier, the actual working productivity of the cranes is commendable by any standards. As well as that, you can count on one hand the number of industrial disputes we have had. We had a dispute the other day, of course, when people downed tools to go to that march (ACTU Rights at Work Rally 15 November 2005), but otherwise I struggle to remember when there was last an unlawful stoppage. It is a very different climate, and in the new arrangements we have achieved attractive flexibilities relative to many ports around the world.

As I said, we operate in 19 countries, and compared to the United States, Japan and even the UK, I can tell you that the flexibilities that we have with our work force and the productivity that we are achieving is very commendable. Australia is no longer regarded as the basket case. We are seen to be a reliable provider of port services, which is of great benefit to Australia.”

8.29 As the Committee will be aware, the Australian Competition and Consumer Commission’s (ACCC) is required to report annually on stevedoring costs. It produces an annual report entitled the *Container Stevedoring Monitoring Report*. In its seventh report of November 2005 the ACCC reports that:

“Unlike the previous 12 months when unit costs rose because higher labour costs more

than offset falls in other important cost categories, in 2004–05 higher equipment costs also contributed to higher unit costs. Also, the industry's asset base expanded in 2004–05 and new investment is beginning to take place. It is understood that some new investment is in additional capacity and this may give rise to improved productivity and lower unit costs in future monitoring periods.”

8.30 We think this observation of the ACCC is significant because, while it is true that the stevedoring operators have been making good returns on assets, that has been necessary to prepare for the next phase of stevedoring investment or capital deepening, which if well managed by the stevedores, will undoubtedly result in the next spurt of productivity improvement.

9. Industrial relations developments

9.1 The MUA has devoted considerable resources in working with stevedoring employers to negotiate high quality collective bargaining outcomes, designed, among other things, to provide the framework by which the stevedores can have confidence in investing to achieve productivity improvement and business efficiencies.

9.2 Some of the important provisions contained in a typical MUA stevedoring EBA, which establishes the ground rules for productive workplace relations, and which are aimed at continuous improvement in labour productivity and port efficiency include a commitment:

- To the ongoing modernisation of the waterfront, and acceptance of the need for continuous change;
- To a safe, competitive, efficient, multi-purpose, stevedoring operation, which satisfies the service requirements of customers and continues to excel in productivity, flexibility, communication and commitment;
- To encourage and support a skilled work force, where participation and development of employees shall be for the mutual betterment of the individual and the enterprise;
- To work organisation aimed at maximising the flexibility of the workforce, and to enable employees to work to the limits of their skills and capabilities;
- To the business needs of the enterprise so this takes priority, and that work shall continue at all times in a safe manner and in accordance with the avoidance of disputes procedure;
- To share information on a range of operational, industrial, personnel and organisational matters;
- To focus on the objective of providing even higher service levels to enhance international competitiveness so that ship operators, importers and exporters can continue to enjoy satisfactory efficiency levels; and

- To performance targets, in things like injury rate, crane productivity, equipment availability factors, and truck servicing time.
- 9.3 These flexibilities are reaping rewards, not just for the stevedores as employers but for the community as a whole. Mr Blood, at P36 of his evidence noted that:
- “The cost of labour to lift on and off relative to the transport cost, I suggest, is probably getting less.”*
- 9.4 In other words, there are many cost elements in the freight chain that can be the focus in seeking to obtain efficiencies, and labour costs should not be regarded at the place to take a cheap shot.
- 9.5 One of the new initiatives to which the MUIA has devoted considerable resources is a modern and comprehensive drug and alcohol policy for negotiation, and hopefully inclusion, in future EBAs. The aim of the policy is to provide a fair but rigorous set of procedures that can be applied consistently across all employers ensuring both employee protection and workplace efficiency.
- 9.6 We have developed the policy because we felt it was an area of weakness and is an area where different standards were emerging. We wanted to ensure that we could advise employees and managers of practices that supported their respective duty of care, in an area that can easily become adversarial. We are not shying away from comprehensive long term and sustainable solutions in every area of workforce relations.
- 9.7 We remain confident that the enterprise bargaining model we have adopted for the stevedoring sector provides the pre-conditions for the provision of a highly flexible and adaptable workforce that will continue to deliver labour productivity improvements.
- 9.8 One key objective during recent bargaining rounds has been to achieve greater permanency of labour, or put another way, to reduce the level of casualisation that had crept up over recent years. There was understandably some anxiety among employers when we first entered discussions on this issue, as employers believed it would reduce workforce flexibility and so provide rigidities in their cost structure.
- 9.9 The interesting observation is that as we began to focus on the cost impact of a more permanent workforce or of reducing casualisation, it became apparent to the employers that it is far more cost effective to place a heavier reliance on a permanent workforce. The reason is simple – the costs of maintaining a large casual workforce, of rostering a large casual workforce, of training a large casual workforce and of retaining a large casual workforce - to be available when required and to have the level of skill required - is an expensive exercise.
- 9.10 The ACCC noted in its 6th Stevedoring Monitoring Report that the use of overtime and casual labour is a costly option – presumably it meant more costly than the use of permanent labour under standard working conditions.

- 9.11 The net result of the focus on permanency is that the MUA and stevedoring employers across the country have agreed to the replacement of costly casual or supplementary labour with a Guaranteed Wage Employee (GWE) or Variable Salaried Employee (VSE), a type of permanent part-time position whereby there is a guaranteed minimum wage aimed at retaining the employee and retaining their availability when required by the employer. This development has complimented the use of full time salaried and rostered employees and greatly assisted in skills development and retention in an industry critically reliant on them.
- 9.12 One of the very significant consequences of the decision to reduce casualisation is that the industry will retain the investment in training that it has made. The leakage of large numbers of casual employees in whom the employers had invested significant training dollars was becoming an intolerable cost burden on the industry.
- 9.13 We consider that those of us responsible for representing and managing labour are just as entitled as those managing capital to utilise the best available forecasts of demand to make long term decisions on labour utilisation. This is what we have done.
- 9.14 The dilemma that has faced casual or supplementary labour is that as employees, they generally require two or more employers to achieve a living wage, and without the regularity of work, or a guaranteed minima, are invariably unavailable on the occasions when one or other of their employers require them. This is an inefficient use of labour.
- 9.15 As we have submitted, the employer has no control over the outcome of an investment in training and skilling of casual employees who must remain mobile to make ends meet. This is one of the costly downsides of an industrial relations environment founded on job insecurity and/or income insecurity.
- 9.16 For all these reasons the employers agreed that the GWE or Variable Salaried Employee is a good business solution and it has been widely accepted.
- 9.17 We note the submission of the South Australian Government which said at P7 of its submission that the *“Port Adelaide Container Terminal has a long history of excellent performance based on a solid industrial relations performance.”*
- 9.18 We also note the evidence of the CEO of Melbourne Ports Corporation, when commenting on the ability of the port to cope with the significant throughput increases that have been a feature of Australian ports over the last 3 years. He said that *“the stevedores have performed”*. This can be largely attributed to the quality of the workforce and the quality of the industrial relations arrangements under which that workforce is engaged.

10. Meeting future port capacity requirements

- 10.1 The MUA advises the Committee that it is committed to work in cooperation with government, industry, community organisations and other unions to ensure the

capacity of Australian ports develops in an orderly and strategic fashion to meet Australia's current and future import and export requirements.

- 10.2 In return the MUA anticipates that governments, employers, port authorities and stevedoring operators will work closely with the MUA to ensure that workforce issues remain a priority consideration in improving Australia's port infrastructure and port capacity.
- 10.3 The MUA considers that an orderly and strategic approach to increasing port capacity must be based on:
- Maintaining stability of Australia's import and export capability, requiring the involvement of reputable investors and corporate managers who have a strong track record in port operations and who can be relied upon to make a long term commitment to this key national infrastructure;
 - The key stakeholders in port operations continuing to work together to improve labour and overall port productivity through collaboration and collective approaches to issue resolution;
 - The involvement of stevedoring operators who have a demonstrated commitment to improving port and maritime security given the large national effort already made in this area; and
 - The need to ensure that workforce development and workforce capability keeps pace with technological developments and that strong and productive labour relations that are a characteristic of Australian port operations over the last decade are not fractured, but are genuinely strengthened.
- 10.4 We note with considerable interest developments in the port sector in some other nations, whereby Governments are taking a lead role in consolidation and aggregation of their port operations aimed at improving their nation's capability to operate in a globally competitive stevedoring and logistics marketplace.
- 10.5 The recent developments in Dubai are a classic example, where that nation is consolidating its port operations to better position itself in the emerging global hub and spokes trade flows. That consolidation decision is now reflected in its bid for P&Os global operations.
- 10.6 Regrettably, the obsession with competition which has pervaded recent stevedoring debate, particularly the one size fits all model approach to competition, seems to be pushing towards disaggregation of capital and towards a weakening of Australia's position in the global logistics marketplace.
- 10.7 There is no reason why Australia could not be developing two or three of its key ports as lower order hubs for surrounding nations such as New Zealand, the Pacific, Papua New Guinea and Timor Leste. This would require a strengthening of port operators' market power in the global logistics chain, rather than the current direction which will only weaken Australia's role in international shipping and in the logistics chain.

- 10.8 We are concerned that decision making is too parochial and is contrary to the national interest. And downstream, it is yet another impediment to investment in an Australian shipping industry.
- 10.9 Ultimately of course this promotes the only realistic and incontrovertible conclusion shared by the rest of the world. That is, that Australia is and will always be both a shipper and a shipping nation. Managing our coastline, ports and domestic and international infrastructure requires skills, commitment and determination by all stakeholders.