



## **Submission to House of Representatives Transport and Regional Services Committee**

### **The Interaction of Australian Regional Road and Rail Networks and their Connectivity to Ports**

#### **1. Introduction.**

The Association of Australian Ports and Marine Authorities is the peak body representing the interests of Australia's government owned and privately owned ports and state marine authorities.

Over 99% of Australia's import and export trade by volume moves through Australia's ports. The ports are part of the overall transport and logistics chain as the interface between land and sea transport.

Australia's ports are mainly owned by state/territory governments and are subject to regulation by those state and territory governments. There are also several privately owned ports.

The state/territory owned ports are structured as state owned corporations or as commercialized operations. They have boards of directors reporting back to state government shareholder ministers. Their funding is made available from state governments and in many cases, some element of retained earnings. They are not allowed to borrow on the open market except through government and any funding is often linked to state/territory budgetary constraints.

Many of the service providers within ports such as container terminals, bulk product terminals, harbour towage etc are private operations, as the port corporations/authorities generally operate through a strategic port manager or landlord model. There is therefore already an element of public private partnership arrangements in the operating structure of ports.

## **2. Issues relating to the connectivity between road and rail networks to ports.**

As mentioned in section 1, ports as well as the road and rail connections to them are all as equally important in the overall transport chain for both exports and imports.

Unfortunately, until recently there has been a focus on individual modes of transport with little attention being given to the need for looking at the overall transport corridor and how best it can be made to serve the interests of trade and transport. The development of AusLink has generated a welcome approach to consideration of corridors rather than individual modes, as well as the connectivity to ports.

There is, however, at both Australian and state/territory government levels, a lack of a 'whole of government' approach aimed at addressing port and transport chain growth and expansion needs. We consider that a 'whole of government' approach is essential when considered in terms of the importance to the national, state and regional economies of trade flows as well as the economic impacts from such trade flows at individual corridor component levels.

The lack of a 'whole of government' approach to the transport chain is demonstrated through a compartmentalized approach to ports and land corridors with land use planning and environmental issues often at odds with port expansion needs and also the needs of land transport corridors. Environmental concerns and requirements are mainly considered as ends in their own right without any broader consideration of the economic and social impacts of environmental restrictions. Treasuries often show a greater concern with maintaining budget surpluses and state credit ratings rather than addressing in a timely and forward looking manner port capital expenditure requirements and approvals in relation to overall state and regional economic growth expectations.

It is recognized that there are many and varied interests that need to be considered in port and transport chain developments. Equally, medium/longer term overall benefits for a state or region can be far greater than environmental compromises, funding availability issues, land planning mechanisms (or the lack of them) relating to ports and transport corridors.

It is considered that there should be a process whereby high priority projects which reflect and enhance economic growth within a state or region should be given a specific status, so that there can be a workable 'whole of government' streamlined approvals mechanism applied to them. This would allow a more strategically and objectively created balanced approach to such projects, rather than the current subjective and compartmentalised approach. We consider that this needs to be adopted at both Australian and state/territory government levels and through states, to incorporate local governments.

### **3. The application of regulatory policy.**

In general, there is a lack of objective land use planning covering the short, medium and long term needs of freight transport requirements. There is a conflict between urban developments and port expansion. There is little recognition of the need for adequate environmental buffer zones around port activities and transport corridors. Often buffer zones can be adaptively developed to bridge the gap between port operations and transport corridors and urban (residential) development. Crown land should be specifically zoned or made available where appropriate for freight transport needs using a long term approach. It is not reasonable to withhold making decisions in relation to land use until the demand is proven for the specific need, as much of this infrastructure is required over a long term and the level of demand cannot be quantified to the extent that some regulatory agencies require in the short term. The absence of such decisions may allow such land to be given to other purposes, which may not be compatible with transport use, or even deny future essential transport use.

The effects of urbanisation on capital city and many regional ports is well documented and is having a severe effect on essential port and transport chain expansion plans. Urbanisation, tourism and ports can live and work together if there is long term land use planning at state and local government level.

There are often unnecessary delays in the approvals process through government regulatory agencies particularly relating to environmental issues and especially dredging and dredged material disposals. These delays often delay the commencement of capital and maintenance projects unreasonably and can potentially disrupt dredging projects once they are under way.

There appears to be a lack of coordination in setting standards and requirements between and within the Australian government and states relating to dredging and dredge material disposal approvals and new issues continue to be raised each time there is an application from a port, often with little linkage, if any, back to current or previous applications from a range of ports. There appears no agreed mechanism in Australia covering the Australian government and its agencies and states/territories that gives confidence that there will be a proactive and balanced approach to dredging environmental concerns, so that the approvals process can be made more efficient and effective.

Furthermore, the interaction between the Australian government and the states/territories in the dredging and disposals process raises the environmental bar every time there is an application which leads to continually increasing costs and greater operational inefficiencies, often with little overall benefit other than research opportunities.

We have mentioned some of the particular difficulties ports face in relation to dredging and disposals issues as it is possible that similar issues occur in the upgrading, expansion, extension of roads, rail systems and freight terminals.

Environmental approvals are often given for a defined period of time. These relatively short windows are often not accommodated within the longer lead times required for the development of port infrastructure projects. The need to reapply for environmental permits impedes the progressive and flexible development of such projects particularly when the environmental processes and outcomes required continually change over relatively short periods of time.

There needs to be a recognition and a reflection in approvals in environmental approvals processes that ports and other parts of the transport chain are long term businesses with long term infrastructure needs and that much of the infrastructure that is put in place may only be used at a low level whilst the particular trade growth develops over time.

#### **4. Infrastructure lead times and funding.**

Port infrastructure is necessarily “lumpy” with long lead times and the largest capital components quite often cannot be developed progressively to meet demand. Economies of scale are of significance and so investments are necessarily large in dollar terms. This is probably also the situation with many rail, road and terminal developments.

Trade, and especially trade in commodities, is always volatile unlike, perhaps, infrastructure such as water and electricity and therefore all government approvals processes need to understand and reflect this. There has to be a recognition of, and balance achieved in the approvals process involving government, infrastructure providers, ports and the transport industry between market expectations and actual market demand at any one time, because of the long lead time in increasing the amount of infrastructure required to meet a prolonged or permanent increase in demand.

Ports, the transport industry and infrastructure providers need some certainty from government that funding will be available when needed, as well as a regulatory approvals process that will allow a timely yet flexible approach to capital construction work in order that major infrastructure requirement is able to meet market needs in a timely manner.

There is frequently discussion on private/public partnerships and other means of privatizing infrastructure. Whilst this may be a sound objective in some cases, the fundamental issues relating to regulatory approvals processes, the need for certainty etc may not disappear through privatization.

We are attaching a submission made by us to a past enquiry into Privatization of Regional Infrastructure and Government Business Enterprises by the House of Representatives Standing Committee on Transport and Regional Services in relation to privatization which remains relevant today, as we see that the issue of privatization will inevitably be raised in your discussions and deliberations.

## **5. Summary.**

There is a need for genuine, 'whole of government', long term planning for freight transport especially on the landside which includes port areas.

Sound environmental outcomes are accepted but these must be realistic, proactively managed in association with industry and the overall outcomes sought, and coordinated between governments and agencies and not continually changed.

The need for certainty to enable effective planning, funding from the private sector, implementation and the ability to maintain our economic growth at national, state/territory and regional levels.



*THE ASSOCIATION OF AUSTRALIAN PORTS AND  
MARINE AUTHORITIES INCORPORATED*

Level 16, 1 York Street, Sydney NSW 2000  
PO Box N590, Grosvenor Place, Sydney NSW 1220  
Tel: (02) 9247 7581 Fax: (02) 9247 7585  
*Email: aapma@aapma.org.au*  
*ABN: 35 182 209 946*

3088.03

4<sup>th</sup> November 2003

The Committee Secretary  
Standing Committee on Transport and Regional Services  
Parliament House  
Canberra  
ACT 2600

**Inquiry into Privatisation of Regional Infrastructure and Government Business Enterprises.**

Dear Sir/Madam,

The Association of Australian Ports and Marine Authorities is pleased to make a submission to the above enquiry. Our Association represents the interests of Australia's Government owned ports and several privately owned port corporations as well as State marine regulatory authorities.

1. Australia's ports are predominantly State Government owned. They have been corporatised or commercialised as part of the corporatisation process applied to many GBE's in the 1990's. As part of this process, the Victorian Government sold Geelong and Portland ports to the private sector. More recently, the South Australian Government has also sold its ports to the private sector. In addition there are several resources industry ports that are privately owned. The Western Australian Government retains ownership of some smaller regional ports through its Department of Infrastructure and Planning.

Under the corporatisation and commercialisation process a number of port operations previously carried out by ports were sold or transferred to the private sector through long term leasing arrangements or other similar arrangements. A large proportion of the port service requirements are therefore managed and

operated by the private sector with the port corporations/authorities largely remaining as landlords with a strong trade facilitation function.

The corporatised/commercialised ports have been given Boards of Directors, however, they remain subject to adherence to a wide range of Government business, financial, employment and other policies and processes which are often generic in their nature and application.

2. Australia's ports provide the entry and exit points for over 99% of Australia's trade by volume. They are part of the overall transport and logistics chain being the essential interface between land and sea transport modes.

As a result ports have a significant economic impact on a regional and State basis and also at a national level. The results of Economic Impact Studies that have been undertaken by a selection of ports using an economic impact model developed by the Australian Department of Transport and Regional Services' Bureau of Transport and Regional Economics are shown in the attachment.

3. The land transport corridors for freight to and from ports are important strategic systems providing access to distribution centres as well as direct access to end users/suppliers. The cost and efficiency of land transport, as well as port costs and efficiencies, are important elements in contributing to Australia's international competitiveness.

Land access issues to ports at present and into the foreseeable future are most important strategic considerations as they can impact on the ability to provide the lowest cost service to our exporters and importers and can contribute in delays to meeting shipping schedules. It is important that, if we are to maintain our international competitiveness, efficient land transport corridors for freight are recognised by Government as essential infrastructure. Planning schemes must be established that recognise the importance of these corridors and the provision of capacity for expansion as well as suitable buffer zones for environmental purposes.

Many of the major bulk exports through ports are of low value and are required to be shipped long distances to their destinations. They are significant earners of export revenue and major contributors to regional development. They therefore require the most efficient, lowest cost infrastructure so that they remain internationally competitive and can grow in line with international demand.

4. Government financial requirements on ports that are determined by Government budgetary requirements can impede the timely and efficient meeting of market needs, especially in relation to port infrastructure development. The adequacy of port infrastructure such as the depth in channels and at berths to meet new and larger ship requirements, the capacity of berths and loading/discharge facilities

to meet current market needs as well as growth in trade, are also important strategic issues that directly relate to economic growth.

It is essential that ports are not impeded from expansion of their infrastructure to meet timely growth of existing markets as well as new industries that will rely on port infrastructure so that the regional and national economics can grow. Australia is only one of many nations, especially in the Southern Asian region, that compete to attract new growth industries.

Ports are businesses and need to be able to move flexibly and quickly to meet changing market needs and manage the range of issues that impact upon them for the benefit of their stakeholders.

5. Furthermore, Government owned ports are required to meet a range of Government micro controls linked to strict adherence to Government employment, business, process etc requirements as well as reporting requirements.

This adds a layer of costs to ports which normally have to be passed on to exporters and importers. It is considered that these requirements, which are mainly generic in nature, do not add value to port operations or port management and are such that in a privately owned organization they would not be incurred. The maintenance of our competitive position internationally, requires that all parts of the transport chain minimise their costs as well as maximise efficiency in business operations and processes.

6. In capital city and other regional ports handling general cargo, the level of competition between ports is increasing. Although still quite limited, such competition is largely the result of more flexible and innovative approaches to land transport and logistics solutions developed by the private sector.

In many of the regional ports, it is difficult to move product by land from its origin to another port because of distance and resultant land transport costs as well as, in many cases, the need for dedicated land transport and port infrastructure.

Port users focus closely on port pricing and over the last 10 years or so, since corporatisation/commercialisation, there has been a general decline in port pricing in real terms.

7. In making the above comments AAPMA is not advocating privatisation of port corporations/authorities. However, we consider that where an economic benefit to industry can be achieved, the corporatisation/commercialisation model should be applied with flexibility, so that there is an elimination of those Government controls on



ports that do not add value to the port but essentially add a layer of costs that must be met by exporters and importers.

Furthermore we consider that port corporations/authorities should be allowed to manage their capital in such a way that much of the infrastructure requirements to meet market needs can be met from their internal funds generation, possibly including direct borrowing. However, if further privatisation were to be considered, then we would advocate that it should only be done if it did not increase costs to exporters and importers and was able to demonstrate increased efficiencies that will be of benefit to port users, the facilitation of trade and enhance international competitiveness.

I would be pleased to expand further on these issues if the committee requires this.

Yours sincerely

John Hirst  
**Executive Director**