

**AUSTRALIAN INFRASTRUCTURE AUDIT 2015 – INFRASTRUCTURE AUSTRALIA
SUBMISSION – PORTS AUSTRALIA**

Ports Australia welcomes the opportunity to make a submission to Infrastructure Australia in response to its report *Australian Infrastructure Audit – Our infrastructure Challenges*.

The report supports a fundamental tenet of the advocacy of Ports Australia - that is the ports sector makes a very substantial contribution to overall *Direct Economic Contribution (DEC)* as defined in the report and is deserving firstly of strong public policy and regulatory support and secondly an appropriate positioning in the 15 year project pipeline including in relation to access and other supply chain infrastructure.

Ports Australia - Representation

Ports Australia is the peak industry body representing all port authorities and corporations, both publicly and privately owned, at the national level. Ports Australia is a constituted company limited by guarantee with a Board of Directors, comprising the CEOs of 10 member ports. Our website is at www.portsaustralia.com.au

Our General Position

Our general position is as follows:

1. Positioning Regulatory/Policy Reform.

The Chairman's Introduction says in part that *The Audit also highlights the importance of good governance and modern regulatory settings that get the best out of our existing and new infrastructure*" While reference is made in the report to the need for appropriate regulatory and policy support for infrastructure development, for example meaningful road pricing, we advocate that Infrastructure Australia will need to adopt a very assertive position that governments should address infrastructure policy, regulatory and planning reform with resolve otherwise they will go straight to arguing the toss over individual project priorities, which is a predictable response to a lead up to the development of a project pipeline.

We agree on a strong emphasis being placed on improving regulation and policy settings to ensure that our infrastructure assets can operate as efficiently as possible and that the ability to increase capacity is not unnecessarily impeded. This stance is supported by the report's observations about Australia's declining productivity relative to 19 other OECD nations the response to which cannot exclusively lie with an ever increasing demand for new supplies of infrastructure as distinct from utilising existing stocks more efficiently which could be affected by a bolder approach than is currently evident.

The report notes that *"we need to utilise our existing infrastructure to better effect..."* (Page 27) and suggests a number of policy prescriptions including *"a greater focus on integrating transport strategies with land use plans, particularly when considering the future of transport networks, corridors and land allocation"*

In this regard we would contend that the conclusion under the chapter *Governance and Policy Reform* that *"Regulatory arrangements are broadly working well..."* seems to us to cast a very optimistic light on the very substantial cost, delays and prescription that now accompanies a number of different regulatory regimes impacting on industry and which has

a substantial impact on productivity and competitiveness. The regulatory overreach as it relates to dredging, an area of activity essential to the maintenance and development of a critical element of our international supply chains, is a case in point. Likewise the planning failures, which still prevail, and which have now lead to freight routes and port precincts, buffer zones and access corridors being seriously compromised, is only now being partially addressed.

These matters can be closely linked with the current initiatives within the port sector to develop port master plans which embody access corridor requirements and buffer zones, and consultation with stakeholders to promote a greater understanding of port development needs and the requirement to ensure adequate landside capacity. Ports Australia has developed a master planning framework which has been widely accepted and has also produced a report; *Leading Practice in Port and Supply Chain Protection* designed to promote improved planning practice as it affects ports and freight precincts. This report advocates statutory protection of freight precincts and corridors. Both these reports are attached.

2. Implications for Predicted Growth in the Ports Sector

For the ports sector addressing regulatory and policy settings to facilitate efficient infrastructure services is an absolute necessity if the growth predictions in the report are to be considered realisable. The report indicates that the DEC for Australia's **port services** in 2011 was estimated at \$20.7 billion, which equated to approximately 1.6 percent of GDP noting that the *"Audit focuses on the value-add to the Australian economy attributable to the services provided by port infrastructure, not the value of the goods flowing through the ports (nor the costs of constructing the ports)*. While this methodology tends to understate the actual key and vital position that the ports sector plays in the Australian economy the report further notes that the *DEC for port infrastructure services in Australia is expected to grow to \$41.9 billion by 2031. This represents an annualised growth rate of 3.6 percent over the period from 2011 to 2031"*. Ports Australia believes if anything that the figures used in the report are conservative and growth could feasibly be well in excess of that predicted.

This illustration serves to emphasise the imperative to ensure that our ports have the scope to operate efficiently and to develop their capacity without undue regulatory and other constraints, as a priority public policy issue to support a competitive economy and to assist restore productivity.

The report further noted that *"The Audit projected that growth in the demand for Australia's port services will vary across the nation. Ensuring that investments in ports and supporting landside infrastructure are delivered in accordance with specific regional demand trends will require planning by governments and service providers"*

This statement invokes some of the essence of the National Ports Strategy which is not referenced in the Report but which envisaged addressing precisely this issue. The Strategy advocates a stratified approach to planning with States drawing up Freight Strategies to provide a strategic context for ports to then draw up their master plans. These plans in turn would reflect future demand factors particular to each port supported in the first instance by overall commodity and other forecasts prepared by BREE, ABARE and the BITRE.

3. Methodology and Supply Chains

The methodology that stipulates that those areas with a high DEC, or as it were “economic hotspots” are deserving of priority in the infrastructure stakes raises an interesting point as it relates to overall supply chain efficiency. That is to say that if an important link occurs between two of these high value areas that itself lies in the main outside those areas, and contains infrastructure that cannot efficiently sustain the trade between them, then how is this issue addressed. For example if running multi-combination vehicles between two such areas represents the most efficient way of addressing the freight task they generate, but in that link there exists a bridge that has inadequate mass limit rating, but itself does not sit within a high DEC region, how is this need addressed.

Specific Issues

We offer some further comment on specific issues.

1 Port Infrastructure (Recommendation 56)

Recommendation 56 states that *“The nation’s larger ports are operated as commercial enterprises, whether they are publicly or privately owned, or leased. Accordingly, investment requirements for these ports are expected to be met by user charges.”*

We challenge this comment in on two particular counts. Firstly while much of our portside infrastructure is user built and operated there will in some instances exist strong demand for multi-user facilities including for general and project cargo which will require state funding in the first instance – if this does not occur it can in some instances prejudice the ability of the entire port to operate in the best interest of its clients and can impose a real constraint to growth.

Secondly no comment is offered on the high degree of centralised control that is exercised in some jurisdictions over publicly owned ports and their dependence on the health or otherwise of state balance sheets to dictate their investments. In addition governance in some states is poor in the sense that while seemingly corporatized many ports are still subject to very high levels of agency intervention, second guessing and control that adds little or no value to their businesses.

2 Channels

The report reflects a failure which characterises the discussion on freight in this country in that it places no emphasis at all on the imperative to maintain and develop shipping channels as key elements of our supply chains. It does acknowledge the importance of shipping channels but falls short of calling for policies that reflect the need for governments to take an assertive stance to ensure maritime infrastructure, an area already beleaguered by policy and regulatory constraints, is not subject to unnecessary constraints that do not produce improved outcomes particularly as it relates to dredging. If balance is not introduced into this discussion and public policy outcomes it will come as a substantial cost to growth and jobs.

3 Rail freight

Many Australian ports involved in all manner of trades have experienced in recent times substantial increases in portside capacity which, if not matched by landside capacity, will not reach their full potential or realise the full benefit of that portside investment. One of the greatest challenges we now have to confront is the efficient and safe carriage of freight through urban areas and cities.

In part the answer to this challenge (as indicated in the National Ports Strategy) lies in appropriate policy and regulatory responses that go to the improved management of infrastructure and the uptake of smart technology. We have also strongly advocated a stronger research focus on the performance of short haul rail and the provision of more train paths dedicated to freight.

Thank you for the opportunity to comment on the report.

Ports Australia
September 2015

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