



Submission:
Inquiry into the Australian Government's role
in the development of cities

29 August 2017

Summary Position

Ports Australia is pleased to provide comments to the Inquiry that we consider are important for the future planning of our cities and regional centres. Ports Australia has focused its commentary on the following terms of reference for the two sub-inquiries:

- Identifying how the trajectories of existing cities can be directed towards a more sustainable urban form that enhance urban livability and quality of life and reduce energy, water, and resource consumption
- Considering what regulation and barriers exist that the Commonwealth could influence and opportunities to cut red tape
- Promoting the development of regional centres
- Promoting the competitive advantages of regional location for business.

Ports Australia considers that the sustainable growth trajectories of our existing cities are tied to the development and growth of our regional centres. **Our cities are growing at a rapid rate while our regional and rural centres have large ageing population and a dwindling younger generation**, with many migrating to cities for education and jobs. This presents significant challenges to make our cities sustainable and ensure our regional centres can service industry sectors that are predominately based outside the cities, and which are important to our trade revenue, e.g. agriculture and farming.

To harness the potential of the future we need to prepare and have a plan that aligns with the demographic and economic challenges and opportunities of both these centres. The solutions are two pronged:

- Better integration of the public service workforce across all levels of government, i.e. local, state / territory and Commonwealth, to ensure strategic planning and implementation of government initiatives that tackle the current and future challenges of our country.
- Policy reform on issues such as coastal shipping which can be a key mechanism in managing the future sustainable development of our cities and regional centres.

Governments need to work collaboratively and strategically to address many of the challenges facing Australia, many of which are outlined in the Government's discussion paper on the Inquiry into National Freight and Supply Chain Priorities, in this submission and by other commentators. We suggest this be done in parallel, at the political level and the bureaucratic level. Forums such as the Council of Australian Governments and the Standing Council on Transport and Infrastructure already provide opportunities at the political level, however much more is desired at the bureaucratic level.

The Commonwealth Government is not tasked with planning responsibilities, consistent with our system of Federation. However, many of the key reforms and strategies initiated and driven by the Commonwealth should be based on sound planning, which is the remit of state / territory and local governments. Ports Australia considers that the Commonwealth Government should look to **integrate some of its public service workforce**, over fixed periods, with the relevant areas of state and territory governments that are focused on nationally relevant planning and implementation issues. This will ensure joint identification of key issues, a

shared understanding of the challenges facing our country, and early engagement on coordinated planning and implementation considerations prior to the development of draft strategies on reform.

The Commonwealth Government has recently taken a step in the right direction with the City Deals program. This program provides a coordinated investment plan for our cities through a partnership approach across all levels of government. The program is limited by having the vision mainly driven from Canberra. Proactive identification of reform initiatives is needed by all levels of government and through structures that enable quicker intergovernmental engagement and initial reform considerations.

A reform that Ports Australia has identified which is within the Commonwealth Government's remit is to **revitalise the coastal shipping regime**, including by abolishing cabotage. Ports Australia considers that, if appropriately planned and resourced, the port and shipping sectors can be a vital tool in facilitating the long term economic development and livability of major metropolitan and regional centres. Increased coastal shipping can be the key to tackling some of the current and future challenges posed by our cities and regional centres, and accordingly is the focus of this submission.

Shipping is the most cost effective, efficient and environmentally friendly way to move freight. Increasing ship movements around our coast, from its current low base, should lead to greater maritime jobs in our regional centres. It will also result in fewer trucks on our city roads, and conversely more trucking jobs in our regional centres for transporting freight shorter distances. A revitalised coastal shipping regime can effectively lead to the **rebuild of regional and rural centres through job creation**. This policy reform will also result in reduced end costs for Australian consumers given the economies of scale for moving mass freight via ship, and more competitive exports given the reduced costs in transporting freight shorter distances, i.e. not to the large city ports, but to regional ports.

Ports Australia is happy to engage with the Committee in helping to further discuss the issues outlined in our submission.

Ports Australia

Ports Australia is the peak industry body representing port authorities and corporations, both publicly and privately owned, at the national level. Ports Australia is governed by a Board of Directors comprising the CEOs of eleven Member port corporations.

Ports Australia works closely with the Government and its agencies on the development and implementation of policies and regulatory settings that will facilitate the safe, efficient and sustainable operation of our ports and provide the ability to develop capacity to meet Australia's freight task.

Position

The Challenge

Australia's cities are the engine that drives our economy, but is their growth sustainable to achieve the economic outcomes forecast and the living standards that Australians expect? Will our policy makers and planners provide the settings to see Australia compete and thrive in the global market?

Australia's cities are the important gateways to the global economy, they generate a majority of the country's GDP, house much of the nation's key economic infrastructure, where most of the jobs are located and where the majority of our population resides. The latter is a key driver for all economic and social policy initiatives and is the subject of many current Government and Parliamentary inquiries.

The combined population of our eight capital cities accounts for around 65 percent of the country's total population, and their growth accounts for 77 percent of the country's total population growth.¹ Projections suggest that Australia's capital cities will increase their share of national population to 69.3 per cent in 2031 and 73.4 per cent in 2061.²

Australian cities are clearly growing at a rapid rate. Compared to OECD countries, Australia had the second highest population growth rate in 2016 and is projected to grow from 24 million at present to 30 million by 2030.³ This growth will predominately occur in our cities.

The changing size and structure of our population is important as it influences how quickly our economy and incomes grow, and therefore the rate at which our future living standard will be shaped. This also presents significant challenges for policy makers and planners to deliver policy settings that can facilitate sustainable growth and ensure our cities provide individuals, businesses and governments with opportunities that result in productivity growth being maintained, or even improved.

Ports Australia would like to draw the Inquiry's attention to the some of the key challenges that governments require to address in our cities:

- Housing affordability which is showing no sign of abating given the natural growth and migration to our cities
- Widening gaps in living standards and wages among those in the inner city versus those on the fringes of our cities
- Increased automation which is displacing low skilled labour
- Transport planning for efficient movement of freight and commuter traffic

¹ Australian Bureau of Statistics (catalogue 3218.0)

² Population Estimates and Projections, Australian Infrastructure Audit Background Paper, April 2015

³ Organisation for Economic Co-operation and Development statistics

- Congestion, noise and air pollution, as a result of increased commuter traffic and road freight to service the city communities.

Transport challenges facing our city are one of the top priorities policy makers need to address. The Government's own discussion paper highlighted that the total road freight task in all capital cities is forecast to increase by two-thirds between 2008 and 2030, from 40.15 billion tonne kilometres (tkm) to 66.60 billion tkm.⁴ This represents an average growth rate of 2.33 per cent per annum, outstripping the current population growth of around 1.5 per cent per annum. Ports Australia has outlined some solutions on this matter in our submission responding to the Inquiry in to National Freight and Supply Chain Priorities.

In addressing the challenges faced by our cities policy makers and planners must not forget our regional centres. These areas have received little attention from the Commonwealth and state / territory budgets in comparison to the planning and investment for our big metropolitan cities. This is clearly a reflection of the population base of our metropolitan cities compared to the one third of Australians that resides in these locations.

Some of the challenges faced by our regional centres are the same as our cities, (e.g. affordable healthcare, quality education, cost effective and efficient transport infrastructure, etc), but others are sharply in contrast. For example, outside our capital cities, population growth is about half that experienced by our large cities, and that population is predominately elderly Australians.⁵ Australian Bureau of Statistics data shows that outside our large cities only 16 percent of the population consist of young adults, aged between 18 to 34.⁶

Regional centres and their surrounding rural hinterland and townships have a high proportion of young people moving away from them and also have older Australians moving in for economic and social reasons. Young people tend to relocate to larger cities to benefit from educational or employment opportunities that may not necessarily be available in their local area. It is in our cities that the overwhelming majority of jobs are located and where the most new jobs are being created. This is what attracts people to our large cities and retains them.

Regional centres also have unstable / fluctuating job markets which are not attractive to young Australians and job seekers. Issues such as seasonal variations, impacts resulting from the changes in the Australian dollar, lack of a strong and largely steady population base, affect the viability of businesses and the economic activity in regional centres.

These issues pose significant challenges for the long term viability of sectors such as agriculture and farming, resources, manufacturing, and construction which are generally based outside our large cities. It also raises concerns about the lost financial and economic opportunity Australia faces by not properly resourcing these

The cost of existing urban transport congestion in Australia's capital cities is forecast to increase from approximately \$13.7 billion to \$53.3 billion by 2031 unless significant infrastructure investment and planning is undertaken.

- *Australian Infrastructure Audit, 2015*

⁴ Australian Government, Inquiry into National Freight and Supply Chain Priorities, Discussion Paper

⁵ Australian Bureau of Statistics (catalogue 3218.0)

⁶ Australian Bureau of Statistics (catalogue 4102)

sectors to meet the trade demands of a growing population in Asia. Additionally, provision of healthcare and education services in these regional centres will not be sustainable without policy settings attracting young Australians to live there and take up these employment opportunities.

Policy makers and planners have to create thriving communities in and around regional centres that provide various job opportunities, have diverse community services and generally have a population mass of all ages that ensures the economic viability of these centres. Governments also have to facilitate the ability for our regional centres to deliver Australia's tradeable goods at a competitive rate. This means having sustainable regional centres and efficient supply chains to nearby ports.



The Solution

Ports Australia considers that in order to resolve the sustainability of our cities policy makers and planners need to focus their attention in parallel, on building sustainable regional centres and cities. To drive higher levels of prosperity through economic growth, we must attract some of our workforce out of the capital cities and retain some in our regional centres. In short, it is our view that putting in place policy settings that **rebalance the population distributions between our cities and our regional centres** will resolve several challenges faced by both.

While there is no one panacea to resolving the challenges mentioned previously, Ports Australia considers that the Commonwealth Government should look at revitalising the coastal shipping regime to facilitate the rebalancing of the population distributions between our cities and our regional centres. A revitalised coastal shipping regime would facilitate greater domestic and international ship movements around Australia, thereby:

- easing the pressure on the struggling freight networks of our large cities, which are planning for greater volumes based on trade statistics
- increasing jobs in regional ports and their support sectors.

Container movements through Australia's ports are projected to grow by 165 per cent between by 2031, while non-containerised trade is projected to grow by 138 per cent over the same period.

- *Australian Infrastructure Audit, 2015*

Some would argue that growth in jobs in regional ports is not possible due to increasing automation across industries. It is true that many large city ports have significant automation due to economies of scale that makes this a viable option. Australian ports make no apologies for investing in innovative technology where viable. Governments and community demand that our freight systems work efficiently and effectively to meet Australia's projected trade growth, while managing costs for consumers. In response many of our city ports have actively pursued measures to improve logistical efficiency and port throughput through investment in capital infrastructure and technology such as robotics and truck queuing systems.

However, this automation is not necessarily applicable to our regional ports which are limited by the scale of their operations, making it a lot less financially attractive to introduce large scale technological innovation. Accordingly, these ports are reliant on a larger proportion of maritime workers, and increases to coastal shipping should lead to growth in regional maritime jobs.

This policy reform would also result in increased employment opportunities in the trucking and support sectors due to increased freight movements to / from the regional ports through regional and rural centres. Conversely, there would be reduced trucking movements from our capital city ports to our regional and rural centres.

The creation of additional trucking jobs in our regional centres would potentially see some forced migration from our capital cities to regional centres in conjunction with economic and lifestyle migration to take up other employment opportunities resulting from population growth in regional centres.

The benefits of increasing coastal shipping policy would see:

- Cost effective and efficient movement of freight around Australia
- Reduced truck movement within our cities
- Safer roads due to reduced traffic
- Reduced congestion in our cities
- Alleviation of pressure on governments to locate and fund effective and efficient road freight corridors through our cities
- Reduced degradation of roads and repair costs to government on city roads
- Improved health and safety of truck drivers due to reduced travel from capital cities to regional centres
- Improved environmental outcomes in our capital cities, i.e. reduce noise and air pollution
- Alleviation of some pressure on housing affordability with some migration out of the capital cities
- Increased jobs in regional centres
- Potential retention of young Australians and increases to population in regional centres
- Improved competitiveness of Australian goods due to the cost effectiveness of transporting exports shorted distances (i.e. to regional ports)
- Reduced end costs to Australian consumers.

A one percent increase in freight efficiency could save the national economy \$1.5 billion.

- *NSW Ports and Freight Strategy 2013*

Improvements to coastal shipping policies, which should include the abolishment of the current cabotage regime, are necessary because of the significant benefits that will result to consumers, the economy and the environment.

It is also necessary given the dual policy failures that have seen firstly the stagnation of the coastal shipping task and secondly the decrease of Australian licensed ships in our coastal trades. Current policy has not "revitalised" Australian flagged shipping as was the objective. Since the introduction of the current policy shipping lines have withdrawn from the movement of domestic freight with only two operators dominating the limited coastal trade market.

The introduction of current coastal shipping policies in 2012 resulted in five of seven shipping lines withdrawing services from Brisbane to Fremantle.

- *Port of Brisbane*

The most recent BITRE data shows that Australian ports handled 101.3 million tonnes of coastal freight during 2014–15, a 2.9 per cent decrease on 2013–14 and an average annual trend decline of 0.4 per cent over the five

years to 2014-15.⁷ Furthermore, despite dramatic growth in total Australian freight over a decade, coastal shipping freight has decreased since 2006-07.⁸

A previous Bill to reform coastal shipping, rejected by the Senate in 2015, estimated net economic benefits of close to \$700 million and an annual reduction in regulatory burden of around \$21 million.

Improved coastal shipping is a policy reform that does not necessitate partnership with other jurisdiction to enact and can be unilaterally implemented by the Commonwealth Government. Compared to Inland Rail which requires billions to build to cater for the forecast increased freight task, the infrastructure already exists at our ports and with the broader maritime sector.

Given the various issues highlighted in this submission, the Commonwealth Government should in the near future look at meaningful reforms to coastal shipping as it will help rebalance the population distribution between our cities and regional centres, ease the future pressures on existing freight and supply networks, result in various economic benefits as outlined previously (e.g. lower end costs, jobs growth, etc), and lead to improved environmental outcomes.

The Productivity Commission has also observed that cabotage restrictions are a significant impost for Australian businesses that rely on coastal shipping, and they deter businesses from using coastal shipping.

- *Productivity Commission, Regulation of Australian Agriculture: Final Report*

⁷ Australian Sea Freight 2014-15

⁸ BITRE 2016, Australian Infrastructure Statistics Yearbook 2016