

SHIPPING CHANNELS AND PUBLIC POLICY

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Introduction

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The ports community is familiar with the narrative that Australia is a highly trade exposed nation – the value of trade through our ports equates to about a third of our GDP. A headline message in the Ports Australia Communication Strategy is that \$1.2 billion of trade is shipped through our ports every day of the week.

It follows that our shipping channels, or our sea roads to put it another way, are critically important components of our network of national transport infrastructure.

My purpose is to briefly put a case to you that the ports and maritime community should use every available opportunity to ensure that shipping channels are firmly and permanently built in to the broader discussion on supply chain infrastructure. As matters currently stand we still have some work to do to secure this mind-fix with policy decision makers.

This omission does, in my view, demand some attention. We cannot afford in any way to be sanguine about shipping channels playing second fiddle in the policy and regulatory infrastructure stakes. If we do not put some energy into addressing this issue we are opening the door further to the real and present danger that the capacity of ports to develop and maintain their channels will become increasingly difficult and costly. Tom and Kevin, and I will, in this session, outline some of the steps we have taken to redress the balance at a number of different levels and to strengthen perceptions about the critical role of shipping channels and the imperative to upkeep them.

I considered this to be an appropriate topic for our Conference not least because Ports Australia

feels very strongly that it touches on a very significant, but in many quarters a largely unrecognized risk, to the entire ports community. To add to the challenge we find that some Ministers and officials, who are responsible for public policy as it relates to the operation and development of ports, and for decisions, which affects supply chain efficiency, adopt a very passive approach toward the protection of these critical pieces of national infrastructure. Alternatively, they are not accorded the policy clout to make a difference when NGOs come knocking on the door. An important part of our task is accordingly to find political champions who both talk the talk and walk the walk when it comes to shipping channels.

So what is our message?

Ports Australia has lost no opportunity to convey its message about shipping channels to our decision makers. The message is simple: Just as the capacity of our international supply chains is defined by the capacity of our road and rail networks, and our terminals, so it is also defined by the capacity of our shipping channels. The commitment of governments to protect, develop and maintain them should rank in importance to their commitment to protect, develop and maintain our road and rail networks.

Governments support the development and maintenance of Australia's road and rail infrastructures as necessary to economic development and community connectivity; there should not in-principle be any distinction to their approach to the development and maintenance of shipping channels. Yet many of our political leaders take the view, or appear open to persuasion to the notion, that channels are a sideshow and their upkeep is a matter of discretion or arbitrary judgement.

What do we do?

Ports Australia has, for some time, sought to elevate the standing of our shipping channels to secure more certain public policy outcomes. As a family with a common interest in port sustainability, whether port operators, managers and owners or port service providers we have strong stake in disseminating the mantra that our economic and social goals at national and regional level will be increasingly compromised if we lose our capacity to maintain and develop our shipping channels. My proposition to you is that we collectively should be assertive and consistent on this issue.

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in April 2014 Ports Australia released a report "*Leading Practice: Port and Supply Chain Protection*" calling for regulatory intervention to protect our land based access corridors and freight precincts and for resolute action on the part of governments to get serious about integrated planning and to avoid land use conflicts around port and freight precincts.

The National Ports Strategy informed us that increases in our freight costs rested primarily with the landside of our supply chains. We would be required to ensure appropriate provision of landside access infrastructure, and importantly to improve the management of that infrastructure, if the benefits of the very considerable investments that have been made in portside capacity, were to be fully realized.

Australia's ports are now confronting precisely the same problem on the marine side of port operations. If shippers cannot access vessels that are optimal for the task, or vessels cannot be fully loaded, or port managers cannot use berths or tugs effectively because unnecessary restrictions are placed on dredging activity then the implications for the cost of our trades is readily apparent.

So, fundamental to our concerns is that shipping channels do not occupy the place they deserve on the public policy landscape. We would like our mainstream politicians and our agencies firmly implanting the idea; shipping channels are here to stay, we are a trading nation and to stay competitive we will develop and maintain them to the extent our trades require.

Why the Fuss about Shipping Channels?

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A handy starting point for this discussion is the National Freight Network. The network was developed collaboratively between the Commonwealth, States and Industry to agreed criteria and will assist to drive planning, investment and regulatory decisions - the latter includes such matters as B-Double access. Ports Australia was engaged in its development and naturally enough was very focused on port connectivity. In that particular context I have a strong

recollection that we pressed hard for the inclusion in a contiguous network of some of our regional ports that were at risk of being overlooked in what was a landmark exercise.

It is however a national land freight network detailing key road and rail arterials through to our ports. Through the Commonwealth Ports Forum; a body set up specifically for Ports Australia to engage at high level with the Department of Infrastructure and other agencies, we made strong representations that shipping channels be recognized as integral to the National Freight Network. The Commonwealth Department, to its credit, readily accepted the principle but encountered issues with their inclusion with state jurisdictions. This begs the question about whether the states, or some states, do not see channels as of national importance and accordingly, whether they should in policy and regulatory terms be treated commensurately.

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The States, as a general rule until now, have not placed a lot of focus on their freight networks comparative to other areas of public policy. Ten years ago you would have been hard pressed to find a passing reference to freight in a state transport strategy document where. (No votes in freight). This situation has improved particularly in some jurisdictions with stronger reference to supply chain and network performance. (Victoria – Freight Futures and Port Futures – landmark documents). In the several state infrastructure and port strategies now developed there is still little systematic policy and regulatory support for channel protection and development. We are closer however than we were with a couple of states specifically addressing the need to accommodate larger vessels and higher trade volumes through dredging programs.

Infrastructure Australia ◀

We have also made a study of Infrastructure Australia's two reports, *"Australian Infrastructure Plan; Priorities and Reforms for our Nation's Future"*, and *"The Infrastructure Priority List"*. In its submissions to Infrastructure Australia, Ports Australia emphasized the importance of shipping channels as integral to the freight network and of strong and improved policy and regulatory settings. While the Infrastructure Australia reports happily place strong emphasis on projects to improve land side connection they do not address shipping channels or dredging projects.

The story does not however end there – Infrastructure Australia has made a number of useful

recommendations which present opportunities to again make our case. Most notable are Recommendations 3.4 and 9.4.

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Recommendation 3.4

“Australia needs a National Freight and Supply Chain Strategy. Infrastructure Australia, in partnership with governments and the private sector, should lead the development of the Strategy. The Strategy should; map nationally significant supply chains and their access to supporting infrastructure and gateways...”;

Recommendation 9.4

“The Australian Government, in partnership with state and territory governments, should establish effective corridor protection mechanisms to ensure the timely presentation of surface, subterranean and air corridors, and strategic sites, for future infrastructure priorities. The mechanism should include:

- *Long-term strategic planning and project development work to identify corridors and lands;*
- *A stable and independent governance framework...”*

These key recommendations are combined in the IA reports with a strong narrative about the need for long-term infrastructure plans. This also provides us with a platform to progress a discussion about total supply chain definition and port approaches. This has a good fit for Ports Australia’s port master planning framework and the excellent work our ports are doing in delivering port master plans and sustainability plans, which take a long-term view of infrastructure requirements, including channel capacity.

I cannot over emphasize the important place that well based port master planning plays in the public policy space. Since the development of the National Ports Strategy with its strong focus on port master planning, and our work with Members to develop a port master planning framework, the ports community has come ahead in huge bounds in preparing master plans and sustainability strategies. Having access to these plans which provide rigorously based assessments of landside and marine side access requirements, position us much more favourably than previously in our engagement with Ministers, their departments as well as other agencies such as Infrastructure Australia and the National Transport Commission.

The Government is still to respond to the Infrastructure Australia reports but we trust they will embrace its recommendations. IA Chief Executive, Phil Davies, has invited Ports Australia to work with his organization on their proposed program addressed to supply chain efficiency and long term planning.

It is Ports Australia's purpose to use platforms such as the Commonwealth Ports Forum and the program flowing from Infrastructure Australia's report to persist with our efforts to leverage shipping channels into the infrastructure planning discussion. We will also persist with the notion, simple as it may be, that the discussions about public policy as it applies to shipping channels, on the one hand, and overall supply chain efficiency, on the other hand, are inseparable.

Why the Concern?

The point that I have endeavored to establish is that we have a strong incentive to ensure that our decision makers perceive shipping channels as an integral part of the infrastructure landscape. Otherwise, decisions about policy and regulation of shipping channels can be capricious and devoid of any concerns about broader economic impacts. We have had some first-hand experience of this sort of outcome in that the placement of material in the Great Barrier Reef Marine Park and the World Heritage Area sourced from capital dredge projects, was banned. Both our major political parties, with the greens cheering from the sidelines, have a hand in this outcome in an unedifying race to the bottom. There was a complete absence of an evidence-based approach to these decisions.

Clean sediments drawn from dredge projects have for many years been placed at sea in approved locations well away from sensitive receptors such as sea grass and corals. These re-location sites are carefully identified under strict regulation. Dredged sediments are placed at sea once other options such as beneficial re-use have been fully assessed.

Features of these decisions are:

- the additional cost impact of mandatory land based disposal for regional Queensland ports will be hundreds of millions of dollars (for the projects we know about); and
- ironically it could result in sub-optimal ecological outcomes (marine sediments etc);

- they had no rigorous scientific basis.

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At the time Ports Australia also placed on the public record that its Members had a demonstrably good record in carrying out dredging projects and applied leading practice in this field.

It is instructive to recount some of the key events.

Reef 2050

Ports Australia was, by invitation of Ministers, party to Reef 2050 a collaborative endeavor to develop a long term plan to protect and enhance the health of the Great Barrier Reef. Its establishment was a response to UNESCO's review of the status attached to the GBR which of course is a World Heritage Property. Ports Australia and its Queensland members took a highly pro-active approach in this forum in developing a port sector plan. At the time the then Federal Minister for the Environment, Greg Hunt, complimented the ports industry for its positive involvement (we saw this as the best strategy otherwise others would have written the script) we had every reason to believe that we had done sufficient to protect our strategic interests. Yet, out of left field, and without consulting industry the Minister announced that he was developing a regulation to ban placement of capital dredge material in the Marine Park. Deals were obviously done and the breach of faith did not seem to cause the Minister any embarrassment. And, interestingly, when the Minister made the announcement he not only said the decision had been made collaboratively, he made no claim that dredging actually damaged the reef – that is he provided no basis for his decision. His Department knew that it did not stack up and the Government knew that it did not stack up and would be economically damaging. The science informs us that other influences notably COTS and agricultural runoff constitute the primary risks to the health of the Reef.

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One aside to this is that I witnessed as a Member of the Partnership Group European based, ideologically driven bureaucrats, dictating industry policy and usurping the prerogatives of our own Parliaments (why as Australian citizens etc do we allow that). We further saw activist

groups, by design, tarnishing Australia's reputation overseas as a mean of leveraging domestic policy. These are the sorts of pressures we faced.

Queensland Government's Response

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The Queensland Labor Government extended the ban to encompass the World Heritage Area. Prior to gaining office their platform was to ban the disposal of dredge material in the World Heritage Area and to draw a direct link between dredging and damage to the Reef. They further asserted that in allowing disposal at sea to proceed the Newman Government would "destroy thousands of Queensland jobs." This assertion, as with the Hunt announcement, had no basis in science whatsoever. I wrote to Ms Palaszczuk suggesting this slogan was not well based. The response that I received asserted they had never said it in the first place.

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I am not putting this on show to demonstrate yet again the fickle nature of the political process. More to the point the brochure, which contains gross distortions, was distributed widely in the leafy suburbs of Brisbane where the bulk of political power sits, and it is where green preferences can be readily mined. We are accordingly aware that to influence public policy we need to gain greater traction in the coffee shops of Sydney, Melbourne, Brisbane and Perth. We have less to fear, in say, regional Queensland or regional WA where there are stronger connections between communities and ports, and where youth unemployment sits around 20 percent.

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When it gained office, the Queensland Government put the ban into place through legislation. The ban was supported in an uncritical way by Federal Opposition Infrastructure and Environment shadows, Anthony Albanese and Mark Butler. The Chairman and I met with Anthony Albanese shortly thereafter and it became made clear to us that the matter was about political gamesmanship and green preferences and not much else came into it. That was a bit of a disappointment given that when he was in government Anthony Albanese gave energetic support to raising the profile of strategic port issues on the public policy radar through the

development of the National Ports Strategy and through the Infrastructure and Transport Ministers Council. He understands supply chains.

Maintenance Dredging

Ports Australia took the view in the wake of these developments that, short term at least, it should not soak up further political capital on the capital dredging issue notwithstanding that it amounted to a monumental public policy failure strategically posing sub optimal outcomes in both economic and ecological terms. So we have parked it. Our attention was then directed at utilizing our energies to ensure that maintenance dredging, which is at risk, is not subjected to the same flawed policy approaches.

We were successful in securing from Greg Hunt an unambiguous assurance that the Federal Government, for the purposes of its jurisdiction, would not seek to place any further regulatory restrictions on maintenance dredging. We went back to him a number of times on this matter. In February 2015 we wrote to the Prime Minister and a number of senior Ministers detailing the lack of scientific basis for the ban on at-sea disposal of capital dredge material such was our concern about its impact and strategic implications. There PM likewise provided assurances and, while recognizing that our ports need to move sediment out of their channels for reasons of both efficiency and safety, curiously picked up on the language that we had seen elsewhere. He observed that maintenance dredging had been practiced over a long period of time and by implication we made need to look for more expensive disposal options. This calls for continuing vigilance on our part - we know that some agencies will look for opportunities to make conditions attached to maintenance dredging more onerous and stifle our energy with death by a thousand cuts.

In like manner Ports Australia has been working with its Queensland members to advocate sensible and balanced outcomes in the maintenance dredging strategy developed in Queensland under the Reef 2050 Long Term Sustainability Plan. Our plan has been to ensure that this project is not used as a vehicle to leverage conditions beyond the National Assessment Guidelines for Dredging and the London Protocol. Kevin will tell you more about the strategy. The Strategy is still to be released by the State Government. We believe that we will hold the line on policy and at this stage that the Strategy will provide for higher levels of reporting and stakeholder consultation. This looks OK in principle but might provide more points for those who are so

disposed, to run interference on routine maintenance dredging programs. However, our own reports have suggested that delivering transparency to the community is in our own best interests. In that regard I note that Townsville has recently released its information dashboard which appears to have been well received.

We will be subject to further regulatory incursions over maintenance dredging. We have heard a number of proposals such as the imposition of a cap on volumes which in policy and practical terms is nonsensical. Those who seek such measures are well advised to understand that maintenance dredging is about both the efficiency and safety of navigation.

Agency Culture and Intellectual Dishonesty

Just to make our lives completely interesting we are obliged to also contend with what I have labeled agency culture and intellectual dishonesty. Clusters of ideologically motivated people now frequent both our regulatory agencies and our universities – there is nothing like spreading some alarm to attract a research dollar. They discard scientific truth on the grounds that they hold the high moral ground and are pursuing some sort of righteous crusade, protected as they are from job insecurity.

We are accustomed to a number of our regulatory agencies taking on a life of their own happily disconnected from the economically based, job creating goals of government. A more recent phenomenon is the deliberate distortions, including about the impacts of dredging, that we have seen published by sections of our academic community. This is not a figment of or imagination – it is real, it is relentless, and it is demonstrable (Matt Canavan). We are endeavouring to counter this trend by engaging with others within the academic world who are willing to bring objectivity to research on port and shipping activity.

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Our Communications Strategy

It was the developments that I have outlined that kicked off the conversation within Ports Australia about ramping up our capacity to communicate strong positive messages about the role of ports that utilised contemporary communications platforms including social media. In doing

so we established a communications working group to bring to bear the collective wisdom and experience of the membership in this field. We were aware that we had to establish a more proactive and regular presence in the “market place of ideas” and to work with the Members at local and regional level, as well as at national level, launching the messaging we had developed under our Strategy. (social media, measured and well managed entry into this space, library of good news stories Townsville, Portland).

Good policy outcomes flow from community sentiment and we know from experience that we only achieve some surety with respect to ports policy if we can demonstrate that we have won some “hearts and minds”. Our baseline research carried out before we embarked on our communications strategy informed us that we have a large reservoir of latent support and our challenge is to now mobilise that support to secure more favourable policy outcomes for our Members. We will not change the world overnight but we are resolved to make a difference by using all channels available to us to put our message out there.

Our baseline research, which preceded the development of our communications strategy, embodied a survey, which included the following two propositions:

- *Shipping Channels are as important to Australia as roads and rail; and*
- *Australia needs ports in order to keep growing and thriving.*

In each case the proportion of respondents who “strongly agreed” or “agreed” amounted to about 75 percent. This informed us that we have a substantial body of latent support to work on and get motivated to offer pro-active support.

Conclusion

I asked the Members in the lead up to the conference to give some ball park figures on dredging projects in prospect. The cost ran into 3 to 4 billion dollars –if we conservatively assume a benefit cost ration of 2 that is a lot of national benefit in the pipeline.

Going forward it is Ports Australia’s goal to influence public policy and to protect our channels as effectively as possible from destructive and counter-productive regulation – that has not been the record so far. This will include:

- using every opportunity to ensure shipping channels are spontaneously accepted as integral to our national network of critical transport infrastructure;

- leveraging off port master plans to secure recognition of future port landside and marine access requirements; and
- working with the membership to deliver, at every level, the messages we have now developed using modern communications platforms. This begins with the big economic contribution made by ports, supported by ports care about the environment, ports care about safety, and they care about community and their own people.

Thank you hearing me out.

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