

SLIDE 1



**A NATIONAL STRATEGY FOR
AUSTRALIAN PORT DEVELOPMENT**

**WA Port Authorities Conference
25 June 2009**

*Rick Newlyn
Assistant National Secretary
Maritime Union of Australia*

My name is Rick Newlyn. I am Assistant National Secretary of the Maritime Union of Australia. Before I start on my presentation I would just like to thank the organisers for the opportunity to speak at this Conference. My topic today is A National Strategy for Australian Port Development.

SLIDE 2



Impact of Global Financial Crisis on Ports

- Up till late 2008, container, break bulk and commodity volumes had been on long term growth path
- Since late 2008 national container movements are down by 7.5%, Sydney's break bulk down by 75.5% and a drop in the value, if not volume, of commodity exports
- Has required an innovative industrial and political response.
- Now need to plan for renewed growth in upturn but under a new strategic model

It is an interesting time for us all. Up until December 2008 Australia had experienced long term growth in all aspects of international trade. Then, we had the impact of the Global Financial Crisis on ports across Australia.

From December 2008 Australia experienced a significant and sudden decline in most import and export categories, with the exception of bulk commodity exports where Chinese demand has actually resulted in an increase in bulk commodity exports (China has jumped from taking 15 per cent of the value of Australia's merchandise exports a year ago to more than 22 per cent). Surprisingly, in volume terms, Australian exports increased 1.8 per cent in the six months to the March 2009 quarter. This export performance towers above Japan (-37 per cent), Germany (-17 per cent), the US (-14 per cent) and Britain (-10 per cent).

However, there has nevertheless been a severe impact in container and break bulk stevedoring. Since December 2008, the four main ports of Sydney, Melbourne, Brisbane and Perth are down 7.5% at the end of March 2009. In break bulk throughput has dropped dramatically for most ports, as shown by a fall of 75.5% in Sydney.

The downturn in container and break bulk trade, which are the labour intensive aspects of stevedoring, has required an innovative response by the MUA. Our members have shown considerable flexibility in adjusting to the downturn in labour demand on the waterfront with the overriding objective of protecting employment. The responses have included the following:

[Rick – can you identify some of the ways the workforce and union has responded]

Yet, we also believe that innovation should not be restricted to dealing with the current crisis, but also in how we prepare for future growth. We believe that there is an opportunity to use the Rudd Government's new focus on national coordination of

port development and better planning of transport infrastructure spending to develop a national ports strategy built on the principles of cooperation, collaboration and national coordination of port planning, port regulation and port competition.

SLIDE 3 – IMAGE ONLY

SLIDE 4



Ports Now Integrated in National Transport Planning

- Ports and sea transport are now belatedly being linked to national transport planning
 - The National Transport Plan is taking a whole of supply chain approach
 - Prime Minister Rudd announced in May the development of a National Ports Strategy involving Infrastructure Australia and the National Transport Commission (NTC)
 - It is likely that the outcome of the Review of the NTC will result in a widening of its charter to include maritime/ports

There appears to be now a real opportunity to develop an integrated national freight transport plan which includes the development of sea ports, in the context of entire supply chain planning. Two bodies, Infrastructure Australia and the National Transport Commission, were directed by the Prime Minister to jointly consider the incorporation of port planning and funding as part of a National Ports Strategy. The obvious outcome would be the widening of the National Transport Commission's Charter to include ports and the maritime sector.

Consistent with the National Transport Planning framework, sea ports and sea transport are now, at last, being properly considered as part of a whole of supply chain approach to freight transport planning and infrastructure spending, rather than the silo or modal approach of the past.

We are pleased that Prime Minister Rudd announced on 21 May 2009 the development of a National Ports Strategy as a response to the Recommendation of the Inquiry into shipping policy entitled 'Rebuilding Australia's Coastal Shipping Industry', which proposed a national port development plan to address current and potential capacity constraints in Australia's ports, in part to support the growth in coastal shipping

The National Ports Strategy will identify the most effective regulatory and governance frameworks, assess ways to improve land planning and critique the future infrastructure requirements of Australia's ports.

According to the PM, the strategy is a collaborative effort involving the ports themselves, industry and the states and territory governments aimed at improving the productive capacity of our port infrastructure.

The Prime Minister's proposal mirrors what the MUA has been calling for some time. We understand that the Strategy will be developed jointly by the National Transport Commission and Infrastructure Australia, presumably with the NTC leading reform of

port regulations and IA leading on port infrastructure expenditure priorities and financing options.

Based on the PMs announced role for the NTC, it signals that the NTC charter will be widened as a result of the NTC inquiry to include ports/maritime matters.

This is also consistent with what the MUA has been seeking

We will be seeking a seat at the table in development of the National Ports Strategy

SLIDE 5



Benefits of a National Approach to Port Planning

- Opportunity for Ports Ministers to meet under the Australian Transport Council umbrella for first time
- Helps integrate all freight modes into national transport planning – been road and rail dominated to date
- Creates opportunity to link domestic shipping to ports strategies

I want to identify and then discuss 6 major benefits to a national approach to port planning. They include:

The opportunity for higher level planning by the relevant state and territory ministers, who have responsibility for ports, meeting for the first time under the Australian Transport Council umbrella.

2. It is an opportunity to integrate all freight modes into national transport planning which has over recent years been totally dominated by road and rail.

3. It also gives government the opportunity to coordinate domestic shipping policy with port strategies.

SLIDE 6



Benefits of a National Approach to Port Planning (cont)

- Provides opportunity to adopt national approach to port planning, port regulation and port competition
- Provides opportunity to examine the link between shipping contract terms and port efficiency
- Brings a renewed focus on regional ports

Other benefits include:

4. The opportunity to adopt a national approach to port planning, regulation and competition.
 5. It also provides us with an opportunity to consider how shipping contract terms impact upon port efficiency and look at alternatives; and
 6. Most importantly for this conference, enables a renewed focus on regional ports..
-

SLIDE 7



National Ports Policy Co-ordination

- To date, Ports Ministers have acted in isolation
 - Minister Tripodi now wants Ports Ministers meetings under ATC banner
 - The change from mode based policy to freight corridor and supply chain approach brings ports and shipping into the transport planning equation
-
- To date, planning for ports has largely been left to the state and NT governments. Although various state governments understand and acknowledge the importance of ports to trade, port planning, port regulation and port pricing has often been driven by factors other than integrated freight planning and economic efficiency in the supply chain. Issues such as urban congestion, maximizing land values, maximizing returns to State Treasuries etc have been at the forefront of the strategies adopted by State Ports Ministers.
 - Therefore, the MUA applauded the recent proposal by the NSW Ports Minister Joe Tripodi for State and Territory Ports Ministers to start meeting under the auspices of the Australian Transport Council so that ports and shipping can be properly considered as part of the national transport system. If the Minister Tripodi's proposal is accepted by Minister Albanese and the other State/NT Transport/Ports Ministers, and we hope it will be, it will be the first time that the role of ports in the supply chain will be elevated to a national political forum for focused attention. Not only will this forum enable greater cooperation, but this change is required to change planning from a mode based approach to a consideration of the needs of the whole supply chain and how they interact.
 - A national approach to ports issues will help ensure that sea ports and sea freight are properly integrated into national freight transport planning, and will no longer be second cousins to road and rail modes. The bias of road and rail under the Howard Governments Auslink program and freight corridor strategies means there is a lot of catch up to be achieved in ports and shipping policy and infrastructure spending

- As rightly addressed by the Parliamentary Inquiry into shipping, there is a direct link between port infrastructure development, port configurations, port regulation and pricing, and the creation of opportunity to promote investment in and use of domestic shipping, be it long haul coastal container shipping, shipping that services small coastal communities, project cargo shipping serving the offshore oil and gas industry or tourism related shipping.
 - Unless national port strategy has as one objective, the revitalization of domestic shipping and unless port business managers actively seek out opportunities for domestic shipping in their port plans, particularly in the regional ports, then shipping will continue to under perform against its potential.
 - It is vital to the nation that ports policy encourage shipping as a viable, green option in a competitive freight market.
 - This higher level direction is required as currently there is no sea ports policy, strategic or regulatory expertise at all in any Commonwealth agency, with the possible exception of the Bureau of Infrastructure, Transport and Regional Economics (BITRE) which produces a regular publication, *Waterline*, where the BITRE has made a serious attempt to monitor port performance. However, that is essentially the extent of Commonwealth involvement in the ports sector. This is an extraordinary situation when ports play such a central role in the economic performance of the nation and are constantly subject to political attention because of the visibility of matters like ship queues outside bulk commodity ports. Furthermore, there appears to be a huge policy and strategic vacuum at the Commonwealth level in understanding the relationship between ports and shipping, and indeed on logistics issues in general. Australian policy makers appear to believe that supply chains start and finish at the land side of our ports which means we have spectacularly failed to understand the entire supply chain from export producer to final destination overseas or from overseas manufacturer to final destination in Australia.
-

SLIDE 8



Port planning, regulation and competition

- MUA has been calling for better integration of port planning, port regulation and port competition
 - State based approaches are failing, are costly and inefficient
 - Requires consistent principles for planning, governance (tendering, service provider performance standards) and competition
 - To allow more collaboration in supply chain management eg Hunter Valley Coal Supply Chain
 - Regulations must generate favorable conditions that encourage increased investment in port services
-
- The MUA has also called for a more coordinated approach to strategic port planning, regulation and competition, not least because of the inefficiencies associated with the traditional state based approach. It is obvious to all that any port planning needs to consider the entire supply chain, so port regulation should encourage, rather than impede, port and supply chain investment. There is also growing involvement by port authorities in the management of the entire supply chain, as has developed in Newcastle in relation to coal and at Port Botany in relation to containers, which perhaps adds to the traditional role of the ports.
 - In the a recent submission to the National Transport Commission, we stated that a national priority should be put in place for improved integration among ports and improved strategic planning for Australian ports, particularly container ports and break bulk ports (as distinguished from bulk commodity ports), along with national regulatory and planning consistency for the ports sector. For example, we believe there is scope for greater national uniformity in the following areas:
 - Tendering for port services, like stevedores, where we propose uniformity in tendering principles
 - Performance standards for service providers like stevedores and towage operators
 - The principles that guide returns on investment by Port Authorities
 - Procurement principles; and
 - Port charges like wharfage charges. We query why for example, the reasons for a large variation in wharf charges of between \$35.50 in Sydney and \$81.50 in Melbourne (at June 2007) – what principles are being adopted by the various Port Authorities?
 - The MUA also believes that there must be a commitment to the principle of competitive neutrality between all freight modes, and that competitive

neutrality must be transparent and measurable. It is our view that there is at present a lack of genuine competitive neutrality between the freight transport modes. Quite simply, on a whole-of-system basis, publicly provided infrastructure costs are under-recovered from land transport modes through road user charges (in the case of heavy road vehicles) or through freight pricing (in the case of rail) in circumstances where these modes compete with coastal shipping.

- We are not alone in our thinking. Infrastructure Australia for example has recommended that price distortions in infrastructure user charges need to be addressed in the port sector.
 - The MUA has also called for a more coordinated approach to strategic port planning, regulation and competition, not least because of the inefficiencies associated with the traditional state based approach. It is obvious to all that any port planning needs to consider the entire supply chain, so port regulation should encourage, rather than impede, port and supply chain investment. There is also growing involvement by port authorities in the management of the entire supply chain, as has developed in Newcastle in relation to coal and at Port Botany in relation to containers, which perhaps adds to the traditional role of the ports.
 - In the a recent submission to the National Transport Commission, we stated that a national priority should be put in place for improved integration among ports and improved strategic planning for Australian ports, particularly container ports and break bulk ports (as distinguished from bulk commodity ports), along with national regulatory and planning consistency for the ports sector. For example, we believe there is scope for greater national uniformity in the following areas:
 - Tendering for port services, like stevedores, where we propose uniformity in tendering principles
 - Performance standards for service providers like stevedores and towage operators
 - The principles that guide returns on investment by Port Authorities
 - Procurement principles; and
 - Port charges like wharfage charges. We query why for example, the reasons for a large variation in wharf charges of between \$35.50 in Sydney and \$81.50 in Melbourne (at June 2007) – what principles are being adopted by the various Port Authorities?
 - The MUA also believes that there must be a commitment to the principle of competitive neutrality between all freight modes, and that competitive neutrality must be transparent and measurable. It is our view that there is at present a lack of genuine competitive neutrality between the freight transport modes. Quite simply, on a whole-of-system basis, publicly provided infrastructure costs are under-recovered from land transport modes through road user charges (in the case of heavy road vehicles) or through freight pricing (in the case of rail) in circumstances where these modes compete with coastal shipping.
 - We are not alone in our thinking. Infrastructure Australia for example has recommended that price distortions in infrastructure user charges need to be addressed in the port sector. .
-

SLIDE 9



Shipping and Port Efficiency

- FOB shipping terms is a significant factor leading to large ship queues at Australian commodity ports
 - Loss of control over ship utilisation
 - Loss of business opportunity for Australia
 - Drain on Balance of Payments
-
- A consistent problem that has, until now, never been properly addressed at the national level is the impact of shipping contract terms on port efficiency. Quite simply, the use of Free-On-Board (FOB) shipping terms is a significant factor leading to large ship queues at Australian commodity ports. The long shipping queues at ports like Newcastle and Dalrymple Bay are as much about poor shipping policy as about structural deficiencies in shore side infrastructure. Yet this factor is consistently overlooked by policy makers and commentators – and certainly by regulators.
 - The cost to Australia was summed up at the recent Natship Conference by Tony Pegum, the Managing Director of Braemar Seacope Australia. He stated that, on average, there were 44 Cape sized bulkers in queues around Australia throughout 2008 and 2009 and that they were stuck in that queue for at least week, often closer to two weeks. Braemar estimates that FOB shipping terms cost Australia \$1.84 Billion in demurrage charges alone in 2008 and, despite the downturn, the cost will be at least \$500 million this year.
 - There are three main impacts of FOB shipping terms:
 - Firstly, there is a loss of control over ship utilisation. Under FOB shipping terms the overseas buyer controls the shipping, and therefore determines the ship scheduling, ship utilisation, crew standards and costs. This represents a lost business opportunity for Australia and reduces our capacity to provide a quality service to clients. Our customers want FOB shipping terms because of the business and commercial opportunities, in short, they want all the flexibility and commercial benefit. And of

course it creates links to their vertically integrated supply chain strategies. But the question we ask, as such a major commodity exporter, is why are we not extracting commercial advantage from our supply dominance in the market.

- Second, the Australian exporter is required to pay the demurrage costs in circumstances where the ships are required to sit in queues off Australian ports. This a huge loss to Australia. FOB shipping terms impact upon our Balance of Payments and the lack of Australian shipping means profit, wages and investment are also exported.
 - Third, FOB shipping and then queuing it creates puts enormous pressure on land side infrastructure – its so called adequacy, its efficiency and its cost.
-

SLIDE 10



Shipping and Port Efficiency (cont)

- There are benefits in using non-FOB shipping contracts:
 - Greater control over ship scheduling and efficiency would lead to a reduction in demurrage costs which in 2008 cost Australia \$1.84 billion
 - Greater control on ship safety and security standards
 - Creates a basis (along with other policy measures) for more Australian flagged vessels in Australia's commodity trade, eg the LNG trade
- There are significant benefits of moving to non FOB shipping terms. Rio Tinto puts it this way:
 - It smooths out the ebbs and flows in the entire supply chain (from mine to customers import port) and to ensure that ore of the right specification reaches the customers dock at the right price when required by the customer; and
 - It ensures that fluctuations in the availability of ships in the global charter market do not impede Rio Tinto's ability to meet its customer's requirements. Rio Tinto believes that the optimal solution for a commercial shipowner is not always the optimal solution for Rio and that was creating a gap in the supply chain that required filling.
 - For Rio Tinto, long term charters were historically seen as the optimal solution, but global market conditions meant this was not always the best economic solution. For special routes (like the Pilbara to China route for iron ore) ownership of a small fleet is seen as the best and most commercially desirable option – allowing Rio to deliver ore when and where its customers needed it, but at lower freight rates.
- A similar situation exists in the Liquefied Natural Gas (LNG) trade from the North West Shelf (NWS), where the exporter has predominantly arranged shipping on Delivered Ex Ship (DES or Ex Ship) terms, allowing it to control the shipping. The net result is that the LNG exporter has full control over ship scheduling, ship costs and ship standards, enabling highly efficient use of port infrastructure.

- In the LNG trade, when an LNG carrier is likely to be underutilised during the Asian summer, it can be diverted to deliver spot LNG cargoes to additional customers, thus maximising ship productivity. Furthermore, the Ex Ship arrangements mean that there are Australian registered ships using Australian crews in the LNG trade, with national interest and other commercial advantages for Australia. The use of Australian shipping and seafarers is regarded by the NWS LNG operator as giving it a critical comparative advantage in the LNG trade. Not only are Australian ship standards at the leading edge, but Australian seafarers are regarded internationally as among the best trained and best qualified. The shipping becomes a profitable and productive business in its own right, with significant spin offs for Australia, not least of which is strong integration between the shipping and onshore infrastructure assets – the ability to maximise the profitability and efficiency of all assets in the supply chain.
 - The LNG industry will be a major shipper of Australian resources over the next 50 plus years. It is already setting the standard in managing the entire supply chain, from well head to export destination, with stunning results. There has not been one safety incident or ship delay in over 3,500 shipments of Australian LNG over nearly 20 years of export, and not one dollar paid in demurrage costs. As new LNG projects come on stream, and the shipping element of projects becomes increasingly important, the example established on the NWS project should become the shipping model for all future Australian export industries, and most definitely the model for new LNG shipping.
 - Lastly, lets not forget that any industry that lost \$1.84Billion in avoidable charges to foreign companies would normally be publicly ridiculed and changes demanded. Sometimes there are advantages to the lack of visibility in Australia of the cost of shipping.
-

SLIDE 11



Increased Role for Shipping

- In view of Government's commitment to revitalise domestic shipping, port planning must now facilitate growth of shipping
 - Facilities
 - Port and stevedoring charges
 - Resource allocation/investment
 - The Infrastructure Partners Australia *Meeting the 2050 Freight Challenge* report of April 2009 predicts increased role for shipping
-
- The MUA believes strongly that the port planning cannot be divorced from the planning for an increased role for coastal shipping. If shipping is to play a more significant role in the future freight transport modal mix for Australia's freight task then decisions taken in relation to the movement of international sea freight need to have regard to the impact on coastal shipping, now and into the future.
 - The MUA supports a competitive, efficient and productive ports sector and port configuration which is capable of supporting all freight types and all freight transport modes and which contributes to a fair freight transportation market place in which there is genuine choice of modes in the coastal freight corridors. However, to achieve such an outcome, port planning, port development and the regulatory/competition policy framework for ports must be responsive to:
 - The differing requirements of both international shipping and domestic shipping and the obligation to support national policy objectives to revitalise and grow domestic shipping; and
 - The important principle of balancing the need for scale and planning/regulatory certainty to create a positive environment for investment against the general principle of increasing competition to drive efficiency and hence investment and consumer/producer benefits.
 - An integrated approach to development of port and shipping infrastructure could in our view lead to the development of a maritime cluster in Australia. There is the opportunity for considerable related economic activity, such as accessing finance in Australia; undertaking some final fit-out of Asian ship new builds in Australia drawing on

Defence technology; ship registration being Australian; operational and strategic ship management being located in Australia; ship repair being performed in Australia; ship chartering, and legal services being performed in Australia; ship supply and bunkering being provided by Australian companies; ship survey being performed in Australia; ship insurance being brokered in Australia; ship crew management being located in Australia and crew training (including training of foreign nationals that might be engaged on Australian international ships) being undertaken in Australian institutions.

- All this suggest that there is a major opportunity to use infrastructure investment in ports and related shipping to diversify the national economy. These spin off activities would have direct, indirect, induced and catalytic effects and benefits for Australia in terms of contribution to GDP and contribution to the tax pool.
 - It is also clear that we do have to increase the amount of freight shipped through Australian ports, for both demographic and environmental reasons. The Infrastructure Partnerships Australia (IPA) report entitled *Meeting the 2050 Freight Challenge* of April 2009 notes that, without a coordinated approach, imbalances within the modal-mix will lead to freight transport exceeding the current national target for emissions by over two-thirds by 2050. That fact creates both a challenge and an opportunity for those of us involved in the future of the maritime industries.
 - The IPA report also notes that demographic changes, especially in the NT and WA, will encourage domestic shipping in these regions due to the distances involved, but the report empahsised the role of the Federal Government in funding port and shipping development. It is clear that, unless national port strategy has as one objective, the revitalization of domestic shipping, and unless port business managers actively seek out opportunities for domestic shipping in their port plans, particularly in the regional ports, then shipping will continue to under perform against its potential.
-

SLIDE 12



Port Competition & Regulation

- Proposals to introduce new stevedoring entrants must:
 - Demonstrate benefits to consumers & producers
 - Take into consideration economic conditions
 - Not impede stevedoring investment
 - Regulation design should unlock opportunities for further capital and labour productivity
 - BITRE's Waterline shows continued improvement in labour productivity, but no equivalent improvement in capital productivity
-
- The MUA is not supportive of contrived Government processes to introduce new stevedoring entrants into Australia's ports, especially at this time when we are in a global economic downturn, which has impacted on the long term predictions for container throughput at Australian ports. We believe there is no demonstrated evidenced based benefit in introducing a third stevedore at Australia's major container ports. However, if State Governments continue with their current new stevedoring entrant strategy, the reduction in profit margins by incumbent stevedores will inevitably result in reduced stevedoring investment and lower stevedoring productivity.
 - It is also interesting to note that the current information out of the Bureau of Infrastructure, Transport and Regional Economics shows continued improvement in labour productivity, but no equivalent improvement in capital productivity. For example, the five port average vessel working rate (a measure of labour productivity) has increased from 37.7 in the September quarter 2007 to 39.1 containers per hour in the June quarter 2008. We can see no evidence that a new stevedoring entrant strategy will improve capital productivity, particularly in the current economic conditions. In fact, quite the contrary, as a dissipation of the profit share from 2 to 3 operators will simply reduce capital expenditure.
 - As a union, we are also concerned at the implications for labour. Quite simply, increased competition in an undercapitalised and less than optimal scale stevedoring operation can only be achieved through wage/conditions competition, with consequential negative impacts on labour relations and on labour productivity. Most of the other variables such as concession costs are fixed.

SLIDE 13



Regional Ports

- There is now a better focus on the role of regional ports as evidenced by:
 - The two major maritime funding projects out of the 2009 budget were regional ports:
 - ❖ Oakajee - \$339 million
 - ❖ Darwin - \$50 million
 - The restructuring of Queensland regional ports
 - The infrastructure focus on regional commodity ports

On the east coast we are seeing a restructuring of Queensland regional ports, while federally there is a growing focus on regional commodity ports. There is already a better focus on regional ports as shown in the recent Federal budget. The Rudd government announced nearly \$400 million worth of investments in regional ports, which is about \$400 million more than we have seen in a long time.

- Clearly, this will be of significant benefit to Western Australia. Previously, regional port infrastructure funding was largely the responsibility of the relevant state governments. However, we think there is still work to be done in achieving more integrated planning even at the regional port level.

In a paper titled *Review of West Australian Ports* prepared for the WA Government in accordance with its requirements under the COAG Competition and Infrastructure Reform Agreement in 2008, the Allen Consulting Group stated that:

“It appears there is not a specific planning framework at a state-level that considers future port infrastructure requirements, and options for facilitating the entry of new suppliers of port and related infrastructure service.”

This once again highlights the need for national strategic coordination of port planning and regulation, but also indicates that mechanisms are required at State and regional level to both inform and give effect to national strategic planning for ports.

It is instructive that the WA Sea Freight Council's paper titled *The Performance of West Australian Ports* of August 2008 concluded that:

“Overall, it is clear that the current model of public ownership, with ports acting as ‘strategic managers’ subject to statutory and governmental oversight, follows world best practice in the ports industry and is serving WA well.”

By and large, I agree with that assessment. However, WA regional ports will benefit from their inclusion in a comprehensive national strategic policy that addresses the entire supply chain, and includes a focus on regulation, future development and funding options.

We have some concerns that Treasury views on port efficiency, when referring to the resources sector in particular, which seem to focus almost exclusively on good access regimes, is the complete answer. We support competitive ports in the context of their strategic position in the supply chain but we think that development issues, efficiency and productivity issues in regional ports in particular are best addressed through collaborative models.

Workforce issues are also important in the regional ports context. The availability of skilled and qualified labour, retention of skilled labour and the social conditions in regional communities are all important considerations to be factored into regional port planning.

SLIDE 14



Port Privatisation A questionable strategy

- Privatisation plans announced by Queensland and Western Australian Governments
 - Does it enhance or detract from the Federal Government's capacity to achieve national planning and coordination objectives?
 - Loss of effective control
 - Investment by private equity will lag behind other sections of the supply chain
 - Loss of successful Government enterprise
-
- A recent an unexpected development that has worrying implications is the recent decision taken by both the Qld and WA State Governments to indicate a policy of privatization of their key container ports.
 - The MUA does not support port privatisation, especially given the Federal Government's emphasis on a national planning and coordination. To me it is self evident that privatization results in loss of effective control over major public infrastructure. It means that making investment decisions, often involving hundreds of millions of dollars, much more problematic and difficult to justify.
 - We have also seen the impacts of port privatisation in other parts of the world, where the result has been:
 - A lowering of safety standards;
 - A lowering of labour standards;
 - A more hostile approach to trade unions;
 - Much greater use of subcontracting, with a resultant disaggregation of the opportunity for collaboration and modal efficiency.
 - The form of privatisation being proposed by the Qld and WA Governments is not in widespread use in the major trading nations, only occurring at some ports in Britain, New Zealand and Greece.
 - In a presentation given by Associate Professor Malcolm Tull of the Murdoch University Business School and Professor Fred Affleck of the Planning and Transport Research Centre entitled **The Performance of**

Western Australian Ports at Murdoch University in September 2007 the Professors concluded that *“it is clear that the current model of public ownership, with ports acting as ‘strategic managers’ subject to statutory and governmental oversight, is consistent with world best practice in the ports industry”*.

- The timing of such a new direction could not be worse. Just as we finally are getting the national level of coordination and planning that ports require, especially given their central role to our economy, some State governments are walking away from the new opportunity for purely short term budgetary considerations.
 - It is also quite extraordinary that state governments are essentially divesting themselves of successful government enterprises, which simply means that once they’ve spent the windfall gain, the capacity to benefit from the revenue stream is lost for the future.
-

SLIDE 15



Funding Port Development

- Government funding options limited by the GFC
 - Private investment limited and tougher lending conditions
 - New funding sources required:
 - Sovereign wealth funds
 - Workers capital (industry superannuation)
 - Global strategic partnerships
-
- We acknowledge that the GFC has severely reduced traditional funding options for Government to invest in ports, that private sector access to financing is more difficult and that more stringent lending conditions are now applying in capital raising.
 - What is required therefore is new funding sources, including targeted use of sovereign wealth funds like the Future Fund and Building Australia Fund, and utilizing workers capital, that is, industry superannuation funds, as well as developing global strategic financing partnerships
 - These are real possibilities. At the recent ACTU Congress a decision was taken to re-commit to the national savings underpinnings of superannuation where the collective power of industry superannuation (workers capital), in a partnership with national Government economic and infrastructure development objectives, can be harnessed and directed to national interest outcomes. We support the new ACTU policy. In fact the National Secretary of the MUA, Paddy Crumlin, was the architect of the new policy. We promote the policy because we say it serves two purposes:
 - It potentially provides a stable rate of return on superannuation investments, guaranteed by Government, thereby taking the volatility out of the recent superannuation market; and

- It can potentially contribute to nation building social and economic infrastructure that creates the basis for employment and income security and decent work for the future.
 - What is required to unlock these funding sources are:
 - Improvements in the corporate governance structure of Sovereign Wealth Funds and their advisory councils to ensure properly representative governance structures, aimed at delivering capital support to nationally significant infrastructure and sustainable nation building projects;
 - New forms of flexible long term Government bonds and other Government guaranteed investment vehicles that facilitate the investment of workers' capital in nation building and other nationally significant infrastructure and industry development investments and provide options for funds at different points on the risk/return spectrum; and
 - The involvement of industry funds in nation building projects like ports projects The active involvement of industry funds can assist increase the transparency and public benefit in such projects.
 - We also need to explore global strategic partnerships with reputable global logistics firms (such as Toll Holdings) and Global Network Terminal Operators such as DP World to extract value from our participation in global supply chains
-

SLIDE 16



Conclusion

- It is important that all stakeholders grasp the opportunity to participate in national strategic policy coordination in the port sector
- National strategic ports policy must facilitate the revitalisation of Australian shipping. Shipping must therefore feature in port planning and regulation
 - The greatest opportunity to achieve this outcome is probably in regional ports
- We all need to be more innovative in our thinking about the funding of port infrastructure

- It is important that all stakeholders grasp the opportunity to participate in national strategic policy coordination in the port sector
- National strategic ports policy must facilitate the revitalisation of Australian shipping. Shipping must therefore feature in port planning and regulation
 - The greatest opportunity to achieve this outcome is probably in regional ports
- We all need to be more innovative in our thinking about the funding of port infrastructure
- Thank you