Shipping Australia Limited
ABN 61 096 012 574
Suite 606, Level 6, 80 William Street, Woolloomooloo NSW 2011
PO Box Q388 QVB PO, Sydney NSW 1230

www.shippingaustralia.com.au
Tel: (02) 9167 5838
admin@shippingaustralia.com.au

SAL2024-024

05 June 2024

Committee Secretary
Joint Standing Committee on Treaties
Parliament House, Canberra

By email: jsct@aph.gov.au
By webform: https://www.aph.gov.au/Parliamentary_Business/Committees/OnlineSubmission/Submit

Dear Committee Secretary,

Shipping Australia's submission in relation to the *Indo-Pacific Economic Framework Prosperity Agreement relating to Supply Chain Resilience*

A. About Shipping Australia

1. Shipping Australia is the principal Australian peak body that represents the locally owned and the locally active ocean freight-focused shipping industry. We provide policy advice, insight, and information to just over 70 members, who, between them, employ more than 3,000 Australians. We are recognised across Australia by politicians, public service officials, national media and trade media as being the national association for Australian shipping.
2. Our membership includes Australian ports, the local arms of global shipping agents and domestic shipping agents, towage companies, the locally active arms of ocean shipping lines, and a wide variety of Australian-owned and locally operated maritime service providers.
3. Shipping Australia is delighted to have the opportunity to provide a submission to the Joint Standing Committee on Treaties on Indo-Pacific Economic Framework Prosperity Agreement relating to Supply Chain Resilience as our members are particularly well-positioned and qualified given that they operate in and trade throughout the region and are uniquely well-suited to comment on regional supply chain issues and particularly on supply chain resilience.

B. Importance of international shipping to Australia and the region

4. The international shipping fleet is economically beneficial Australia and the region. The following paragraphs under this section relate to Australia but can also be thought of as indicative of the general benefits of ocean shipping.
5. Exports and imports of goods and services (including intangible services) out of / into Australia accounted for 25.8% and 19.9% of our gross domestic product in 2022, according to World Bank Data (accessed 06 July 2023).
6. The combined volume and value of Australia's import and export cargo (2020-2021), according to the Bureau of Infrastructure and Transport Research Economics publication, Australian Sea Freight 2020-21 was about 1.61 billion tons valued at about $601.4 billion. Approximately 99.93% by volume of all cargo that enters or leaves this country is carried by ocean-going ships.
7. There were 6,315 uniquely identified cargo ships which together made a total of 30,613 port calls at Australian ports in 2020–21. This included 6,219 unique cargo ships that made 17 303 voyages to Australian ports directly from overseas ports, according to the Bureau of Infrastructure and Transport Research Economics publication, Australian Sea Freight 2020-21.

8. It was estimated in "Australian Trade Liberalisation: analysis of the economic impacts," 2017 Centre for International Economics Report on Australian Trade Liberalisation for the Department of Foreign Affairs and Trade, that 1-in-5 Australian jobs were related to global trade. If that ratio still holds true today, then, based on August 2023 Australian Bureau of Statistics data which shows that over 14.1 million Australians were employed, global trade supports over 2.8 million Australian jobs.

C. Shipping and the environment

9. Shipping is the most environmentally friendly form of freight transport. In Australia, for instance, trucks produce more carbon emissions than rail, aviation and shipping combined, according to the Australian Climate Change Authority's document "Opportunities to reduce light vehicle emissions in Australia," of 29 June 2023.

10. A very large container ship (18,000 plus TEU) will (with conventional fuel) emit 3 grams of CO2 per tonne-km of freight carried, an oil tanker (up to 119,999 dwt) 5.9 grams, and a dry bulker carrier up to 34,999 dead weights will emit 7.9 grams. However, a truck greater than 40 tonnes will emit 80 grams per tonne-kilometre of freight and an aeroplane (747, capacity 113 tonnes), 435 grams per tonne-kilometre of freight, according to "Environmental Performance: Comparison of CO2 Emissions by Different Modes of Transport," by the International Chamber of Shipping, published circa 2020.

11. According to the latest figures (IMO, 2018) the total amount of carbon dioxide (CO2) emissions from the whole international commercial fleet, using the voyage-based allocation to international shipping, stood at 740 million tonnes in 2018, a small decline from the 746 million tonnes seen in 2017, which equates to about 2.02% of the global CO2 total (Source: "Table 1 – total shipping and voyage-based and vessel-based international shipping CO2 emission 2012-2018 (million tonnes)" quoted in the Fourth IMO Greenhouse Gas Study 2020".

12. Ocean shipping is only going to become more environmentally friendly over time. Ocean going shipping is already subject to a range of international regulations promoting cleaner shipping, such as MARPOL Annex VI, the EEXI, the EEDI, CII, to name a few.

13. At the International Maritime Organization's Maritime Environment Protection Committee, the IMO ruled that international shipping must become carbon neutral by 2050 or thereabouts.

14. There are an enormous range of greener processes (e.g. taking advantage of currents), devices (such as Mewis ducts), power systems (e.g. wind-assisted propulsion), and fuels (ethanol, battery-electric, bio-diesel, methanol) that can be, and are being, adopted by industry.

D. Maritime supply chains are NOT fragile; Maritime supply chains are RESILIENT

15. It is often said by commentators from a broad range of sectors and interest groupings that supply chains are "fragile". This is manifestly not true in relation to ocean shipping.

16. During the COVID pandemic, despite the world-wide shutdown of borders, the aviation industry and massive restrictions on the movement of persons. However, ocean shipping continued and delivered the goods.

17. In fact, recently around the world, there have been numerous epidemics including measles (worldwide 2019-2020); dengue fever (2017-2020, Pakistan, Sri-Lanka, Asia, Pacific, Latin America); Zika (2015-2016, worldwide); dengue fever (2013, Singapore – although present in one small country Singapore is of central importance to the world shipping industry); Ebola (2013-2016); Middle East Respiratory Syndrome (2012-present, worldwide) and swine flu (2009-2010, worldwide). Going back further in time and there were repeated outbreaks of dengue, cholera and plague among many other epidemics. However, ocean shipping continued and delivered the goods.

18. Throughout history, there have been repeated bouts of labour unrest and strikes. These include the Greek general strike (2021), the US essential workers general strike (2020); the US Strike for Black Lives (2020); the Indian general strike (2020); the Brazilian general strike (2017); the Indian general strike (2016) and the Egyptian general strike (2008). However, ocean shipping continued and delivered the goods.

19. A couple of years ago, the Suez Canal became blocked after a ship grounded, vessel operating companies were able to work around the blockage. Despite what may have been published in the media, ocean shipping continued and delivered the goods.

20. There have been repeated financial crises: the European sovereign debt crisis (2009-2019), the Russian financial crisis (2014), the Brazilian economic crisis (2015), the Chinese stock market crises; the Global Financial Crisis and the U.S. sub-prime housing market crisis which caused the world's financial industries to go into spasm; the oil price crisis (2003-2009) and the price per barrel hit US$147.30 (it was generally under US$23 per barrel until late 2003). However, ocean shipping continued and delivered the goods.

21. There have been many instances of armed conflict. In World War II, the armed forces of Nazi Germany targeted merchant shipping in the Atlantic through a policy of unrestricted submarine warfare. In the 1980s war in the Persian Gulf, both the Iranian and the Iraqi armed forces targeted ocean-going ships for destruction. Towards the end of that conflict, armed soldiers from the belligerent were flying helicopters just above crude oil carriers and were literally throwing grenades at the ships in an attempt to damage or destroy the ships. However, ocean shipping continued and delivered the goods.

22. In the early 1990s the Said Barre regime collapsed in Somalia and that led to an ongoing multi-sided civil war – a situation in which maritime piracy flourished. The Gulf of Aden and a sea-space stretching for hundreds of kilometres around the coast of Somalia became pirate hunting grounds. Pirates attacked ships with AK-47 machine guns and rocket-propelled grenades. They stormed ships to kidnap the crew and hijack the vessel, later ransoming them back to their owners. However, ocean shipping continued and delivered the goods.

23. Today, there is an ongoing shipping crisis in the southern Red Sea. The military / political / terrorist movement, Ansar Allah (known informally and in the media as the "Houthi" movement), having effectively restricted that global waterway to Western-aligned shipping by attacking ships with a range of weapons including missiles, rockets, and drones. However, affecting shipping has adapted by re-routing around South Africa. Ocean shipping is continuing and is delivering the goods.

24. The resilience of ocean shipping has been recognised in many ways by various authorities around the world.

25. Ms Gina Cass-Gottlieb, ACCC Chair, spoke at a conference on 01 September 2022 and she noted that, during the COVID pandemic, that supply chain disruptions were caused by port closures, staffing issues, and government restrictions. Shipping lines deployed their entire fleet but were unable to use that capacity as their vessels were trapped in congestion at ports.

26. During the COVID Crisis, the body formerly known as the UN Conference on Trade & Development (since re-branded to UN Trade & Development) published a series of data points on liner shipping connectivity, which demonstrated that liner shipping connectivity to and from Australia had generally increased over time. Yes, there are ups and downs but the trend overall is for an increase. Read about it on the Shipping Australia website: "Fact check: Australia benefits from plentiful container shipping" of 30 July 2021 and also at "Supply chain: UNCTAD data, once again, proves that liner shipping is adaptable and resilient to disruption," on 2 July 2021.

27. The Productivity Commission later conducted a study into "Vulnerable Supply Chains," which ironically reported on 22 July 2021, that "most essential supply chains have proven resilient… only a few traded products are vulnerable… Businesses can usually manage these risks through stockpiling, contracts and diversification".

28. In relation specifically to ocean shipping, the report definitively stated that: "the Australian shipping sector proved to be resilient," at Box 2.4, fourth paragraph down.

29. The myth that maritime supply chains are fragile is just that: a myth.

E. Poor port performance in Australia

30. Shipping Australia observes that the dry bulk ports in Australia are performing well and that the container ports performance is sub-optimal.

31. Shipping Australia draws the Committee's attention to the World Bank's "Container Port Performance Index: a Comparable Assessment of Container Port Performance" (versions 2020, 2021, 2022, 2023) produced in association with I.H.S. and later S&P Global (the two merged in 2022).

32. It is notable that S&P have developed what is probably the world's leading and most-comprehensive database of container port operations in the world. It collects and compiles data from over 3,650 terrestrial Automatic Identification Stations (AIS), from over 4,200 offshore AIS stations (i.e. from ships); and from two space-based satellite data providers. It can offer detailed visibility into the operations and performance of 500 container ports and over 1,000 container terminals around the world. S&P provides this data to the World Bank so that it can produce its annual Container Port Performance Indices.

33. The transport economists at the World Bank ranked the ports in two different ways: the "statistical" approach and the "administrative" approach.

34. It is notable that some container ports around the world have different rankings under each approach. It is equally notable that Australian container ports have poor rankings under both approaches.

35. In the first 2020 iteration of the report, the World Bank assessed 351 container ports around the world in an attempt to compare the performance of ports around the world. Out of those 351 places, the main Australian container ports ranked (administrative approach) as follows: Brisbane (234); Melbourne (313); Fremantle (319); Sydney (327); and Adelaide (333). There were very similar (albeit mostly worse) rankings under the statistical approach.

36. In the 2023 version of the report, the transport economists again calculated the rankings using two different methodologies but, for simplicity, also aggregated the scores to produce an "Overall Ranking" score. In the Overall Ranking system, Australian container ports ranked out of 405 container ports as follows: Melbourne (313) Brisbane (348), Botany (350), Adelaide (352), Fremantle (384).

37. It would appear that, despite the incentive provided by adverse publicity, Australian port performance has actually declined over the course of four reports.

38. If two separate methodologies, devised and implemented by world-leading transport economists, working for / with a globally renowned institution like the World Bank, and using data from a massive database by S&P a multi-nation data provider, both rank the performance of Australian container ports badly, if this poor ranking is repeated over a number of years, and there is ongoing feedback from the Australian ports industry (including private operators) to the authors of the report who then refine their model, then, Shipping Australia would suggest, it is not the methodologies of the report that are to blame if ports in Australia rank – and continue to rank – very badly.

39. It may also be noteworthy to observe that some comparable ports elsewhere in the world which have similar volumes and similar geographical constraints have performed much better than Australian ports. Socio-cultural issues can be controlled for using the Hofstede Insights system; Hofstede indicates that among other countries, the UK, and the USA are socio-culturally similar to Australia (as opposed to, say, South Korea, Greece, or Saudi Arabia).

40. There are three ports, two in the UK and one in the US, that have similar volumes to Australian container ports but have a much higher ranking. Southampton (UK) is up-river in a small, narrow, river, has road and rail access, is highly encroached by its neighbouring city, and does not have bridge-related restrictions. It scored 84 on the Overall Ranking.

41. London (UK), is somewhat upriver / at the entrance to a large estuary, also has road and rail access, is NOT heavily encroached by metropolitan London (the port is some distance from the city), and does not have bridge related restrictions. It scored 69 on the Overall Ranking.

42. Charleston (USA), is located inside a largely enclosed bay (Charleston Harbour) and is upriver behind a bend in a narrow, twisted, waterway. It is partly encroached by the local built environment, and it is constrained by bridges. It scored 53 on the Overall Ranking.

43. Each of the three – Southampton, London, and Charleston, scored a rank within the top 21% of ports whereas the Australian ports all scored in the bottom 23% even though they all have somewhat similar TEU container volumes.

44. Shipping Australia spent time pointing out the physical issues relating to these three ports as it is often-heard comment in Australia that Australian ports, unlike overseas ports, are somehow constrained by their geography whether that is their siting, presence of infrastructure, location on a river etc.

45. However, the results from the most recent World Bank report show the truth – local geographic considerations are not relevant – that only issue that matters in relation to port performance is how well the ports perform.

46. In any case, the Container Port Performance Index is supported by other evidence.

47. Shipping Australia's ocean-going shipping company members are in a unique position to be able to gather data on ship operations at container ports around the world. They repeatedly comment that, based on the data that they collect, that Australian ports are among the worst performing ports in Asia and elsewhere.

48. The ACCC's annual Container Stevedoring Monitoring Report (2020-21, October 2021) notes on p.56 that "despite some productivity gains, Australian ports are still not internationally competitive". On p.57 of the same report, it notes that improvements in crane rates have stagnated; figure 6.1 (p.58) shows that, in or about 2004, the crane rate stood at about 28 TEU per crane then, from 2004 to 2021 the crane rates varied from about 27 TEU to maybe 31 TEU and, as of 2021, it looks like about 27 to 28 TEU per crane.

49. In the same time frame, the volume of TEU handled rose from about four million TEU to about 8.5 million TEU. As the report then makes clear, the waterfront was able to handle a more than doubling of volume by adding more cranes.

50. Other key measures highlighted by the ACCC in the 2021 report, were the average on-berth hours. This figure generally was quite high at all the container terminals however, Sydney (in NSW) had the highest average on-berth hours in each separate year from 2011 to 2021. In 2020-21, Sydney had an average of 51.7 average on-berth hours compared with 40.3 at Melbourne. That's a 24.8 percentage difference in performance in average on-berth hours between the two very similar and comparable ports of Botany and Melbourne.

51. The ACCC's average idle hours is another important metric as this is the different between net ship hours minus average on-berth hours. Of the ten years recorded by the ACCC between 2011 and 2021, Sydney had the greatest number of idle hours in eight out of the ten recorded years. Sydney's idle hours metric appears to be getting worse. It was at 9.1 hours in 2015 and got worse each year so that, by 2021, Sydney was recording about 21.2 idle hours. By way of comparison, the next closest was Brisbane and 10.6 hours (closely followed by Melbourne at 10.3 hours), which is literally half of the idle hours of Sydney. It is noteworthy that the average idle hours in Australia as a whole were 13.3 when four of the five ports had an average idle hours figure of about 10 hours. Or, to put it another way, Sydney's average idle hours figure was so great that it dragged up the nationwide average idle hours figure by around three hours.

52. Idle terminals when a ship is at berth is pure waste. It is a loss of incurred costs, a loss of opportunity to handle cargo, and a pure loss of time. It ought to be minimised insofar as possible.

53. It should be observed that the poor performance of container ports as discussed in the ACCC report takes place across a background of a 20-year timeframe in which billions of dollars of port investment in hard infrastructure, software, machinery and equipment has taken place.

F. Shipping Australia's members are uniquely placed to bolster IPEF's supply chain resilience

54. Shipping Australia full members include many of the world's largest ocean shipping companies; they include specialists in the carriage of containerised cargo, general break bulk cargo, vehicular cargo, and dry bulk cargo (e.g. iron ore). Our members trade at ports in countries throughout the region (and around the world) and are uniquely placed and qualified to provide a positive contribution in terms of information and insight via the Shipping Australia Secretariat.

55. Shipping Australia would be delighted to provide input to, be involved with, take part in consultations, participate in the work of, and generally assist public service officials, public agencies, elected officials,

and any future IPEF Supply Chain Council in relation to any regional supply chain matters. We would be only too pleased to be able to help enhance shipping and port connectivity and to help develop an IPEF Region action plan.

G. RECOMMENDATIONS

56. It should now be obvious that international ocean shipping services are vital to Australia. Similar comments could be made about shipping across the Indo-Pacific region. It therefore follows that minimal disruption to, or cost impositions on, ocean shipping is in the Australian national interest, and the interests of countries across the Indo-Pacific, as any factors that adversely affect shipping thereby adversely affect the Australian economy and the Indo-Pacific economies. Similarly, any policy measure that is unduly burdensome to ocean shipping ought to be scrapped.

57. Noting that:

Article 2(1) of the Treaty states that the Parties intend to increase the resilience, efficiency, productivity, sustainability, transparency, diversification, security, fairness, and inclusivity of IPEF supply chains;

under Article 3(1) each Party is committed to minimizing unnecessary restrictions or impediments creating barriers to trade affecting the resilience, efficiency, productivity, sustainability, transparency, diversification, security, fairness, and inclusivity of IPEF supply chains;

under Article 4(1) that the parties recognise that regulatory transparency, objectivity, accountability and predictability can support the resilience of IPEF supply chains;

i. **RECOMMENDATION:** the current *Coastal Trading (Revitalising Australian Shipping) Act 2012* involves unnecessary bureaucratic intervention in the local shipping market, is highly distortionary, creates bottlenecks, creates vulnerabilities and ought to be completely scrapped; the latent capacity in the international fleet which is sailing around the Australian coast every day is more than adequate to provide for Australian maritime freight transport needs at the lowest economic cost.

ii. **RECOMMENDATION:** an appropriate public service entity, such as the Office of Supply Chain Resilience, ought to be empowered to take action – independent of Federal and State Government and by means of some trigger mechanism – to mobilise assets and personnel in an emergency situation.

iii. **RECOMMENDATION:** the Federal Australian Government's proposed Strategic Fleet policy will involve unnecessary bureaucratic intervention in the local shipping market, be highly distortionary, will create bottlenecks, will create vulnerabilities, and is a demonstrable waste of public funds. It ought to be completely scrapped. The latent capacity in the international fleet, which is sailing around the Australian coast and the IPEF region every day, is more than adequate to provide for Australian maritime freight transport needs at the lowest economic cost.

iv. **RECOMMENDATION:** there should be consistency in the application of all international trade documentation, along with a simplification and reduction of the same;

v. **RECOMMENDATION: t**he Australian Federal Government is lagging behind on its international obligations to implement the IMO's Single Maritime Window Project which could simplify the administrative burdens on international trade and shipping and boost our economy. Likewise, the Australian Federal Government should reverse its recent decision not to proceed with the Business Case for the Trade Single Window which otherwise could simplify and boost trade.

vi. **RECOMMENDATION:** any institutions, mechanisms, rules, policies, processes, systems, legislation, regulations etc that put in place should be commensurate with the goals to be achieved and should not add any unnecessary administrative or financial burdens on international trade or shipping, should not be anti-competitive in any way shape or form and should be in the spirit of Article 2 generally and in the spirit of Article 2(1) specifically to "increase the resilience,

efficiency, productivity, sustainability, transparency, diversification, security, fairness, and inclusivity of IPEF supply chains".

vii. **RECOMMENDATION:** there should be some form of up-to-date, publicly available, and free-of-charge measurement and benchmarking of Indo-Pacific Regional port performance as against comparable as against ports in the region and this should at least show long it takes to service a ship in terms of total turnaround time;

viii. **RECOMMENDATION:** the IPEF Supply Council should set up a system of cascading responsibilities that hold private port operators to appropriate international and regional port performance standards, such as found in the abovementioned World Bank's annual CPPI;

ix. **RECOMMENDATION**: Australia should consider developing additional container ports as in line with the Infrastructure Australia's priority listing for a new deepwater container port on the Australian East Coast so as to boost resilience under this IPEF Agreement;

x. **RECOMMENDATION**: the IPEF Supply Chain Council ought to have sufficient and adequate representation from the the international ocean-going shipping sector, which should be appropriately represented in the IPEF policy-making space;

xi. **RECOMMENDATION**: the staff and secretariat of the IPEF Supply Chain Council ought to be appointed using an open, public and transparent selection process using objective recruitment criteria that have been published prior to the opening of the recruitment process and the recruiter ought to be expert, experienced, and independent both of government and industry

xii. **RECOMMENDATION**: any person or persons appointed to the staff or secretariat of the IPEF Supply Chain Council ought to be disinterested in the sector i.e. ought not have any financial investments in the sector, nor hold any other remunerated position in the sector, and ought not be a representative of any trade body, industry body, government body, or any other body with a vested interest.

Submission authorised by:

Capt. Melwyn Noronha
CEO, Shipping Australia