



PRODUCTIVITY COMMISSION VULNERABLE SUPPLY CHAINS

Ports Australia welcomes the Productivity Commission's study into Australia's resilience to global supply chain disruptions; and engagement with the transport and logistics sectors to appropriately assess critical risks and mitigation strategies.

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 Chief Executive Officers of 12 port corporations from across Australia.

As an island nation, Australia relies heavily on the maritime industry for its trade, with over 98% of international trade by weight conducted via the country's ports.¹ A result of the effective functioning of the ports and the maritime industry more broadly, is a secure supply chain for critical resources and commodities, and positive social and economic outcomes for the nation and its people. Ports Australia, therefore, considers that an examination of the type and source of vulnerabilities to Australia's supply chains and identification of strategies to manage these risks, as necessary.

Australian imports and exports cover a wide range of resources and commodities, from the export of resources and goods that are critical to the national economy, to the import of essential goods, such as food, pharmaceuticals, fertilisers, machinery, and fuel. Hence, without the successful operation of the maritime industry, Australia is disabled from undertaking a significant portion of its international trade which is instrumental for the health and welfare of the public and to a productive economy.

Once the likelihood and impact of international supply chain risks and appropriate management techniques have been determined, it is imperative that the federal and state and territory governments support the implementation of these management strategies to assure supply chain continuity for Australia.

The Productivity Commission's Vulnerable Supply Chains Interim Report is primarily focused on the risks related to specific commodities. Whilst this is important, an expanded scope is necessary to have a comprehensive vulnerability analysis and should include an examination of vulnerabilities related to the transportation of these commodities. Ports Australia feedback addresses five key risk areas: shipping lines; shipping routes; service provision; worker status; and critical resource and

¹ Bureau of Infrastructure and Transport Research Economics (BITRE) 2014, Containerised and non-containerised trade through Australian ports to 2032–33.



commodity procurement. Included with the identification of these risks are considerations and/or recommendations regarding opportunities for risk mitigation.

Shipping lines

Australia heavily relies on foreign-flagged vessels for its imports, exports and coastal shipping. Major Australian-flagged vessel numbers have significantly declined in recent decades, with now only around 15 in operation.² Should a circumstance arise that requires the withdrawal of a company's vessels for international trade to or from Australia, this would pose a significant limitation on Australia's ability to continue trade as only a few shipping lines service Australia. Withdrawal could occur from such circumstances as a company's changes focus or insolvency, or a nation's geopolitical decisions. It is therefore recommended that similar to the mapping exercise conducted by the Productivity Commission of products and their supply chains, that vessel ownership also be mapped. This mapping exercise should include vessel capability and capacity, ownership and country of registration, and then be linked to Australia's commodity transportation requirements.

Shipping routes

Worldwide there is significant reliance on certain shipping routes, evidenced by the 2021 Suez Canal blockage and the impact that this had on trade and oil prices. Should a similar yet longer term maritime event / accident occur or geopolitical issue arise, certain shipping lanes may be compromised and result in an inability for vessels to transport through particular waters. Such a situation could either prevent trade with certain countries or lengthen transportation times. For example, an estimated one-third of the world's maritime traffic passes through the South China Sea.³ Analysis on Australia's supply chains with respect to shipping lanes used and the associated territories / waters should be conducted to understand where potential alternative routes exist and the impact of using alternative routes, especially cost and transportation duration.

Service provision

Maritime pilots, towage operators, linesmen, and stevedores all contribute to the successful entry, offloading, loading and departure of ships: pilots navigate and steer a ship in and out of a specific port; towage operators use tugboats to support vessel entry to and exit from a port; linesmen moor the vessel to the berth; and stevedores load and unload the vessel. Due to the criticality of their functions, it is necessary to assess any extant vulnerabilities and ensure that approaches are taken to eliminate or reduce these vulnerabilities.

Pilotage, particularly, is a highly skilled profession which requires specific knowledge of a stationed locality and hence, only a very limited number of individuals can undertake this function. Effectively, without pilotage, a port would be made inoperable. Moreover, pilots are rarely readily transferable

² BITRE 2019, Australian sea freight 2016–17.

³ China Power Team 2017, How much trade transits the South China Sea?



across ports. During COVID-19 ports were acutely aware of this, as pilots are also the first individuals to interact with crew and board a vessel. Accordingly, ports around Australia promptly implemented significant additional safety procedures to protect their pilots. As pilotage is essential for the safe carriage of vessels, approaches to support pilotage and mechanisms to allow for the continued functioning of trade in the event pilotage is compromised, is required.

Similar to pilotage, towage operators are essential for the safe carriage of vessels, and linesmen and stevedores to the safe berthing and unloading/loading. For each of these services, there are few service providers and whilst they are closely related services, there is restricted ability for any one speciality to undertake the function of another. Therefore, Ports Australia strongly suggests consideration be given to understanding the potential vulnerabilities associated with these services and measures to provide appropriate flexibility in the delivery of these services.

Worker status

Throughout the COVID-19 pandemic, it has been critical that maritime crew be given essential and frontline worker status, for transiting to and from work and for early receipt of the vaccine. On 9 April 2020, National Cabinet provided a class exemption for non-cruise maritime crew to allow their transit to and from work and between jurisdictions without undertaking quarantine.⁴ However, in reality this exemption was not implemented by all states and territories. Hence, continued difficulty ensued for these supply chain workers to attend their place of work without undertaking quarantine.

Whilst it is acknowledged that states and territories require different policies to attend to the needs of a jurisdiction, clarity and transparency of these policies is essential. Ports Australia has been consistently advocating for this, recommending that a single source of truth document be produced and routinely updated by the Federal Government on all federal and jurisdictional policies that is accessible to all. This would reduce uncertainty from industry and allow for improved adherence to policies throughout the country.

Currently shipping relies on international seafarers with seafarers primarily originating from China, the Philippines, Indonesia, the Russian Federation and Ukraine.⁵ This exposes a vulnerability within the transportation mode, as these essential workers enable shipping to function. Should one or more shipping lines face a situation where they are incapable of sourcing shipping crew, the industry would be heavily impacted and leave Australia's transportation chain vulnerable. During COVID-19, the International Transport Workers' Federation (ITF) agreed to the extension of seafarer contracts, allowing for service periods beyond the maximum allowable under the ITF or the Maritime Labour Convention (MLC).⁶ A result of this was the desire for many seafarers to be repatriated after

⁴ Prime Minister of Australia 2020, Update on coronavirus measures media statement 09 Apr 2020.

⁵ International Chamber of Shipping n.d., Shipping and World Trade: Global Supply and Demand for Seafarers.

⁶ International Transport Workers' Federation Seafarers 2020, ITF agrees to crew contract extensions.



extended stints. Should a similar occurrence happen from a pandemic or a geopolitical issue, the sourcing of seafarers could be severely impaired and this should be a consideration of the Commission.

Critical resource and commodity procurement

The vulnerable supply chains study investigates critical resources and commodities, their supply chains and the impact of a six-month disruptions to these supply chains. At present, it is Ports Australia's understanding that the Australian onshore fuel stockpile is 21 days and offshore fuel stockpile is three months. Given the majority of the stockpile is located overseas, the criticality of fuel to the operation of essential services in Australia and the supply chain transportation risks indicated above, an increased onshore stockpile is strongly recommended.

The Productivity Commission has identified major supply chain mitigation strategies, and Ports Australia supports the use of these strategies. However as stated above, additional analysis needs to be undertaken and where appropriate associated measures implemented relating to:

- Shipping lines;
- Shipping routes;
- Service provision;
- Worker status; and
- Critical resource and commodity procurement.

In addition, the following two measures should be examined to enable real time monitoring of the supply chain and timely responsiveness to any realised risks. Firstly, some within the port sector suggest a national committee be established to monitor developing supply chain risks and to be prepared to react to any new risks or issues that arise. Secondly, a system which integrates data across the supply should be considered for implementation i.e. a trade community system (TCS). A TCS enables real time supply chain visibility, improving monitoring and risk identification, and better informing short- and long-term planning. Transport for NSW and the Port of Brisbane have both conducted separate preliminary work on a business case for a TCS, and the continued support of these efforts by the Productivity Commission would be prudent.

Ports Australia is appreciative of the Productivity Commission's analysis of supply chain vulnerabilities, and the opportunity to contribute to this. For further information regarding this submission, please do not hesitate to contact Ports Australia.



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