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**Reforming the Waterfront:
Background to the Current
Debate**

by

Honor Figgis

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CONTENTS

Executive Summary

1.	INTRODUCTION	1
2.	WHAT IS THE WATERFRONT?	2
3.	MAIN PARTICIPANTS IN THE WATERFRONT DEBATE	4
3.1	Stevedoring companies	4
3.2	Port authorities	6
3.3	Maritime Union of Australia	7
4.	WHAT ARE THE PROBLEMS?	9
4.1	Stevedoring productivity	10
4.2	Stevedoring charges	14
4.3	Stevedoring reliability	15
4.4	Factors affecting stevedoring performance	17
4.5	Interaction between waterfront participants	21
4.6	Port authority and other charges	22
5.	THE NEW ZEALAND REFORMS	25
6.	CONCLUSION	27
Appendix:	Australian ports (extracted from Industry Commission, <i>Port Authority Services and Activities</i> , Report No. 31, AGPS, May 1993, pp 6-7)	

EXECUTIVE SUMMARY

The waterfront is the series of processes by which cargo is moved between land transport and ships. There are three basic kinds of cargo: containers, bulk cargo (such as coal or grain), and general or 'break bulk' cargo (such as timber or motor vehicles). The waterfront involves a complex series of interactions between importers, exporters, shipping companies, ship owners, port authorities, government agencies and private companies supplying port related services (such as stevedores and land transport operators) (pages 2-4).

For many years there have been concerns about the performance of the waterfront, particularly in relation to the movement of containers. The main problems that have been identified are the productivity and reliability of stevedoring, ship turnaround times, and waterfront charges (consisting of stevedoring charges, port authority charges, and government and ancillary charges). Most media attention in recent debates has focussed on the stevedoring industry, in particular the employment conditions of waterside workers and the role of the Maritime Union of Australia in the industry. Other aspects of the waterfront that are also significant to the overall objective of moving cargo as quickly and cheaply as possible include port management, port charges, land transport links, interaction between waterfront participants, and the use of technology (page 9).

Substantial gains were made in **stevedoring productivity** during a reform program implemented by the Federal Government from 1989 to 1992. Despite these gains, it appears that further improvements in the container and break bulk cargo areas are required for Australia to reach international best practice levels. Australia's bulk ports are among the best in the world for productivity and efficiency (pages 10-14).

Australia's **stevedoring charges** for containers and break bulk cargo are relatively high by world standards, although they appear to be falling over recent years. Charges for bulk cargo are generally very competitive (pages 14-15). There have been continuing problems with **stevedoring reliability** and **ship turnaround times**, with findings that the timeliness and reliability of container operations in Australian ports lag well behind overseas ports. However, ship turnaround times have been declining in recent years (pages 15-17).

A number of factors have been said to contribute to the problems in the stevedoring industry, including (pages 17-21):

- lack of competition among stevedoring companies;
- restrictive work practices of waterside workers, such as overmanning and limits on the use of casual labour, and very generous pay and leave entitlements;
- an industrial culture of mistrust and disputes between employers and employees, particularly in the capital cities;
- an effective 'closed shop' for waterside labour giving the Maritime Union of Australia a strong influence over waterside work practices; and
- poor management practices by stevedoring companies.

Efficiency in cargo movement through ports may also be hindered by **inadequate co-operation between waterfront participants**. It has been argued that poor communication between links in the transport chain and a lack of co-ordination and co-operation affect the performance of the waterfront (pages 21-22).

Port authority charges are a significant element in overall waterfront charges for cargo, accounting for around one quarter of container cargo charges. Some of these charges are levied on ship operators and some are levied on cargo owners. Port authority charges in Australia generally seem to be on a par with or higher than comparable overseas ports (pages 22-25). The capacity for competition between Australian ports is limited, because the major ports are so widely separated that shipping companies often have little choice of which port to visit. Many Australian ports have been corporatised and in some cases privatised in order to improve their efficiency and competitiveness (pages 24-25). **Ancillary charges** for pilots, tugs and mooring also add to the cost of moving cargo. A brief overview is given of the **New Zealand reforms** to waterfront labour and port authorities (pages 25-27).

In summary, the changes implemented since 1989 have achieved substantial improvements in the stevedoring industry and port authorities, two of the most important participants in the waterfront, but these improvements have been variable. In the bulk cargo sector, Australia's waterfront is among the best in the world, but in the container and general cargo sectors, the gains have not been as impressive, and in some cases have begun to retreat. The point has been made that the essential question is whether Australia's waterfront is internationally competitive, not whether it has improved on its performance in the last decade. The results again are mixed on this question, but overall there is agreement that the waterfront must improve substantially in several aspects before it reaches its full potential (pages 27-28).

1. INTRODUCTION

In recent months several controversial events have taken place on the Australian waterfront involving efforts by some stevedoring companies to use workers who are not members of the Maritime Union of Australia. These attempts to introduce non-union labour to the waterfront have reignited long-standing debates about the performance of the waterfront, and about what should be done to improve it. This briefing paper gives some background to these debates.

As an island nation, Australia's international trade is mostly conducted through its ports, and coastal shipping is also a significant mode of domestic transport.¹ The importance of ports to the national economy makes the efficiency, timeliness, reliability and user costs of ports a matter of concern to the Federal and State governments, as well as to the users of the waterfront. Waterfront services represent a significant component of export prices.² A recent article cited unpublished ABS figures as showing that the 'services to water transport' industry (comprising stevedoring and other port and shipping services) generated output worth \$2.5 billion in 1996-97, just under 0.5% of GDP, and employed 13 000 people.³

The Australian waterfront has had a troubled history over the last century, plagued by problems of labour unrest, inefficiency and claims that it is uncompetitive by international standards. The Federal Government has conducted many studies of the Australian waterfront over the last few decades, and waterfront reform has been a high priority for Commonwealth and State Governments in recent years. The reforms have comprised two distinct elements:⁴

- labour market reforms (largely the responsibility of the Federal Government); and
- commercialisation and corporatisation of state-owned port authorities (a State Government area of responsibility).

From 1989 to 1992 the Waterfront Industry Reform Authority established by the Labor Federal Government carried out substantial changes to the industry. There have been considerable improvements to the efficiency and competitiveness of Australian ports as a result of the reforms, but dissatisfaction with the performance of the waterfront has continued in government and business circles.

¹ Bureau of Industry Economics, *International Benchmarking - Waterfront 1995*, Report 95-16, Commonwealth of Australia, August 1995 p 7.

² On average, in 1993-94 waterfront services accounted for just over 4% of the export price of agricultural and mining commodities, and 2.7% of the export value of manufactures: BIE, *Benchmarking Report*, n 1, p 9.

³ 'Rocking the docks', *Australian Financial Review*, 3/11/97.

⁴ BIE, *Benchmarking Report*, n 1, p xiii.

2. WHAT IS THE WATERFRONT?

The waterfront has been described as ‘the interface between sea and land transport’.⁵ Although the activities carried out on the waterfront differ depending on the type of cargo involved, the available port facilities and so on, the waterfront generally involves a similar basic interdependent chain of services.⁶ This chain includes a pilot taking control of the ship and guiding it into berth with the assistance of tug boats. Port authorities allocate berths and ensure that safety and other regulatory requirements are met. Linesmen tie the ship to the wharf and stevedores unload and load the cargo. International cargo passes through customs, quarantine and other regulatory agencies as necessary.⁷ Customs brokers arrange on behalf of importers for goods to pass through customs. The cargo can be stored at the wharf in a depot or stockpile or a container terminal, or it can pass directly to land transport, either road or rail. Containers may be unpacked at depots and their contents sent on to the importer. Freight forwarders, shipping agents or shippers organise these services.

The waterfront thus involves a complex interaction between importers, exporters, shipping companies, ship owners and operators, port authorities, government agencies and private companies supplying port related services. The Bureau of Transport and Communications Economics viewed the waterfront industry as a set of submarkets, and commented that ‘the performance of the waterfront depends on these sub-markets working together as an operational system.’⁸

Responsibility for the provision of services to port users differs between ports, according to the commercial and structural arrangements in place. In general, port authorities provide port infrastructure and traffic management, and make available pilot and tug services. Often private companies provide pilots and tugs under contract to the port authority. Stevedoring is usually done by private companies, although in some smaller ports the port authority undertakes stevedoring. Container terminals and depots are generally privately operated, as is road transport from the port.

There are approximately 60 ports in Australia, and they vary widely in size and function, and the kinds of cargo they handle (see Appendix). There are three broad categories of cargo:

Containerised: Cargo that is carried in containers, such as wool, food products, textiles and paper.

⁵ BIE, *Benchmarking Report*, n 1, p 7.

⁶ *Ibid*, p 7.

⁷ In 1992 eight federal regulatory agencies were identified as being involved in clearing cargo: Commonwealth Parliament House of Representatives Standing Committee on Transport, Communications and Infrastructure, *Warehouse to Wharf: Efficiency of the Interface between Seaports and Land Transport*, AGPS, April 1992 pp 31-32.

⁸ Bureau of Transport and Communications Economics, *Economic Significance of the Waterfront*, Information Paper 29, Commonwealth of Australia, 1988, p 1.

Bulk:	Large volume cargo such as coal or wheat that is carried loose in the ship's hold. There are two kinds of bulk cargo: <i>dry bulk</i> (such as coal, grain, minerals) and <i>liquid bulk</i> (such as petroleum products).
Break bulk or general:	Cargoes which generally defy containerisation such as steel coil, timber, and motor vehicles.

Each type of cargo is handled by specialised equipment. The major Australian ports are those in Sydney, Melbourne, Port Adelaide, Brisbane and Fremantle, commonly known as the 'five ports'. These ports generally handle all three kinds of cargo. The smaller regional ports generally handle bulk and break bulk cargo. Although some regional ports are equipped to handle containers, container cargo is concentrated in metropolitan ports. A 1986 study found that the major ports of Sydney and Melbourne handle approximately 80% of the total Australian container trade while the five major Australian ports account for approximately 96%.⁹

Dry bulk cargoes dominate Australia's coastal and international shipping in terms of volume. Containerised cargoes, which tend to have a high value in comparison with bulk goods, are the most significant cargo in terms of value of imports and exports. 'Due to the dominance of the agricultural and natural resource industries in Australia's exports, crude materials, food and mineral fuels and lubricants dominate outbound sea cargo. These commodities have relatively low value added. In contrast, high value added products such as machinery, transport equipment and manufactured foods dominate inbound sea cargo.'¹⁰

The advent of containerisation (the practice of carrying cargo in standard size reusable containers) since the 1960s has had dramatic effects on the waterfront. They include:

- A substantial reduction in the number of workers required by stevedoring companies. The development of specialised container handling cranes and equipment made the container industry much less labour intensive.
- An increase in the dominance of the major capital city ports. The larger ships used in container operations and the faster turnaround times they required meant that fewer port calls were desirable. The large investment needed for container handling equipment provided added incentive to concentrate container activity in the major ports.¹¹

⁹ Bureau of Transport Economics, *Shore-based Shipping Costs, Non-bulk Cargo*, Occasional Paper 80, Commonwealth of Australia, September 1986, p 12.

¹⁰ BIE, *Benchmarking Report*, n 1, p 10.

¹¹ BTCE, *Economic Significance of the Waterfront*, n 8, p 5.

- Concentration in the ownership and control of stevedoring facilities. Before containerisation there were many stevedoring companies operating in Australian ports.¹² The use of container terminals and specialised container ships has led to a reduction in the number of non-container stevedores, and a high degree of concentration of container stevedores.

Containers were first used in the late 1950s, and became widespread when the International Standards Organisation (ISO) reached agreement in 1966 on standard shipping container sizes, based on an 8 ft square external end area with lengths varying in multiples of 10 ft from 10 to 40 ft and incorporating standard fastening and lifting points. These containers were quickly adopted by all operators, with the 20 ft length (representing one ‘twenty-foot equivalent unit’ or ‘**teu**’) being the most common.¹³ Teus are a standard measure of cargo volume; thus, one 40ft container is two teus.

Movement of containers on and off ship is measured by ‘**crane rate**’ - the hourly rate at which a single crane moves cargo onto or off the ship. Crane rate can be measured in teus or in the number of containers actually moved. For example, a crane that lifts ten 40-ft boxes in an hour has a crane rate of 10 container moves per hour and 20 teus per hour. ‘**Crane intensity**’ refers to the number of cranes used per ship.

3. MAIN PARTICIPANTS IN THE WATERFRONT DEBATE

This section gives an overview of the main organisations involved in the debate over costs, efficiency and productivity on the waterfront.

3.1 Stevedoring companies

Stevedoring companies load and unload cargo from ships, and also generally transfer cargo to or from land transport. They may also provide storage for cargo in warehouses or container terminals. The stevedoring of non-bulk cargoes is carried out by either a conventional stevedoring company operating at a conventional wharf, or a specialised container terminal operation.

Conventional stevedores operate at wharves which are generally common-user berths owned by the relevant port authority. The port authority allocates berths and associated handling facilities to the shipping companies which then contract a stevedoring company to provide labour and any additional handling equipment to service their ships.¹⁴ Conventional stevedoring companies generally handle bulk and break bulk cargo, but may also be equipped to handle containerised cargo.

Conventional stevedoring work has declined substantially after containerisation led to the

¹² Ibid, p 8.

¹³ BTE, *Shore-based Shipping Costs*, n 9, pp 10-11.

¹⁴ BTCE, *Economic Significance of the Waterfront*, n 8, pp 7-8.

diversion of a large proportion of non-bulk freight to container terminals.¹⁵ There are now only two major companies carrying out conventional stevedoring: P&O Ports (formerly Conaust), and Patrick the Australian Stevedore (formerly Australian Stevedores). There are several smaller conventional stevedoring companies, such as Strang Stevedoring Australia Pty Ltd in Melbourne, which mainly loads and unloads bulk cargo.¹⁶

Container terminals are specialised facilities for loading and unloading containerised cargoes. They also provide storage for containers before loading or after discharge from a vessel, and the terminal operator manages the transfer of cargo to and from land transport. Container terminals usually operate on land which has been leased on a long term basis from the port authority. For the import of containers, there are three separate operations of a container terminal: ship-to-shore handling, shore-to-stack handling and the stack-to-land transport handling. The reverse sequence applies to the export of containers.¹⁷

Running a container terminal requires a large capital investment, and efficient operation of the technology requires a large throughput for each terminal.¹⁸ For these reasons, the container terminal industry can only support a small number of operators, and container terminals are concentrated in the major ports. P&O Ports and Patricks dominate the Australian container terminal market. A United States-based company, SeaLand (Australia) Terminals has commenced stevedoring and container terminal operations in Adelaide and Brisbane.

In Sydney, P&O Ports and Patricks are the two dominant stevedoring companies in both conventional and container stevedoring. One container terminal, CTAL (Container Terminals Australia Ltd), is operated by a consortium of shipping companies including P&O Containers Ltd. A Hong Kong-based company, Orient Overseas Container Lines (OOCL), is currently negotiating to establish a container terminal operation in Port Botany. In Melbourne, the major stevedores are Patricks and P&O Ports, along with the non-container stevedore Strangs. The new entrant to the Melbourne waterfront, the PCS group (established by the National Farmers' Federation), is currently training staff in container stevedoring.

¹⁵ Ibid, pp 7-8.

¹⁶ For more detailed information on the stevedoring companies operating in Australian ports see 'Where the wharves are', *The Australian*, 17/2/98.

¹⁷ BTE, *Shore-based Shipping Costs, Non-bulk Cargo*, n 9, p 99.

¹⁸ BTCE, *Economic Significance of the Waterfront*, n 8, pp 7-8.

3.2 Port authorities

As noted above, there are about 60 ports in Australia (see p 2 and Appendix). Private companies operate about 15 ports in Australia,¹⁹ but the majority of ports are run by public port authorities. The private ports are generally regional ports specialising in movements of particular bulk commodities (such as sugar, grain or coal). The major public ports are multi-purpose in nature, handling general cargo (container traffic and break-bulk cargo) and often including some bulk commodity features.

A port authority has been defined as:

any organisation providing ‘core’ services to a specific port or group of ports. Port authorities control the use of the waters and lands within port boundaries; provide safe access to and harbouring for ships; and plan, provide and allocate port infrastructure such as channels, breakwaters, navigation aids and berths. But the services and activities provided by many Australian port authorities extend well beyond those core activities - and many port authorities have both a facilitative and regulatory role.²⁰

Other responsibilities of port authorities include levying and collecting port charges, leasing land, and port promotion. Port authorities also have a general interest in managing the efficient movement of cargo through the whole port system, including the stevedoring and land transport operations.

Port structure and administration is generally the responsibility of the States, although the Commonwealth Government has a significant influence over ports.²¹ Commonwealth interest in the ports area is derived from the Constitution under ss 51 and 98, with further powers being conferred under ss 90, 92, 96 and 101. These sections relate to a wide spectrum of activities such as trade and commerce between States and internationally, customs and quarantine, taxation, provision of Commonwealth loans, property acquisition, defence and external affairs. State responsibility is maintained through port authorities and/or navigation authorities established under State legislation. Thus, although Australian public port administration and development are broadly influenced by the Commonwealth, they are primarily under the control of State governments.

Most Australian ports are run by statutory or corporatised port authorities. The structure of port authorities is discussed in section 4.6 below, ‘Port authority and other charges’.²²

¹⁹ Industry Commission, *Port authority services and activities*, Report No 31, 1993, p 6.

²⁰ *Ibid*, p 1.

²¹ This paragraph is taken from BTE, *Shore-based Shipping Costs*, n 9, pp 70-71.

²² See also Mullen V, *Maritime Services in NSW: Issues for Reform*, NSW Parliamentary Library Briefing Note 1/95 for background to and information on port corporatisation.

3.3 Maritime Union of Australia

Stevedoring is a highly unionised industry and most stevedoring workers are members of the Maritime Union of Australia (although some stevedoring work is carried out by members of other unions such as the Australian Workers Union or the Construction, Forestry, Mining and Energy Union.) The Maritime Union of Australia (MUA) is an important participant in the waterfront, through its coverage of waterfront workers and its tradition of strength and militancy in dealing with employers and industry bodies.

Industrial relations on the Australian waterfront has a long tradition of bitterness, reaching back to the national maritime strike of 1890 which resulted in the crushing of the Wharf Labourers' Union. The shipowners, who controlled most Australian stevedoring, were renowned for their generally aggressive and inflexible approach to labour relations.²³

Members of the union were blacklisted and its organizers hunted off the wharves. In some cases 'company unions' were formed to which the men had to contribute 1½d out of every shilling earned in order to get employment. Unskilled labour in the [eighteen] nineties was superabundant, and the men dared not resist. Wages were very low, work was irregular, and employment depended wholly on the foreman or superintendent. Men might work for twenty-four hours at a stretch, and then be unemployed for weeks... Any complaints meant black-listing and loss of employment'.²⁴

The working conditions imposed by employers were often harsh, and the carrying of heavy weights for long periods resulted in frequent injuries, sickness and accidents. The 'bull' system of daily employment, under which labourers gathered daily at a wharf and the foreman or company representative picked the strongest of them, caused particular hardship. 'The system was open to bribery and victimisation of 'troublemakers'. Workers walked from wharf to wharf seeking a job and the stretch of wharves in Sydney from Circular Quay to Darling Harbour became known as the 'Hungry Mile'. Many of these features of waterfront work remained unchanged until the 1940s.'²⁵

It was in response to these conditions that the Waterfront Workers' Federation was established in 1902 under the driving force of William Hughes to improve the safety, regularity and pay for wharf workers. 'The staunch fraternity and militancy which developed in these circumstances became the hallmarks of wharf labouring in twentieth century

²³ Sheridan T, 'The Old Order and the New: Contrasts in the Response of Australian and Overseas Shipowners to Full Employment on the Waterfront, 1944-1952', *Labour History*, No. 73, November 1997, p 142.

²⁴ Fitzhardinge L, *That Fiery Particle*, Angus & Robertson Publishers, 1964, pp 100-101.

²⁵ Inter-State Commission, *Waterfront Investigation: Preliminary Findings and Discussion Papers*, Vol 3: Employment Arrangements, AGPS, August 1988, p 19.

Australia'.²⁶

The importance of the waterfront and its continuing industrial instability has led to the waterfront industry, and particularly stevedoring, being closely supervised by the Federal Government. Beginning in 1942 with the establishment of the Stevedoring Industry Commission, the Federal Government administered stevedoring employment on a national, industry-wide basis. The Commission was replaced by the Australian Stevedoring Industry Board in 1949, which in turn was replaced by the Australian Stevedoring Industry Authority (ASIA) in 1956. Permanent employment of stevedoring workers was introduced in the 1960s. In 1967 a pool of labour was formed, employed by an employer's association, which allocated workers daily to stevedores to meet labour shortages. The ASIA was abolished in 1977 when the Federal Government handed over administration of the stevedoring industry back to its main participants, the employers and the waterside workers.²⁷

In the 1980s, labour was allocated to stevedores and ports through the operation of Federal and port coordinating committees. This system involved calculating a quota for each employer and allocating any labour in excess of the total quota among employers in accordance with their quota share.²⁸ If companies required additional labour they could hire this from other companies on a daily basis through inter-company arrangements. In the early 1990s the Federal Government introduced reforms to the waterfront which included an end to industry-wide employment arrangements and a move to company employment of waterside workers (see section 4.1 below for more information).

Throughout the various stevedoring industry arrangements, the Waterside Workers' Federation maintained its traditions of a closed-shop waterfront, and a confrontational approach to management. The union was in a strong position that enabled it to win increasingly favourable pay and conditions for its members, as shipping companies working under tight schedules pressured stevedoring employers to accede to union demands.

Since the 1950s, however, continuing developments in cargo handling technology have dramatically decreased the amount of labour required on the waterfront. The move to containerised cargos and capital intensive stevedoring has seen a constant decline in the demand for stevedoring labour. Thus, in the first 12 months after agreement was reached at the National Stevedoring Industry Conference in 1967 on the need for redundancies, the number of registered wharf labourers declined from 20 140 to 18 932. By mid-1973 numbers were down to 13 591 and by mid-1977 there were only 10 386 registered wharf labourers in Australian ports.²⁹

²⁶ Beasley M, *Wharfies: A History of the Waterfront Workers' Federation of Australia*, Halstead Press, 1996, p 20.

²⁷ For a history of these reforms to stevedoring industry arrangements see BTE, *Shore-based Shipping Costs*, n 9, pp 159ff.

²⁸ Inter-State Commission, *Waterfront Investigation: Preliminary Findings*, n 25, pp 58-9.

²⁹ Beasley, *Wharfies*, n 26, p 228.

From 1989 to 1992 there were further redundancies of approximately 5 000 waterside workers as part of the Federal Government's waterfront reform process. The declining membership of the WWF and the Government's union amalgamation legislation led the WWF to amalgamate in 1993 with the Seamen's Union of Australia and the Australian Foremen Stevedores' Association to create the MUA. Currently there are 10 188 members nationally of the MUA, of which 5, 488 are waterside workers.³⁰ A recent study of employment conditions on the waterfront is reported to have found that as a workforce, stevedoring employees are predominantly older males with low to average qualifications.³¹

Memories of the 'bloody history'³² of the industry continue to have a strong influence on the MUA, especially in Sydney and Melbourne. As one commentator has said, 'This is an industry steeped in history, in which the workforce, particularly in the capitals, wears past struggles as a badge of honour. In this industrial environment, nothing is willingly given.'³³

4. WHAT ARE THE PROBLEMS?

This section discusses some of the concerns about the performance of the waterfront that have been raised in the current debates, and some of the schemes for reform that have been implemented or proposed. The main problems relate to the productivity and reliability of stevedoring, ship turnaround times, and waterfront charges (consisting of stevedoring charges, port authority charges, and other government and ancillary charges).

The Federal Government and the media have mostly focussed their attention on the stevedoring industry and the role of the MUA. However, the waterfront consists of more than just stevedoring. Other aspects of the waterfront, such as port management, port charges, land transport links, interaction between waterfront participants, and use of technology are also significant to the overall objective of moving cargo as quickly and cheaply as possible.

Some have attributed the current problems to the effect of 'layers of monopolies'³⁴ by the union, the two stevedores, the State-owned port corporations and the tugs. As will be seen below, there are several features of the Australian waterfront (such as the relatively small volume of traffic and the long distances between ports) which are not conducive to

³⁰ Information provided by the MUA.

³¹ Sloane J and Robertson F, *Selected Analysis of Employment Conditions of Workers in the Australian Waterfront and Seafaring*, Working Paper No. 145, National Institute of Labour Studies, November 1997, reported in 'Older, well-paid men staff waterfront: study', *Australian Financial Review*, 5/9/97.

³² 'Hard men in softer jobs but struggle continues', *Sydney Morning Herald*, 5/1/98.

³³ Way N, 'Port among world's most expensive', *The Australian*, 17/2/98.

³⁴ 'Why Corrigan is waging war on the docks', *Australian Financial Review*, 28/2-1/3/98; Inter-State Commission, *Waterfront Investigation: Conclusions and Recommendations*, vol 1, AGPS, March 1989, pp 130-136.

competition in some areas. The extent to which the lack of competition can be addressed forms part of the wider question of what can reasonably be expected of the Australian waterfront.

4.1 Stevedoring productivity

There has long been concern among shipping companies, stevedoring employers and the Federal Government that the stevedoring industry was slow, unproductive and expensive in comparison with international standards. In 1989 the Inter-State Commission investigating the waterfront described it as having:

high costs, endemic unreliability, a high level of industrial disputation, inappropriate staffing levels and work practices, poor discipline, poor motivation throughout the industry and a pervasive lack of competition.³⁵

The Inter-State Commission criticised the closed-shop coverage of the Waterside Workers' Federation, and the use the union made of its strong bargaining position. As a later review stated:

Management and union attitudes have been formulated by the lengthy history of mistrust on the waterfront. As a consequence of the 'closed shop' nature of waterfront employment, the MUA has considerable power to influence how the industry operates. For example, the MUA is able to largely influence the extent to which casual labour is used. Shippers and stevedores expressed the view that in the major and some minor ports the closed nature of the industry and the history of mistrust combined to cause workers to still give primary loyalty to the union rather than to the company employing them.³⁶

In 1989, the Federal Labor Government announced a three year program to reform the stevedoring industry. The fundamental objective of the program was to achieve increased efficiency on the waterfront by means of an In-Principle Agreement (IPA) negotiated between the ACTU, stevedoring employers, stevedoring unions and the Federal Government under the auspices of the Waterfront Industry Reform Authority (WIRA). The reform process involved participants from government, port authorities, unions, terminal operators, ship owners and shippers. They aimed to achieve:³⁷

- A shift in employment from the industry to the company, and a corresponding shift in attitude by employees to an identification with the employer's interests.
- Flexibility in hours worked, tasks undertaken and use of casual labour. Rigid

³⁵ Ibid, p xv.

³⁶ Bureau of Transport and Communications Economics, *Review of the Waterfront Industry Reform Program*, Report 91, Commonwealth of Australia 1995, p xx.

³⁷ Ibid, pp 6-7.

practices meant demarcation disputes, high levels of overtime and inefficiencies. The aim was to introduce labour flexibility, proper career structures and training for employees.

- Reduction and rejuvenation of the workforce, cutting it through voluntary redundancies and reshaping it with a fresh intake of younger labour.
- Rationalisation of awards and union coverage, and a move to enterprise agreements.

The WIRA process involved substantial redundancies (funded by the Federal Government and the stevedoring industry and ultimately costing about \$419m).³⁸ The program ended in 1992, and its achievements were analysed in 1995 by the Bureau of Transport and Communications Economics in its *Review of the Waterfront Industry Reform Program*.³⁹ The review concluded that waterfront reform has been successful in achieving substantial benefits for the waterfront industry and its customers. However, the results were not uniformly spread across the industry, and there were some indications of a drop in stevedoring performance below the levels reached by the end of the WIRA program. In particular, the WIRA Review found that:⁴⁰

- The WIRA process has resulted in a smaller (reduced by 57%) and younger (by 10 years) workforce;
- The reforms have resulted in a company ethos developing, although attitudinal change has been particularly slow in Sydney and Melbourne;
- Integrated port labour force agreements have resulted in much lower port costs, and idle time dropping to zero, while minor ports elsewhere continue to experience high levels of idle time;
- Ship time lost through industrial disputes is down by 75% despite time lost per employee continuing to be as high as before the WIRA process;
- The most significant stevedoring performance improvements have occurred in container and bulk terminals.
- There was a reduction in ship turnaround time and an improvement in reliability of waterfront services.
- Eight unions and 21 different awards were collapsed into three unions and one award.

³⁸ Ibid, p 1.

³⁹ Ibid.

⁴⁰ Ibid, pp xvii-xviii.

A further study in 1995 by the Bureau of Industry Economics confirmed that major gains had been made in stevedoring productivity and efficiency following the WIRA reforms, but concluded that improvements were still required, particularly in the handling of containers, before Australia was performing on a par with comparable overseas ports. The BIE study, *Waterfront 1995: International Benchmarking* found that 'recent evidence points to significant volatility in stevedoring performance'.⁴¹ It summarised its findings as:

- Australia's port based **bulk** commodity terminals were highly mechanised and efficient operations.
- **Container** stevedoring productivity declined during 1994 and fell back to around 1991-1992 levels. This decline, combined with continued improvements in many overseas ports, meant that Australian crane rates were no longer on a par with similarly sized overseas ports. The best performing Australian container terminal (18.5 moves per hour at Fremantle) was equivalent to some of the poorest performances in Europe (17 moves per hour at Trieste). More often, however, Australian crane rates were 25 to 50% behind the better performing ports.
- Australia's performance in **break bulk** urgently needed improving, as stevedoring costs in Australia were consistently higher than for a wide selection of ports in Asia, Europe, North and South America.

More information on stevedoring productivity is provided by the Bureau of Transport and Communications Economics in its publication *Waterline*, a quarterly review of waterfront performance indicators. The latest issue of *Waterline* (No. 13, December 1997) found that the five-port average crane rate was 18.3 containers per hour in the September 1997 quarter, the same as the figure for the preceding June quarter.

A recent article in the *Australian Financial Review* highlighted the gains in stevedoring productivity that have been made, while warning of the need to meet international standards:

The ABS [Australian Bureau of Statistics] shows labour productivity - real output per hour worked - more than doubled over the 10 years from 1987-88 to 1996-97, increasing by 112%. But there has been considerable volatility in the industry's labour productivity performance. Substantial improvements were recorded from 1990 to 1992, when the WIRA saw a third of the stevedoring workforce made redundant, the introduction of company employment and changes to work practices such as multi-skilling. Productivity then deteriorated. But with the recovery in trade and the installation of new cargo handling equipment by the major stevedoring companies since early 1994, further strong improvements have taken labour productivity above the peak at the height of the WIRA reforms. These improvements can be expected to continue as the \$500m plus five-year investment programs begun by the two major stevedoring companies in 1994 continue to come on stream.

⁴¹ BIE, *Benchmarking Report*, n 1, p 28.

The ABS data also shows the services to water transport sector generated just under \$200 000 in output for every person employed last financial year compared with \$64 000 for the whole economy. This suggests that the relatively high earnings of wharfies are underpinned as much by productivity as by their union's monopoly power over labour supply. Indeed the annual earnings of \$80 000 cited by critics of the dock union would represent a lower share of industry output than the wages share of production across the whole economy. But while the productivity data shows that the local industry has improved significantly, international benchmarking studies show it still lags behind world's best practice.⁴²

There is therefore a widespread view among industry commentators that despite the substantial gains in stevedoring productivity made through the WIRA process, further improvements in the container and break-bulk cargo areas are required for Australia to be internationally competitive. The gains made in the early 1990s appear to have stalled at a level short of what could be achieved.

What container productivity rates are required for international competitiveness?

The 1995 study conducted by the Bureau of Industry Economics discussed the difficulties in determining meaningful international benchmarks arising from the differences between ports (the problem of conducting an 'apples with oranges' comparison). Some major regional ports are 'hub' ports; the size of these ports allows economies of scale that are not available to Australian ports. Australian stevedores may use one or two cranes to load and unload a ship, while in a major port such as Singapore or Rotterdam five cranes may be used per ship, resulting in much faster ship turnaround times.

Moreover, hub ports may achieve superior productivity because a large proportion of containers are moved from one ship directly to another, thereby saving the double movement of containers as well as limiting the amount of land infrastructure required. The larger vessels also means that a proportionately smaller amount of time is lost in realigning cranes. In contrast, at non-hub ports, those containers which have reached their ultimate destination tend to be buried within a stack of containers on board a ship. Consequently, a large number of containers may have to be handled to access the containers to be unloaded. This process of stacking and unstacking containers tends to drive down measured crane productivities and add to ship turnaround times. The Sydney Ports Corporation indicated that this is a particular problem with comparing crane productivity at Sydney because vessel operators use it as a restow port.⁴³

As noted above (p 4), container cargo handling is measured by 'crane rate' - the hourly rate at which a single crane moves cargo on or off a ship. In comparing crane rates, care should be taken to note whether cargo movement is being measured by the number of containers

⁴² 'Rocking the docks', *Australian Financial Review*, 3/11/97.

⁴³ BIE, *Benchmarking Report*, n 1, p 33.

moved or the number of teus ('twenty-foot equivalent units' - see p 4) moved. Comparison of crane rates on a teu basis disadvantages Australian ports, as they handle a relatively small proportion of large containers.⁴⁴

In its benchmarking study, the BIE concluded the best practice crane rates of around 30 container moves per hour can be achieved at ports regardless of size. The Minister for Workplace Relations and Small Business has stated that the Federal Government considers that a reasonable, achievable initial target - and the basis for continuing improvements - is a five port average of 25 containers per hour.⁴⁵ This would be a 37% increase from the five port average crane rate of 18.3 containers per hour in the September 1997 quarter, as reported in *Waterline* (Issue 13, December 1997). The Government estimates that such an improvement could be expected to reduce typical ship turnaround times by in the order of one day.⁴⁶

The MUA and ACTU have accepted the need for ongoing improvements in efficiency and productivity, but they disagree with the imposition of a national productivity benchmark by the Federal Government. They challenge the findings of the BIE benchmarking report, and argue that productivity benchmarks should be relevant to each individual workplace.⁴⁷ The Industry Commission is currently undertaking a project on international benchmarking of the Australian waterfront, which will benchmark port and stevedore performance, and government involvement across container trades, cruise shipping and break bulk trades.⁴⁸

4.2 Stevedoring charges

The review conducted in 1995 by the Bureau of Transport and Communications Economics of the WIRA reforms found that from 1989 to 1995 stevedores achieved lower costs through a reduced workforce and increases in the productivity of those remaining.⁴⁹ The review also found that for the most part the cost reductions have been passed on to users of stevedoring services. Container stevedoring prices paid by vessel operators decreased by a national average \$61 per teu or 24% between 1990 and 1993.⁵⁰ Competition forced vessel operators to pass forward to shippers most of the savings received from reductions in stevedoring prices. The most significant improvements occurred in container and bulk

⁴⁴ Ibid, p 67.

⁴⁵ 'Reith releases discussion paper for Maritime Union meeting', Media Release, 28/10/97, with attached Discussion Paper, *The Need for Waterfront Reform*, p 7.

⁴⁶ Ibid.

⁴⁷ Combet G, 'Were they really waterfront mercenaries?', *The Australian*, 22/12/97; Coombs J, 'Fact or fiction on docks', *Sydney Morning Herald*, 2/2/98.

⁴⁸ [Http://www.indcom.gov.au/research/stevedor/stevedor.htm](http://www.indcom.gov.au/research/stevedor/stevedor.htm).

⁴⁹ BTCE, *Review of WIRA*, n 36, p xviii.

⁵⁰ Ibid, p xviii.

terminals, although there were also improvements in the cost of handling break bulk cargo.⁵¹

Despite these reductions in stevedoring costs, the Bureau of Industry Economics in its 1995 international waterfront benchmarking report found that waterfront charges for **containers** in Australia were considerably higher than most of the surveyed overseas ports in New Zealand, Asia and Europe. Container charges were consistent with Hong Kong and lower than the more expensive North American ports. The report found that container terminal charges account for around two thirds of total container waterfront charges, making terminal charges the major reason for Australia's high waterfront charges. These high terminal charges were often compounded by relatively high port authority, pilot and towage charges.⁵² (The question of port authority charges is discussed below in section 4.6.)

With regard to **break bulk** cargo costs, the 1995 international benchmarking study by the BIE used data provided by BHP Transport. BHP Transport found that stevedoring costs for its steel products in Australia were consistently higher than for a wide selection of ports in Asia, Europe, North and South America. These higher loading costs reflected a combination of low productivity and relatively high wages.⁵³ The BIE also considered the waterfront costs of the **bulk** handling of coal. It found that charges for coal handling were amongst the lowest in world, and that the more expensive of the Australian coal ports were on a par with major overseas ports.

It can thus be concluded that in the container and break bulk cargo areas, Australia's stevedoring charges are relatively high by international standards. Since the BIE survey was carried out in 1995, however, there are indications that stevedoring charges are falling. In the September 1997 issue of *Waterline* (No. 12), the Bureau of Transport and Communications Economics using provisional data estimated that stevedoring charges per teu have declined by 5-10% between 1995 and mid-1997. As noted in section 4.1 above, a further international waterfront benchmarking project is currently being undertaken by the Industry Commission.

4.3 Stevedoring reliability

For many shippers and shipping companies, the reliability of stevedoring services is paramount. Poor reliability increases costs for those importing or exporting goods, because inventories have to be kept at larger levels than would otherwise be necessary. The current expansion of 'just-in-time' manufacturing requires reliability in supply of inputs to each process. Markets can be lost if expected unreliability prevents specifications from being met.⁵⁴

⁵¹ BTCE, *Review of WIRA*, n 36, pp xviii, 102.

⁵² BIE, *Benchmarking Report*, n 1, pp xiv-xv.

⁵³ *Ibid*, p xviii

⁵⁴ BTCE, *Economic Significance of the Waterfront*, n 8, p 56.

Unreliability also affects ship operators. The cost to operate ships can be very high, particularly large, highly mechanised container ships. Port turnaround times are therefore important for the owners of these ships. Unpredictable delays due to industrial disputes, equipment breakdowns or unfavourable weather conditions can be very commercially damaging for ship operators. While a delay of 10 hours or so can be made up during the voyage, a delay of two days can throw the ship's schedule into disarray including missing berth bookings, perhaps having to skip ports and risking serious financial penalties.⁵⁵

The 1995 review by the Bureau of Transport and Communications Economics of the WIRA process found that as a result of the reforms, the speed at which cargo was handled had been greatly improved, leading to much faster ship turnarounds.⁵⁶ Despite these improvements, the Bureau of Industry Economics in its report on international waterfront benchmarking stated that the timeliness and reliability of container operations in Australian ports lag well behind overseas ports, and that: 'While turnaround times have fallen over the 1990s, the continued unreliability of the waterfront makes it difficult for shipping lines to take advantage of the reforms and pass benefits on the exporters and importers.'⁵⁷

The BIE conducted a survey of ship operators who regularly visit Australian ports. Ship operators flagged reliability as being more important than value for money for pilotage, towage and stevedoring services. Value for money was also ranked below flexibility for pilotage and towage and below speed in stevedoring. Australian ports were generally judged to perform poorly on all these attributes. In terms of ship turnaround times, no survey respondent agreed that Australia's ports were operating at world's best practice. Indeed, 80% of ship companies surveyed by the BIE consider that turnaround times have improved faster overseas than in Australia over the last five years. Therefore, despite all of the recent efforts to improve waterfront performance, the gap between Australian and overseas ports has widened.⁵⁸

Since the BIE benchmarking report was published in 1995, ship turnaround times have continued to fall. The September 1997 issue of *Waterline* (No. 12), a quarterly publication of the Bureau of Transport and Communications Economics, reported that the median turnaround time for ships calling at container terminals declined at Brisbane, Sydney, Adelaide and Fremantle in January-June 1997 compared with the July-December 1996 period. There was a marginal increase at Melbourne.

The Bureau of Transport and Communications Economics has recently begun collecting information on waterfront reliability indicators, such as the availability of berths, pilots and tugs, and the proportion of ship visits where stevedoring completion time is within one hour of the time initially agreed for completion. The December 1997 issue of the BTCE's

⁵⁵ BIE, *Benchmarking Report*, n 1, p 59.

⁵⁶ BTCE, *Review of WIRA*, n 36, p 83.

⁵⁷ BIE, *Benchmarking Report*, n 1, pp xvi-xvii.

⁵⁸ *Ibid*, pp 56, 72-73.

publication *Waterline* (No. 13) indicated that there is significant variation between ports in the accuracy of stevedoring completion estimates. As noted in section 4.1 above, the Industry Commission is currently undertaking a further international waterfront benchmarking project.

4.4 Factors affecting stevedoring performance

The previous sections have outlined some of the concerns raised about the stevedoring industry, particularly the container sector, and have set out some current performance measurements. This section discusses some of the factors affecting the stevedoring industry's performance: competition among stevedores; work practices; management practices; and use of technology.

Competition among stevedores: Some commentators have identified a lack of real competition between the two main stevedoring companies, P&O Ports and Patrick the Australian Stevedore, as the principal reason for inefficiency on the waterfront.

The two main stevedoring companies have seen it in their commercial interest to have labour arrangements with the MUA. The MUA has negotiated a closed shop with those companies. The union has been involved in disputation, some of which has led to waterfront strikes, but the stevedoring companies do not feel too much pain: they simply charge the costs of the disputes and their settlements up the line to shippers and manufacturers... It can be argued that the national interest is not best served by the effective duopoly in big ports.⁵⁹

Some studies have concluded that the potential for greater competition between stevedoring companies is limited, due to the relatively small volume of cargo, the long distances between ports, and the large capital investment required to begin a stevedoring operation, particularly a container terminal. The Bureau of Transport Economics concluded that 'The economies of scale and the size of the total market are such that there will only ever be relatively few container terminals in any one port. In addition it is difficult for new operators to enter the market for the provision of stevedoring services'.⁶⁰

Another factor affecting competition for stevedoring services is the ownership links between some shipping lines and stevedoring companies, particularly the container terminal operators. P&O Ports and SeaLand both have shipping interests, as does the proposed new entrant to the container terminal market in Sydney, Orient Overseas Container Lines. The Bureau of Transport and Communications Economics noted that the container terminal sector is characterised by vertical integration with shipping interests, perhaps because ownership of stevedoring facilities gives shipowners greater control over the turnaround

⁵⁹ 'Misplaced zeal on waterfront reform', *The Australian*, 9/12/97.

⁶⁰ BTE, *Shore-based Shipping Costs*, n 9, p 108. A similar conclusion was reached by the Industry Commission, *Port authority services and activities*, n 19, pp 83-86.

time of their ships.⁶¹

It has been said that although vertical integration in itself is not necessarily an undesirable characteristic, under some circumstances it can provide opportunities for uncompetitive behaviour. It can lead to restricted access to markets and the use of cross-subsidisation practices to set prices which discourage independent operators.⁶² However, it has been argued that although the vertical integration of container terminals and shipping lines may work against competition among terminals, the removal of vertical integration from the market structure would not in itself make the market more competitive.⁶³

It can thus be seen that the nature of the Australian market for stevedoring limits the potential for competitive pressures on stevedores. However, the current efforts by the National Farmers' Federation and Orient Overseas Container Lines to establish new stevedoring operations seem to indicate that there is some scope for increased competition.

Work practices: The Federal Government and stevedoring employers have identified a number of existing work practices, employment conditions and the general industrial culture of the waterfront as hindering the efficiency of stevedoring. For example, there is said to be a 'culture of overtime', so that permanent employees work large amounts of overtime in order to boost their income, rather than casuals being hired to fill demand for extra work. Although the base wage for a Grade 4 stevedoring employee is about \$30 000 a year, overtime earnings often bring that amount to \$70 or \$80 000 a year or more.⁶⁴ Other examples of inefficient work practices cited include overmanning, restrictions on the use of casual labour, frivolous industrial stoppages, very generous leave, allowances and loading entitlements.⁶⁵ The Minister for Workplace Relations and Small Business has stated that 'Agreements covering the waterfront are highly prescriptive, regulating issues such as manning, devolution of management decisions, predetermination of issues etc. This leads to lack of flexibility that is required in a modern workplace.'⁶⁶

The Industry Commission is undertaking a research project on work arrangements in the stevedoring industry, complementing another Industry Commission project on international waterfront benchmarking. The objective of the stevedoring study is to highlight the benefits

⁶¹ BTCE, *Economic Significance of the Waterfront*, n 8, p 8.

⁶² BTE, *Shore-based Shipping Costs*, n 9, p 182.

⁶³ *Ibid*, p 108.

⁶⁴ Discussion Paper, *Need for Waterfront Reform*, n 45, p 11.

⁶⁵ See P Reith MP, *CPD(HR)*, 23/9/97 pp 8164-5; *CPD(HR)* (proof) 3/3/98 p 133.

⁶⁶ 'Reith releases discussion paper for Maritime Union meeting', Media Release, 28/10/97. See also Sloane J and Robertson F, *Selected Analysis of Employment Conditions of Workers in the Australian Waterfront and Seafaring*, Working Paper No. 145, National Institute of Labour Studies, November 1997.

and costs of selected stevedoring work arrangements, both worker and management.⁶⁷

Stevedoring employers are currently negotiating with the MUA to introduce enterprise agreements that remove restrictive work practices, for example by annualising salaries to remove penalties and overtime pay. The MUA has stated that it is in favour of annualised salaries, but is disputing the salaries proposed by employers.⁶⁸ The compulsory federal award simplification process that is currently taking place, under which restrictive work practices are to be removed from awards, places additional pressure on employees to agree to substantial work reforms.

The WIRA reforms made considerable progress in bringing a company ethos to employment, creating career structures and emphasising multi-skilling, training and incentives for productivity. However, it seems that the traditional mistrust of employers continues to hinder improvements in efficiency. While the MUA has stated its commitment to improving productivity and work practices,⁶⁹ and urges further discussions and consultations, others have concluded that the MUA itself is the problem and that its influence over the waterfront must be lessened for real change to occur. The Federal Government among others has linked poor work practices and the poor performance of some Australian ports in comparison with international ports to the strength of the MUA and its effective monopoly on waterfront labour.⁷⁰ Compulsory unionism is prohibited under federal and state industrial legislation, but the waterfront is highly unionised with most workers having a strong loyalty to the MUA (see section 3.3 above).

The Federal Government has already taken steps to limit the potential for protest strikes by the MUA: the *Workplace Relations Act 1996* and the *Trade Practices Act 1974* impose heavy penalties against unions for unlawful strikes. Many commentators see the use of non-union (or non-MUA) labour as the next step to reduce the influence of the MUA over work arrangements.⁷¹ The examples of productivity improvements in New Zealand and the United Kingdom, where union closed shops were broken following prolonged industrial action, are

⁶⁷ [Http://www.indcom.gov.au/research/stevedor/stevedor.htm](http://www.indcom.gov.au/research/stevedor/stevedor.htm).

⁶⁸ 'Reform on the wharfs', *Sydney Morning Herald* 5/1/98; 'Government has us marked for extinction', *Sydney Morning Herald*, 6/1/98.

⁶⁹ 'Government has us marked for extinction', *Sydney Morning Herald*, 6/1/98; Combet G, 'Were they really waterfront mercenaries?', *The Australian*, 22/12/97; Coombs J, 'Fact or fiction on docks', *Sydney Morning Herald*, 2/2/98.

⁷⁰ Reith P, 'The introduction of competition on to the Waterfront: notes for an address to open the February Council Meeting of the National Farmers' Federation', speech given on 17/2/98; 'Libs' letter takes swing at docks union', *Australian Financial Review*, 17/2/98.

⁷¹ 'The new IR landscape', *Sydney Morning Herald*, 30/1/98; 'Busting the wharf racket', *Australian Financial Review*, 29/1/98; 'How NZ beat the waterfront warriors', *Sydney Morning Herald*, 6/1/98.

often cited.⁷² It should be noted, however, that under Federal and New South Wales industrial legislation it is illegal for employers to discriminate against employees on the basis of union membership.

Although much of the focus in the media debate on the waterfront has been on the effect of a union 'closed shop', it can be argued that a unionised workforce in itself does not lead to lower productivity levels than a non-union workforce. For example, in a Discussion Paper issued by the Federal Government, a unionised port in Belgium is reported to have achieved substantially greater productivity levels than a comparable unionised Victorian port.⁷³ In Australia, Port Adelaide records Australia's best container movement rates under an enterprise agreement negotiated between SeaLand and the MUA. The agreement is reported to provide for a total weekly wage with no special overtime rate.⁷⁴ In the regional ports as well, union involvement has not prevented the very efficient movement of bulk goods. A recent article stated that:

The picture that emerges from discussions with port authorities, stevedores and union officials is one of industrial harmony, efficiency and high productivity outside the capitals. There are myriad reasons but three stand out. First, in the bulk commodity trades, there was intense pressure from producers in highly competitive markets to cut this cost. Much of this was achieved during the Waterfront Industry Reform Authority era, allowing grain terminals to export a record crop last year.... Second, work relationships at bulk ports, often at remote locations, are more informal, irrespective of whether they are union or non-union. In addition the export of some commodities only began in the 1960s and, as such, the ports do not have the historical baggage of Sydney or Melbourne... Third, and most importantly, bulk ports are highly mechanised. The labour component is small. Regional port authorities said that did not make productivity a non-issue but all agreed it was less important than the more labour-intensive container ports.⁷⁵

Management practices and use of technology: The MUA and others have attributed low container stevedoring productivity to poor management by stevedoring companies, blaming them for poor maintenance leading to equipment failures, lack of organisation, and confrontational industrial relations policies.⁷⁶ This aspect of the waterfront debate has

⁷² 'How NZ beat the waterfront warriors', *Sydney Morning Herald*, 6/1/98; 'Reforming the Ports: Lessons from the British Success', *Business Council Bulletin*, No. 75, May 1991 p 4; Sharp J, 'Reform of the Waterfront: Where to next?' *Maritime Studies*, January-February 1992, p 6. For a contrasting view see Turnbull P, 'Waterfront Reform in Britain and Australia - In Practice and in Principle', (1992) 34 *Journal of Industrial Relations* 229.

⁷³ Discussion Paper, *Need for Waterfront Reform*, n 45, p 6.

⁷⁴ 'Adelaide stacks up as our most efficient port', *Sydney Morning Herald*, 5/1/98.

⁷⁵ Way N, 'Port among world's most expensive', *The Australian*, 17/2/98.

⁷⁶ 'Patrick's at fault, says manager', *Australian Financial Review*, 27/2/98; Coombs J, 'Fact or fiction on docks', *Sydney Morning Herald*, 2/2/98.

received relatively little media attention, although the Industry Commission is currently undertaking a research project on stevedoring work arrangements, both worker and management.

One means to improve stevedoring performance is productivity incentives for stevedoring companies. The Sydney Ports Corporation has announced that future long term leases signed by the major stevedores with the Corporation will contain productivity clauses to provide an incentive for achieving best practice performance levels. The Corporation stated that this measure was adopted in order to assist in bringing the performance of container ports up to accepted world standards.⁷⁷

In 1994 the Prices Surveillance Authority suggested that one reason for low productivity in stevedoring was the use of ageing and outdated equipment.⁷⁸ In recent years the two main stevedoring companies have invested heavily in new equipment and technology. Further improvements in technology also have the potential to improve stevedoring efficiency. For example, a standard electronic communication system is currently being developed for use in international trade transactions by the end of 1998. It can be used to streamline and standardise information about container movements in order to minimise handling costs.⁷⁹

It may even be possible one day to do without wharves altogether. The NSW Chamber of Commerce has said that 'Fully computerised and robotised ports are being planned for some overseas terminals but are unlikely on the Australian waterfront for the foreseeable future as we do not have the economies of scale to justify the investment.'⁸⁰

4.5 Interaction between waterfront participants

In a 1997 discussion paper issued by the Federal Minister for Workplace Relations and Small Business, the Government acknowledged that the efficiency of the waterfront is hindered by the inevitably complex interactions between the numerous organisations using, operating and regulating ports:

Of course, real and/or perceived weaknesses in Australian transport performance broadly, and waterfront performance in particular, can be attributed to a variety of factors. On a broad level, inadequate coordination arrangements between links in the transport chain, inadequate infrastructure or services, or other inefficiencies, can be blamed for less than optimum transport performances.⁸¹

⁷⁷ [Http://www.sydports.com.au/archive/reform.htm](http://www.sydports.com.au/archive/reform.htm)

⁷⁸ PSA, *Monitoring of Stevedoring Costs and Charges No 4*, Monitoring Report No. 21, Melbourne 1994.

⁷⁹ 'EDI holds promise of new era', *Lloyd's List Australian Weekly*, 1/4/97.

⁸⁰ State Chamber of Commerce (NSW), *Turning the Tide: Waterfront Reform in Australia*, December 1996, p 20.

⁸¹ *The Need for Waterfront Reform*, n 45, p 7.

Links between road transport and wharves have been said to pose a particular problem.⁸² The Federal Government discussion paper stated that:

Significant and ongoing problems with road transport delays are now mainly limited to the container terminals at Sydney, where truck turnaround times have recently averaged around 1.5 hours compared with the agreed achievable target of 30 minutes. Vehicle booking systems have reportedly resulted in substantial reductions in delays at Melbourne although there are still complaints about the ways in which these systems are operated and the upfront costs associated with them.⁸³

These comments echo earlier findings by the Commonwealth Parliament House of Representatives Standing Committee on Transport, Communications and Infrastructure in a 1992 report on the interface between seaports and land transport. It found that the whole wharf to land transport sector was suffering from poor business practices and poor communication. The Committee concluded that the salient problem with the sea/land transport interface is the lack of effective coordination and interaction between industry participants. This lack of coordination was ascribed to: intense self interest on behalf of the industry service providers; lack of participation in the policy making process by those using the industry; the failure of waterfront users to seek information on alternative arrangements; the failure of interface users to avail themselves of existing price and service opportunities; and the failure of service providers to offer innovative services and pricing options.⁸⁴

4.6 Port authority and other charges

The Bureau of Industry Economics in its report on international waterfront benchmarking found that total waterfront charges for containers were considerably higher than most surveyed overseas ports in New Zealand, Asia and Europe. Port authorities accounted for around one quarter of waterfront charges for containers. Port authorities impose several different kinds of charges on shipping companies and cargo shippers, such as:⁸⁵

- *tonnage* (also known as navigation or harbour service charge or port dues) - a charge levied on the ship operator for the provision of navigational aids at a particular port. It is generally dependent on the size of a vessel and can also be based on time.
- *berth hire* - a charge levied on ship operators for occupying a particular berth. It can be based on the time a ship occupies a particular berth, the size of the ship or on the cargo being loaded or unloaded.

⁸² See for example 'Adelaide stacks up as our most efficient port', *Sydney Morning Herald*, 5/1/98.

⁸³ *The Need for Waterfront Reform*, n 45, p 9.

⁸⁴ *Warehouse to Wharf*, n 7, pp 83-84.

⁸⁵ BIE, *Benchmarking Report*, n 1, pp 37-38.

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- *site occupation* (area hire) - a charge levied on the ship operator for the storage of cargo at a common user facility.
 - *wharfage* (or cargo services charge) - a charge levied on cargo owners to recover the cost of providing port infrastructure. It is generally charged on a flat rate per teu on cargo owners.

State and Federal Governments also impose charges on port users. Government charges include:

- *conservancy* - a charge levied on ship owners to cover the cost of providing navigational aids in and around ports, such as navigation lights, buoys and beacons.
- *marine navigation levy* and *oil pollution levy* - charges levied on ship operators by the Australian Maritime Safety Authority, a Commonwealth agency providing navigational aids, safety and marine pollution services.

Other ancillary charges for services generally provided by private companies include:

- *pilotage* to have a pilot navigate a vessel into port;
- *towage* for the use of tugs to get the ship in and out of port; and
- *mooring* for the services of linesmen and linesboats to secure the vessel at berth.

Port authority charges: The BIE Report found that port authority charges in Australia are on a par with the majority of overseas ports in the study. These charges are just above those applying at some US ports, the New Zealand ports and Laem Chabang (in Thailand). Australian port authority charges are significantly higher than those charged at the Malaysian ports and at the major hub ports of Hong Kong and Singapore. The structure of port authority charges and the different operating environments are the two main reasons for differences in charges between countries.⁸⁶

How can port authority charges be minimised? There is little competitive pressure on Australian ports to lower their charges, because the major ports are so widely separated that shipping companies generally have little choice between ports. The additional inland transport cost of using an alternative port means that the nearest port to the origin or destination of cargo can impose a wide range of inefficiencies before it risks losing traffic.⁸⁷ The BIE Report stated that according to Australian National Lines (ANL), 92% of Australian mainland trade was destined for, or originated from, locations in the metropolitan

⁸⁶ BIE, *Benchmarking Report*, n 1, p 49.

⁸⁷ Inter-State Commission, *Waterfront Investigation: Special Studies*, AGPS, Vol 2 p 261.

areas of the major ports in 1994.⁸⁸ There is some room for inter-port competition, however. It has also been said that competition between ports may be increasing with changes in international shipping patterns. It appears that there are now fewer direct calls to Australia from European or American ports, and more transshipment via Asian ports, which has increased to some extent the competition between Australian ports.⁸⁹

Australian ports were generally established as statutory port authorities, or under direct departmental administration. Many ports have since been corporatised and in some cases privatised in order to improve their efficiency and competitiveness, and to lower charges for port users. (For a background to these changes, see V Mullen, *Maritime Services in NSW: Issues for Reform*.)⁹⁰ The restructuring of port authorities has differed between the states, and between the port authorities within each state, due to the different circumstances at each port. The general trend in port authority reform in Australia has been the shedding of non-core services and activities and a move towards a landlord function.⁹¹

In NSW, the move to a landlord function was followed by the corporatisation in 1995 of the ports of Newcastle, Port Kembla and Sydney. These port corporations act as landlords, with some regulatory powers and responsibility for marketing and strategic planning. Following these changes, there have been some reductions in port charges. For example, in 1996 Sydney Ports Corporation reduced its navigation service charges by approximately 10% and wharfage charges on empty containers by 60%.⁹² In September 1997, the Bureau of Transport and Communications Economics found that on a five-port basis, overall port and related charges per teu (ship-based charges per teu plus cargo-based charges) for loaded export containers declined at Fremantle (7.2%) Adelaide (0.3%) and Melbourne (0.04%) in January-June 1997. There were increases at Brisbane (2.2%) and Sydney (0.7%).⁹³

It has been argued that the corporatisation of ports (rather than privatisation) can hinder their commercial efficacy and create a dilemma for government. While the ports remain in public ownership, ministers are accountable for their operation, but it is argued that for ports to be truly commercially oriented they should be free from political constraints and able to respond to market forces as they see fit.⁹⁴

Ports in other Australian States: In Victoria, the Port of Melbourne was corporatised in

⁸⁸ Looker D, *Are Australian ports over-regulated?* AAPMA Biennial Conference, 1994, cited in BIE, *Benchmarking Report*, n 1, p 116.

⁸⁹ Everett S, 'Port corporatisation in Australia: Dilemmas of Microeconomic Reform', *Policy, Organisation and Society*, Winter 1997, 40 p 44.

⁹⁰ NSW Parliamentary Library Briefing Note No 1/95.

⁹¹ BIE, *Benchmarking Report*, n 1, p 18.

⁹² Sydney Ports Corporation Annual Report 1996 p 10.

⁹³ *Waterline*, Issue 12.

⁹⁴ Everett, 'Port Corporatisation in Australia', n 89, pp 50-51.

1996 and established exclusively as a landlord. Commercial operations were transferred to the private sector and the Office of the Regulator-General has regulatory responsibilities over the port. Of the state's regional bulk ports, Portland and Geelong were sold to the New Zealand/Australian joint venture Infratil Australia and TNT's Infrastructure Investment Corporation respectively. Negotiations are reported to be underway for the sale of the Port of Hastings.⁹⁵

In other states, corporatisation strategies vary somewhat. Queensland ports operate as landlords with some regulatory responsibilities. They also have retained some commercial activities, such as coal loading operations in the port of Gladstone. Some South Australian ports were corporatised under a single corporation, so that the majority of commercial ports in the State are under the control of a single authority. The South Australian Government has divested the ports of commercial operations and privatised grain loading facilities. In Tasmania legislation is being drafted to corporatise the ports of Burnie, Devonport, Hobart and Launceston.

Ancillary charges: The BIE international benchmarking report found that in 1995 the Australian ports of Sydney, Melbourne and Fremantle had relatively high ancillary charges (pilotage, towage and mooring) compared to other ports in the study. Factors affecting the level of ancillary charges at the various ports were:⁹⁶

- the *natural features* of some ports - navigational difficulties can increase pilotage and towage costs;
- the *size* of the port - smaller ports cannot generally achieve the tug and pilot utilisation levels of the larger ports; and
- lack of effective *competition* in the provision of harbour towage services - in many regional ports there is only enough traffic to sustain one towage or pilot company, while in the larger Australian ports there is a relatively high degree of vertical integration between towage companies and other sectors of the maritime industry such as shipping lines and stevedores.

5. THE NEW ZEALAND REFORMS

While Australia was undertaking the WIRA reform process, New Zealand was also implementing radical waterfront reforms. The New Zealand government adopted a two-stage approach to waterfront reform, consisting of commercialising port authorities, and changing the attitude and structure of the labour force to promote competition within and

⁹⁵ These paragraphs are taken from Everett, *ibid*, pp 45-46.

⁹⁶ BIE, *Benchmarking Report*, n 1, pp 50-51.

between ports.⁹⁷ The BIE International Benchmarking Report described the labour reforms as follows:

The key principle of the labour reforms was to settle the main elements of the industrial awards at the individual port level. The *Waterfront Reform Act [1989]* and the *Employment Contracts Act [1991]* controlled the reform of waterfront labour. In September 1989 the Waterfront Reform Act abolished the Waterfront Industry Commission, which has been responsible for administering the pool of labour on the waterfront from 1952... As a result, each port and stevedoring company could decide the number of people it employed. Employers can make unlimited use of casual labour, generally sourced from local labourers and farmers, which allows them to meet peak requirements and minimise idle time. The Employment Contracts Act of 1991 removed worked coverage, abolished manning levels and introduced enterprise bargaining while preserving a statutory minimum code of employment rights. The Act removed clauses designating specific types of work in particular organisations, opening up port labour to competition.

In 1988 the New Zealand Government passed the *Port Companies Act* which transformed the port authorities into commercially operating companies. The port companies are free to undertake any operation in order to operate as a successful enterprise. Most port companies provide port services such as stevedoring, towage and pilotage.

The initial port company owners could sell off 49% of the share holding at their discretion. The *Port Companies Act 1990* allowed full private ownership of port companies. Subsequently the Minister for Transport actively encouraged the regional councils to sell their shares in port companies. In 1995 local government bodies were still the majority shareholders in most port companies, although it has been reported that the Auckland Stevedoring Company is 50% owned by the NZ Waterfront Workers' Union.⁹⁸

The BIE Report identified the benefits of the reform process in New Zealand as:

- reduced workforce, increased labour productivity and improved attitude;
- faster vessel turnaround times leading to an easing of congestion;
- improved financial results of port companies;
- reduced stevedoring charges;
- reduced freight rates; and

⁹⁷ BIE, *Benchmarking Report*, n 1, p 112. This section is drawn from Appendix A to the BIE Report pp 111-117.

⁹⁸ Porter M, 'Fact or fiction on docks', *Sydney Morning Herald*, 2/2/98.

- increased inter-port competition.

The BIE Report cautioned that there are inherent differences between New Zealand and Australian ports. In particular, greater scope exists for inter-port competition in New Zealand than in Australia. In New Zealand, a number of ports are located close to one another allowing port users greater choice of ports, whereas long distances separate the major Australian ports.

6. CONCLUSION

The Australian waterfront has gone through great changes in the last decade, under schemes overseen by federal and state governments and involving many organisations, in order to improve the efficiency, reliability and costs of using the waterfront. The performance of the waterfront has direct impacts on the cost of importing and exporting goods, which in turn affects Australian consumers and the wellbeing of export industries. It also has indirect effects on the country's ability to attract international trade and investment by affecting perceptions of the efficiency and reliability of transport systems.

The waterfront is a complex collection of industries, and as the New South Wales State Chamber of Commerce has said, there is no **one** problem: 'What is loosely called the 'waterfront problem' is a melting pot of industrial culture, physical constraints, technological issues and conflicting commercial and political interests.'⁹⁹ The current debates over the role of the waterfront workers' union, employment conditions, use of casual labour and competition among stevedores are far from new. The Australian waterfront has been troubled by industrial divisiveness and strongly defended monopolies of various kinds for many years. Although the monopolistic tendencies are changing to some extent as more competition is introduced, there are several factors that restrict the capacity for competition in respect of stevedores and ports. Moreover, the willingness of some of the organisations involved in the waterfront to work together for change may be questionable. In 1992 a House of Representatives Standing Committee in a report on the interface between sea and land transport commented that it was particularly concerned at the continuing tendency for industry participants to point the finger at others as the main culprits responsible for particular problems. 'There is little agreement on specific measures to improve the operation of the interface. In many respects, this disagreement appears to stem from the deeply ingrained adversarial nature of the relationships between industry participants and the traditional disregard or lack of concern for the interests of others'.¹⁰⁰

Some have questioned whether any future improvements in waterfront productivity would be substantial enough to justify the time and money involved in further waterfront reforms - the damage from industrial action, fees for reports and consultancies, training expenses for new workers, redundancy packages. For example, it has been argued that:

⁹⁹ *Turning the Tide*, n 80, p 4.

¹⁰⁰ *Warehouse to Wharf*, n 7, p 53.

[T]he potential economic benefits need to be kept in perspective. Waterfront charges are a small proportion of the total costs of transporting containerised cargo. According to the NSW Office of Marine Safety and Port Strategy, Australian stevedoring charges amount to less than 3% of the cost of moving a full container from Los Angeles to Sydney. Despite the intense public debate over waterfront reform, there has been no detailed modelling of the economic benefits of bringing Australian stevedoring productivity into line with world best practice. But we can make an educated guess about their size from the BTCE's 1995 analysis of the costs and benefits of the WIRA reforms.... In other words, the benefits of further waterfront productivity increases are likely to be of a comparable magnitude to the estimated \$120 [million] annual GDP gain which the Government has foregone by retaining existing tariff protection for the TCF industries. And as Business Council of Australia chairman Wallis pointed out, they would be but a fraction of the cost savings of \$4 billion a year thought to be available through reforming the country's financial system. This is not to say that waterfront reform is unimportant. But it does suggest that recent rhetoric has exaggerated the desirability of pursuing further productivity improvements through a costly industrial confrontation on the nation's docks.¹⁰¹

In summary, the changes implemented since 1989 have achieved substantial improvements in the operations and expenses of the stevedoring industry and port authorities, two of the most important participants in the waterfront, but these improvements have been variable. In the bulk cargo sector, Australia's waterfront is among the best in the world, but in the container and general cargo sectors, the gains have not been as impressive, and in some cases have begun to retreat. The point has been made that the essential question is whether Australia's waterfront is internationally competitive, not whether it has improved on its performance in the last decade. The results again are mixed on this question, but overall there is agreement that the waterfront must improve substantially in several aspects before it reaches its full potential.

¹⁰¹ 'Rocking the docks', *Australian Financial Review*, 3/11/97. See also Quiggin J, 'Perils of waterfront reform', *Australian Financial Review*, 29/1/98. For a contrasting view see McGauchie D, 'Why we took on the waterfront', *The Land*, 5/2/98.

APPENDIX

AUSTRALIAN PORTS

(Reproduced from Industry Commission, *Port Authority Services and Activities*, Report No. 31, AGPS, May 1993, pp 6-7)