

9 May 2022

Mrs Jessica Stojkovski MLA
Parliamentary Secretary to the Minister for Transport and Ports
Hon Kyle McGinn MLC
Member for Mining and Pastoral Region
Chairpersons
Shipping and Supply Chain Taskforce



Chamber of Commerce
and Industry WA

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Dear Mrs Stojkovski and Mr McGinn

Shipping and Supply Chain Taskforce – CCIWA submission

Thank you for the opportunity to provide comment on improving the nexus between the State's coastal shipping industry and supply chains that link Western Australia with east coast and international markets. Our submission focusses on opportunities to improve supply chain co-ordination and service quality at WA ports.

Short-term bottlenecks exacerbating long-standing problems

Our supply chain vulnerabilities have been highlighted in recent months, with the East-West rail crisis and industrial disputes at Fremantle Port exacerbating bottlenecks in supply chains that were already constrained due to the effects of COVID-19. These issues have had a profound impact on the WA business community. For example, in response to the East-West rail crisis, some businesses had to stand down staff, while others prepared themselves for reputational damage and financial loss:

"We have shut down 80 per cent of our workforce across operational sites across the country."

"Financial [impact] as we are paying double for road as well as loss of sales as have limited stock to sell."

"Possible [liquidated damages], delayed delivery to customers, impact on reputation and impacts to customer achieving critical timelines."

Source: CCIWA Rail Flooding Impact Survey (February 2022)

Shortages of and delays in receiving materials continue to make it difficult to operate in WA, with most businesses expecting these challenges to continue throughout 2023. In CCIWA's March quarter Business Confidence survey, more than four out of five businesses reported negative effects:

- More than two-thirds were suffering higher input charges
- Nearly half were experiencing delayed delivery of end products to consumers

- Nearly half were facing shortages of input materials, and
- Nearly two-thirds see supply chains as a barrier to growth, with agriculture (89 per cent), retail trade (84 per cent) and manufacturing (83 per cent) hardest hit.

There are features of WA's freight and logistics system which mean that — even once short-term pressures resolve — the system will continue to underperform. These features include:

- Economically harmful industrial action within the maritime industry.
- A lack of coordination across multiple transport agencies, as well as the State's commercialised port authorities.

While these problems persist, WA businesses will continue to be at a competitive disadvantage relative to jurisdictions with more efficient and resilient freight and logistics systems.

Minimising the damage from industrial action

Rolling industrial action poses significant harm to WA's economy as evidenced by the 10-week strike at Fremantle Port in 2021. The dispute delayed critical supplies for the agricultural, construction and mining sectors with several ships forced to divert to Adelaide and Melbourne ports to offload important machinery and product needed by businesses in WA.

“Fremantle port is backing up due to industrial issues – this combined with WA's relatively small freight task and higher prices being paid elsewhere makes WA an unattractive destination for shipping lines”.

Source: participant at CCIWA Supply Chain Roundtable (November 2021)

The capacity for a relatively small number of people to hold the WA and national economy ransom has become increasingly concerning as it places a stranglehold on WA's supply chains and harms the quality and efficiency of WA ports.

Managing the damage industrial disputes have on the wider economy is an opportunity to improve the service quality at WA ports.

To this end, the State Government must intervene in port industrial disputes where industrial action has wide-reaching impacts for WA businesses and the community at large. In particular, the State Government with its economy-wide perspective on the economy, should immediately refer disputes to the Fair Work Commission where there is any risk of broader economic harm.

Improving coordination and addressing identified bottlenecks

Recent supply chain disruptions have prompted a series of reviews, inquiries, working groups, plans and taskforces at both the Federal and State level. It is critically important that a holistic and coordinated approach is taken by Government when considering and implementing the actions recommended by each of these investigations.

Historically, a lack of coordination across multiple agencies, as well as the State's commercialised port authorities, has seen these bodies sometimes operate with

unaligned objectives, limiting the strategic development of WA's freight system. This creates problems, for example at Fremantle Port where rail cannot always be used as part of an efficient mix of land transport modes, because it is often at capacity and not reliable enough to meet the strict timeframes required by shipping companies.

This should be promptly addressed by:

- Reviewing existing freight and logistics strategies to identify areas where alignment can be improved.
- Making the necessary investments and regulatory/policy changes to improve coordination across transport modes and remove identified bottlenecks, particularly at Fremantle Port. For example:
 - Allowing the use of 30-metre road transport combinations (as is the general standard on the East Coast) to help ease congestion.
 - Enhancing functionality on parts of the High Wide Load road corridor network that have been identified as bottlenecks.
 - Removing the bottlenecks impacting rail capacity at Fremantle Port.
- Improving quality of and access to data for all operators across supply chains.

Once again, thank you for engaging with industry on this important matter. Should you wish to discuss our submission further, please contact our Chief Economist and Director of Policy, Aaron Morey (e: aaron.morey@cciwa.com).

Yours sincerely

A handwritten signature in black ink, appearing to be 'CR', written over a light grey grid background.

Chris Rodwell

Chief Executive Officer