

International Ports and Freight Policies, Strategies and Action Plans

Discussion Paper

June 2010



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Executive Summary

Introduction

Following the release of the New Zealand Government's first National Infrastructure Plan in March 2010, Auckland Regional Holdings (ARH) examined the views of various overseas governments regarding their ports and supply chains.

The New Zealand Government has to date played a hands-off role with regard to ports. The National Infrastructure Plan concluded that it did not see any need for this Government's stance to change.

This contrasts with the strong focus on ports and freight, and the policies and actions currently being undertaken by other governments in order to address the challenges facing their port sectors and overall supply chains.

This research, with a focus on western economies, aims to explore what other governments view as the major challenges and risks facing their port and freight sectors. It also looks at what level and form of government response and involvement those governments consider appropriate.

New Zealand appears to be neglecting many areas for useful government involvement, by comparison with other countries.

New Zealand industry concerns

The New Zealand Government's view in its first National Infrastructure Plan was: "Overall, the evidence to hand suggests that the port sector is functioning reasonably well... Consequently, the Government does not need to take a larger role in this sector at this time".

However, industry stakeholders point to many challenges and risks that exist for the New Zealand ports sector and supply chain, but which have not been recognised in the National Infrastructure Plan. These include:

- The risk that, without adequate investment, New Zealand ports may become just feeder ports for hubs on the Australian coast
- The prospect of bigger ships and the need for major port investment
- The risk of unnecessary duplication of infrastructure
- The need for sufficient capacity to be in place for future freight growth
- The need for improved efficiency and international competitiveness
- The need for intermodal hubs linking sea and air ports, rail and road infrastructure
- Poor financial performance of ports (noted in the National Infrastructure Plan but not viewed as a concern)

A number of industry participants are calling for the New Zealand Government to play a more active role. This is not a call for central planning or nationalisation of ports but a higher level of facilitation, coordination and leadership from the Government.

International benchmarking

To benchmark the New Zealand Government's current view of its role in the port sector and overall supply chain, we have looked at over 20 government policy documents (where these are readily available) relevant to ports and freight issued by the major western nations, and nations most comparable to New Zealand. An overview of these government policy documents is provided in Appendix 1.

Table 1 on page 4 provides a summary list of what the governments analysed consider as the major challenges and issues facing their port sectors and supply chains. Also provided is a list of some of the key government responses to these challenges and issues.

Further details specific to each country/region are contained in Sections 1 to 10 of this discussion paper. Comment and analysis on the New Zealand situation is in Section 11.

Recommendations

New Zealand faces many of the same risks and challenges as the other countries analysed. Table 2 on page 5 outlines four key strategies and measures applied by governments overseas (both State and Federal) that could be applicable to the New Zealand context for the benefit of the port sector and overall supply chain. These are:

1. Mandatory national trade data collection
 - to provide accurate information on freight volumes and movements that will enable informed decision making
2. National demand forecasting and scenario analysis
 - to help ensure sufficient capacity is in place to meet future trade demand in an uncertain environment
3. A national supply chain forum
 - with input from both Government and key industry stakeholders to address challenges in a co-ordinated manner and advise Government policy
4. Published integrated plans for key ports and freight corridors
 - aligned at the national, regional and port levels.

Conclusions

The governments of the countries analysed in this discussion paper recognise the critical national importance of their port gateways and supply chains and generally have a strong focus on freight issues and policy. They have also identified the key issues and risks facing their port sectors and supply chains such as the impact of larger ships and the risk of shipping lines hubbing through foreign ports, requirements to expand capacity to meet significant future growth, the need for increases in efficiency and international competitiveness and the requirement for intermodal hubs to be developed. In response to these issues, governments have taken a pro-active role in setting objectives, mitigating risks, and providing certainty and guidance for investment through formulating some form of ports and/or freight strategy or policy document.

The New Zealand Government has up until now played a hands-off role with regards to ports and the National Infrastructure Plan concluded that it does not see any need for this to change. No major challenges or risks for the New Zealand port sector and supply chain have been identified by the Government, despite significant concerns expressed amongst industry stakeholders (see Sections 11.4 and 11.5).

Industry players in New Zealand have identified very similar challenges and risks facing the New Zealand port sector and overall supply chain as identified by most Governments analysed in this paper for their respective countries/regions. They are calling for a response from the New Zealand Government and for the Government to play a more active role.

This is not a call for central planning or nationalisation of ports, but simply a higher level of facilitation, coordination and leadership from the Government.

It must be recognised that the ownership structure of New Zealand's ports differs from those of all countries analysed. While most of the countries analysed have public ownership (be it local authority or central government) of port infrastructure for the majority of their ports, in New Zealand the majority of both port infrastructure and port operations are owned by public entities (local authorities in New Zealand's case). New Zealand's ports are operating ports, while publicly owned ports in other countries are typically only landlord ports. New Zealand is also smaller and more geographically

isolated from its major trading partners than most other countries. A better understanding of exactly what the effects of these differences are, and what effect this may have on the appropriate government role and policy response, is needed.

While New Zealand port policy cannot be painted with the same brush as that used for other countries, there are some general measures that have been used elsewhere that would also be beneficial for New Zealand. These include measures such as a national trade database, national demand forecasting and scenario analysis, published plans for ports and related infrastructure, forums involving relevant government departments and stakeholders, and formal identification and mitigation of key risks facing the supply chain (possibly through a government policy document). These measures are difficult for any single industry player or stakeholder group, each with its own objectives, to achieve without government leadership and facilitation.

These initiatives all have the purpose of providing better information for all relevant stakeholders to aid better decision making. Ultimately this will have benefits for the nation as a whole.

**Auckland Regional Holdings
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Table 1: Overseas Government Responses to International Port and Freight Sector Challenges

| International challenges / issues | Government responses |
|---|--|
| <ul style="list-style-type: none"> • Lack of integration across the transport system and supply chain • Creating communication and dialogue amongst stakeholders • Lack of data for planning • Difficulty in forecasting future freight demand • Providing sufficient capacity to facilitate future freight growth and demand • Shipping consolidation, larger ships and the trend towards hubbing • Lack of coordination (policy, regulation and investment) • Duplication of resources and investments • Competition from foreign ports / risk of hubbing via other countries • Urban encroachment • Infrastructure / supply chain resilience • Lack of stability and certainty in policy that affects private investment • Funding - public and private • Economic viability and adequate financial returns • Destructive competition between domestic ports • Traffic congestion • Providing a level playing field for investors, operators and users • Technological changes • Customer demand for Just-in-time delivery methods • Shortage of skilled workers • Increased safety and security concerns • Environmental sustainability | <ul style="list-style-type: none"> • Information sharing and creation of a trade traffic database to inform policy • Long-term container capacity studies and demand forecasting at a national level • Ensure capacity and resilience of the supply chain • Implement a national policy/action plan • Communication and consultation with industry and the community • Co-ordination of Government and industry in decision making and investment • Developing published port plans detailing the future development of both ports and corresponding freight corridors to provide certainty for investment • Facilitate port consolidation • Setting aside of land banks and capacity planning • Working with ports and stakeholders to ensure long-term sustainable development • Assist in increasing the efficiency of ports • Development of multi-modal facilities • Improve regulations to decrease costs • Provide incentives for private sector investment • Develop performance indicators for ports • Enact a "super-hub port" strategy • Managing, maintaining and expanding sea access and hinterland connections • Funding for targeted freight-related infrastructure investment • Establish port development project appraisal and location criteria • Encourage and promote modal shift to rail and short-sea shipping |

Table 2: International government responses applicable to New Zealand

| Recommendations | Overseas Examples |
|--|--|
| <p>Mandatory national trade data collection</p> | <ul style="list-style-type: none"> British Columbia is creating a trade traffic database to be used as a planning tool. The Scottish Executive and Enterprise Bodies plan to work with other public sector bodies and industry to develop freight information that can be used to inform future freight policy and services. USA is looking to establish the collection of accurate freight volume data to develop a uniform system of measurement that tracks system performance. |
| <p>National demand forecasting and scenario analysis</p> | <ul style="list-style-type: none"> Australia recommends that this be done at a national level by an economic bureau as it would be less costly and better informed than attempts to deal with these matters separately by each individual port. National level expertise could be used for scenario testing of matters such as impacts on trade of changing patterns of world economic growth, industrial specialisation or demography, energy prices and climate change. Victoria plans to undertake a long term container capacity study during 2010. The UK Government assesses the total need for port infrastructure as a consequence of overall demand for port capacity, including in response to any changes in inland distribution networks and ship call patterns that may occur; and the need to ensure effective competition and resilience in port operations. |
| <p>A national supply chain forum with representation from both government and key industry stakeholders to advise Government policy</p> <p><i>This would involve forming a consensus view on key risks for the NZ supply chain and how as a nation these will be mitigated in a co-ordinated manner</i></p> | <ul style="list-style-type: none"> New South Wales government facilitates stakeholder forums including the quarterly NSW Maritime and Port Corporations' Chief Executives meetings and the Minister for Ports and Waterways' Port Botany Logistics Taskforce. The National Ports Council in the Netherlands is a forum consisting of various central government ministries, regional and local authorities and port industry players. The council advises the Minister of Transport, Public Works and Water Management as well as its other members on request or otherwise, with the aim of coordination between its members. |
| <p>Published integrated plans for key ports and freight corridors</p> | <ul style="list-style-type: none"> In July 2007, during the process of reviewing national ports policy, the UK Government recommended that the major UK ports produce master plans, and consult on them, in order to help coordinate their future planning – the Port of Southampton's Master Plan is an example of this. Australia's draft national ports strategy recommends published port plans, aligned at three levels (jurisdiction, regional and port) for the planning of its ports of national economic significance, including related freight corridors. Plans are to be updated every 5 years or as necessary, and are aimed at providing certainty for investment. |

International Government Port and Freight Policies by Country

1. Australia

Key Agencies

| Key Agencies | Role |
|---|---|
| Department of Infrastructure, Transport, Regional Development | The Department of Infrastructure, Transport, Regional Development and Local Government is responsible for infrastructure planning and coordination; transport safety, including investigations; land transport; civil aviation and airports; transport security; delivery of regional and rural specific services; maritime transport including shipping; regional development; matters relating to local government; and major projects facilitation. |
| National Transport Commission (NTC) | The role of the National Transport Commission is to work closely in partnership with peak industry bodies and government to develop more consistent, practical and effective land transport policies, laws and practices. |
| Infrastructure Australia | Infrastructure Australia will develop a strategic blueprint for the nation's future infrastructure needs and - in partnership with the states, territories, local government and the private sector - facilitate its implementation. It will provide advice to Australian governments about infrastructure gaps and bottlenecks that hinder economic growth and prosperity. It will also identify investment priorities and policy and regulatory reforms that will be necessary to enable timely and coordinated delivery of national infrastructure investment. |
| Australian Transport Council (ATC) | The ATC was established in June 1993 to provide a forum for Commonwealth, State, Territory and New Zealand Ministers to consult and provide advice to governments on the co-ordination and integration of all surface transport and road policy issues at a national level. |
| State Government Departments of Transport | Each State Department of Transport is responsible for road, rail and port policy in their respective states. |

Port ownership structure

Australia has three levels of Government – Commonwealth, State and Local. The Commonwealth has key functions involving the ports, including security, environment, competition policy and border control. It also finances and owns specific infrastructure assets including certain railways and roads.

Port corporations are owned by State Governments (which also control adjacent land uses), with the exception of South Australia, which was privatised in 2001¹. Queensland is also currently processing the privatisation of the Port of Brisbane. Australian ports are, in the main, landlords to terminal operators (stevedores) and are primarily only responsible for the management of port infrastructure such as dredged channels and berths².

Terminal operating/stevedoring services are provided by a small number of specialist firms that own the container handling equipment but lease berth space from the relevant port authorities. Adelaide and Burnie are supplied by sole stevedores and the other four ports are supplied by the same two companies; Patrick (part of Asciano Limited – a publicly listed company on the Australian Stock Exchange) and DP World Limited³. Typically the lease arrangements are exclusive and long-term, ranging from 20 to 40 years.

¹ However even in the South Australian case where private enterprise is primarily responsible for port infrastructure development, the land is still leased to them by the State on a 99 year lease.

² Port revenue generally comprises navigation fees/harbour dues and wharfage, as well as property rental charged to terminal operators and port service providers (who provide critical services such as pilotage, towage, mooring, bunkering, security, cleaning and maintenance).

³ Market shares held by these two companies vary over time but are generally between 45%-55% at each port. Hutchison will enter the market from 2010, having secured the operations at the two new container berths at the Port of Brisbane. There is potential for further competition and the entrance of another market player via the Port Botany expansion. The international tender for the stevedoring services at this new terminal opened on 1 July 2008, with port operations expected to commence in 2012.

National Infrastructure Priorities (2009)

In May 2009, Infrastructure Australia released its *National Infrastructure Priorities*. It gives the Federal Government an important role to play in ports development:

'Smarter regulation, governance, planning, and pricing of our gateways can help Australia improve our ports and help our export businesses. Making existing gateways faster, more cost effective, and more coordinated will also encourage new investments and jobs in Australian ports as well as the communities and industries they link to.'

The way government works with the port industry requires urgent changes, in particular for regulation where it differs between locations, which makes things unnecessarily complicated for businesses.

There are not any national approaches agreed to planning and protecting the expansion of the areas in and around our major urban ports. This makes it difficult for industry port authorities, states and local governments to plan and coordinate their activities to ensure efficient land transport access, operation and development of our major ports.

In the past, Government funding has been given to ports, sometimes without full recognition of the need to work with others in the supply chain upon which they depend. This can lead to truck and rail facilities, for example, not being established in ways that give the best return on investment. Infrastructure Australia considers it important to develop a National Ports Strategy and forms part of an Integrated National Transport Plan.'

National Transport Policy Framework

At the request of the National Transport Commission, ministers of the ATC are working on developing a national transport policy. Working groups have been formed, with each working group being assigned to an individual state minister. The working groups most relevant for ports and freight are 'Infrastructure Planning and Investment' as well as 'Capacity Constraints and Supply Chain Performance', which have been given to the transport ministers for Victoria and South Australia respectively.

The objective of the Infrastructure Planning and Investment working group is to improve certainty by creating a more predictable and rational investment environment.

The objective of the Capacity Constraints and Supply Chain Performance working group is to optimise national supply chains. The ATC identified supply chains of national significance. They state their challenge as:

'With the freight task predicted to double over the period from 2005 to 2020, a more integrated approach to transport planning, investment, regulation and pricing approach across national supply chains, and for all modes, is needed to achieve national transport objectives. They will address infrastructure bottlenecks that restrict overall supply chain capacity.'

The nation's first ever national ports and freight strategies are being developed by Infrastructure Australia (working with the NTC) to complement the National Transport Policy Framework. These will be long term blueprints which, together with the National Priority List, will guide future investment in vital transport infrastructure⁴.

Initial work by Infrastructure Australia in these areas already suggests some important principles for these strategic plans:

⁴ Extract of 27 January 2010 media release by Anthony Albanese, Minister for Infrastructure, Transport, Regional Development and Local Government

- The case for dedicated road and rail freight infrastructure has become stronger to minimise conflict with passenger transport and economic losses.⁵; and
- Coordination along the supply chain is a major field for productivity improvement for business; the freight network is not simply about individual road and rail projects, but a set of nodes that are interconnected by road, rail, sea and air links.

“In the past, there have been many examples where port expansions have not been properly coordinated with land-side developments such as rail. The result has been bottlenecks and congestion around the nation’s busiest ports - outcomes which our National Ports Strategy aims to prevent in the future.”⁶

The Proposed National Ports Strategy (May 2010)

Overview

- Overarching purpose is to drive development of efficient sustainable ports and related freight logistics to boost export performance and economic productivity, and influence policy making in areas relevant to freight
- Developed by Infrastructure Australia and NTC in consultation with a wide range of stakeholders
- Recognises that Australia is a maritime trading nation highly dependent on shipping and ports, and because freight is largely configured around the ports, decisions regarding Australia’s major ports will have far reaching consequences around logistics and wider transport chains
- Recognises that other countries are increasingly developing national level port strategies / plans
- Major challenges identified are:
 - significant long term growth in trade and population
 - stability and certainty in policy that affects private investment
 - compatibility of sensitive land uses with the needs of growing ports and supply chains (incl. urban encroachment)
- Recognises that the private sector will undertake much of the investment and operation of the ports and related infrastructure, and that given long-life assets are involved, optimal private investment and use of these depends on investor confidence, enabled by all levels of government providing certainty of their intentions (e.g. port land, roads, rail etc)
- Previously ports were seen as the responsibility of the state governments, therefore there was not seen to be a need for a national port strategy. However, it is now recognised that Australia needs a nationally co-ordinated approach to future development and planning of port and freight infrastructure, co-ordination among tiers of Government decision making and provision of certainty for private investors and the community
- Recommends this nationally co-ordinated approach be effected through formal long-term plans at the jurisdictional, regional and port level for “ports of national economic significance”, which will be developed in consultation with stakeholders and the community, be approved by relevant decision makers, and be published. Published plans provide a basis for confident private investment, allow a more accurate matching of capacity to demand, and can assist in ensuring approvals do not act as a brake on productivity.

⁵ Extract from Kevin Rudd Australia Day 2010 speech accessed from <http://www.thegenerator.com.au>

⁶ Extract of 8 July 2009 media release by Anthony Albanese, Minister for Infrastructure, Transport, Regional Development and Local Government

- Recognises that the current lack of planning begins with an absence of policy certainty i.e. the relationship of specific port plans to the broader objectives and strategies of government, via the higher level regional and jurisdictional plans, is often unclear.
- Does not advocate Commonwealth “intrusion” but rather aims to provide guidance for the future of Australia’s major commercial ports. It is mainly focused on how government can work in partnership with the private sector to ensure the ports operate and are developed as efficiently as possible
- Recognises the need for regulatory and policy frameworks (planning, environmental approvals, competition) that provide the greatest certainty and predictability for commercial decision making
- Future infrastructure requirements are to be identified from an analysis of forecast demand (done at national level by an economic bureau to make sure the sum of the parts equals the national whole) and productivity
- A nationally co-ordinated port strategy is seen as a pre-condition to a national freight strategy and network plan to be drafted by Infrastructure Australia and the NTC in consultation with the jurisdictions
- An Independent Panel and the NTC will oversee implementation of the strategy, which will be reviewed with a view to making necessary changes within three years

Key priorities

The strategy sets out four key priorities for Australia’s major ports:

1. Planning for relevant ports and infrastructure

Objective:

- To provide the community and investors with confidence about future intentions for the operation and development of Australia’s most significant ports and freight corridors.

Recommended actions:

- Agree the relevant ports - ports of national economic significance and critical freight corridors that should be treated as part of the relevant port
- Three integrated levels of planning around relevant ports – jurisdiction, region and port – in consultation with stakeholders
- Updates and reviews of plans as needed and every five years in any case
- Assistance with planning and forecasting

This planning framework is expected to maximise investment, reduce the time taken for approvals, and minimise any adverse impacts or views of the community.

A one size fits all approach is not seen as appropriate, therefore the intention is not to centrally direct how capacity should meet demand, but to allow relevant parties to view the intentions of the jurisdictions and experts in the field. Actual addition of capacity would be on a commercial basis as market demand conditions dictate. Jurisdictions should be in charge of the planning efforts - Victoria has already published its plans “Freight Futures” and “Port Futures”.

Planning at all three levels need to be aligned, and the sum of trade passing through each jurisdiction should equal the national total. The draft strategy recommends that Commonwealth research agencies provide a basis and expertise on which jurisdictions can develop their forecasts. National level expertise could be used for scenario testing of matters such as impacts on trade of changing patterns of world economic growth, industrial specialisation or demography, energy prices and climate change – this could be less costly and arguably better informed than attempts to deal with these matters separately by each individual port.

2. Protection of the ability to execute plans

Objective:

- To enable the ports to plan with certainty to introduce additional capacity to meet trade forecasts, unimpeded by unnecessary regulation and approval processes.

Recommended actions:

- A nationally consistent environmental management regime
- Use of strategic and streamlined assessment processes (including expedited and simplified assessment processes for major projects related to relevant ports and freight corridors)
- Use of a lead agency framework in each jurisdiction
- Introduction of “buffer” strategies in policies and plans, dedicated freight corridors, and land use reservation, to guard against urban encroachment constraining the ability of the port to undertake its forecast task

A nationally consistent environmental management regime would see predictable processes and timeframes suitable for decision making about long-term investments. Port plans, effectively giving decision makers very early advice of intentions, have a role to play as does the speed of approvals. The draft strategy suggests the Commonwealth leads the development and application of this regime to the relevant ports.

3. Improving land-side efficiency and reliability

Objective:

- To reduce the economic costs of landside aspects of port freight by increasing the efficiency and reliability of cargo flows

Recommended actions:

- Research to provide a better understanding of the issues, and success of various approaches
- Oversight of co-ordination within the container supply chain
- Where possible and appropriate, introduction of incentives into the supply chain
- Using some port roads as a test case for the road reform programme
- Use of information technology
- Greater understanding of regulatory constraints on sharing of information
- Great supply chain co-ordination

4. Clarity, transparency and responsibilities in ports

There is a considerable debate about aspects of the governance of ports, including issues such as privatisation, the role of port authorities, access regimes, the role of the Commonwealth, competition policy, economic regulation, and community service obligations.

Recommended actions:

- Principles for the role and functions of authorities in control of relevant ports
- Principles in relation to identified port freight corridors and roads
- Achieving consistency in legislation and regulation

Any government financial investments in Australia’s most economically significant ports should be on a commercial basis.

1.1. Victoria

1.1.1. Key Agencies

Department of Transport - Along with VicRoads and other transport agencies, the Department of Transport is responsible for public transport, roads and ports across Victoria. The Department derives its functions and powers from the Transport Act 1983.

1.1.2. Government policy documents relevant to ports and freight

Port Futures (2009), issued by the Minister for Ports and Roads. The document aims to coordinate the port system, recognising the unique roles and strengths of the individual ports, and is designed to complement *Freight Futures*.

Freight Futures (2009), issued by the Department of Transport. The goal of the paper is to increase the efficiency, capacity and sustainability of the freight network.

Victoria Ports Strategic Framework (2004), issued by the Department of Infrastructure (now the Department of Transport). It identifies the Government's strategies and policies to assist the commercial trading ports, port service providers and freight operators to meet challenges that are raised in the paper.

1.1.3. Port Futures (2009)

View of Government role

'A process of regular public policy review and reform, on roughly a five to ten year cycle, is healthy and common practice for a sector of such key strategic importance to the State as the ports sector. It is also an essential process to ensure that our ports remain efficient, competitive, sustainable and adaptive to emerging internal needs and external pressures.'

Challenges identified

- Coping with growth while ensuring incentives for improving efficiency are maintained.
- Growth in congestion of transport networks serving the Port of Melbourne.
- Preparing for and attracting larger, more efficient ships.
- Integration of the Ports of Melbourne and Hastings - The separate management of the ports of Melbourne and Hastings has increasingly proved to be problematic in terms of efficiently advancing, in parallel, the State's broader strategic objectives for the development of these two key ports.
- More effectively integrating ports into the greater supply chain.

Risks identified

- The state has a large risk exposure due to the inability of the port corporation to effectively ensure minimum standards of service provision by private towage companies.
- The potential for duplication of resources and effort resulting from a competitive model of operation between the two ports (Melbourne and Hastings).

Objectives

- Review and clarify the broad trade roles of Victoria's four commercial trading ports.
- Progress planning in a timely manner for the provision of short, medium and long term port capacity.
- Progress measures to improve port channel and landside access and the integration of transport systems in the ports with the general transport systems supporting Victoria's cities and communities.

- Progress measures to improve port efficiency, productivity and investment.
- Establish effective, consistent strategic planning requirements for the commercial trading ports and appropriate recognition of port strategic development plans in the *Victoria Planning Provisions*.
- Improve buffer planning for ports to ensure they can maintain efficient, sustainable operations within existing or developing urban environments.

Strategies

- Improve landside access and efficiency.
- Identifying and addressing infrastructure capacity constraints that prevent optimum use of next generation high productivity freight vehicles (HPFVs).
- Measures to address driver shortages.
- Explore, in conjunction with the (Port of Melbourne Corporation) PoMC, the scope to secure ongoing port productivity improvements through direct negotiations with port service providers.

Measures

- Consider bringing forward the development of an initial module of terminal capacity at Webb Dock of up to one million TEU.
- Undertake a long term container capacity study during 2010 to provide a basis for review and confirmation or adjustment as required of the longer term development locations and sequence set out in the *Victorian Ports Strategic Framework (2004)*.
- Open the Port of Melbourne for servicing by up to 14 metre draft vessels at all times by completing the Port Phillip Bay Channel Deepening Project (CDP).
- Progressively implement the strategies set out in the *Truck Optimisation Plan*, in partnership with industry, to improve the utilisation and efficiency of trucks servicing the container terminals at the Port of Melbourne.

Other Initiatives

- Significant planning and community consultation work has been undertaken in preparation for development of the Port of Hastings.
- Long term port development plans, prepared in consultation with industry and community stakeholders, have been completed and released for all ports.
- Comprehensive economic impact assessments have been prepared and published for each of the commercial trading ports, clearly demonstrating the value of the ports to the regional, state and national economies.

1.1.4. Freight Futures (2009)

Objectives

- Facilitate the efficient movement of freight in Victoria.
- Reduce the cost and improve the reliability of supply chains.
- Manage and mitigate any adverse impacts of freight planning and operations on communities and the environment.
- Optimise the use of existing network infrastructure.
- Provide appropriate priority for freight on the network in the context of competing demands.
- Plan and deliver new network infrastructure in a timely manner.
- Identify and protect freight network options where necessary to ensure future capacity, flexibility and certainty.
- Provide a policy environment that encourages private sector investment.

1.1.5. Victoria Ports Strategic Framework (2004)

View of Government role

Victoria's commercial trading ports must satisfy the demand of growing trades and manage potential risks that may emerge through urban encroachment and increasing environmental, safety and security pressures. The Victorian Ports Strategic Framework identifies the Government's strategies and policies to assist the commercial trading ports, port service providers and freight operators to meet these challenges.

- The Government will collaborate with industry and the community to build on the competitive strengths of Victoria's commercial trading ports and optimise the use of existing port assets and infrastructure.
- The Government will plan the land and infrastructure resources in and around ports to facilitate efficient port operation and access, and minimise adverse impacts on surrounding communities.
- The Government will provide a regulatory and institutional environment for a productive and sustainable port system — conducive to business development while ensuring a balanced outcome for all stakeholders.

Challenges identified

- Trade Growth - International trade increased significantly during the 1990s compared to growth in world production. This growth is expected to continue.
- Competition between ports - Victoria's commercial trading ports face competition for international trades from each other to some extent and, more significantly, from interstate ports.
- New technology is required to handle the larger ships being used by shipping companies.
- Intermodalism - Multimodal approaches provide opportunities for the provision of door-to-door and just-in-time total logistics services.
- Urban Environments - In recent years, the issue of how ports co-exist with adjoining residential areas has become a major concern to port managers, users and local residents alike.
- Environmental, safety and security pressures - As the community places increasing value on environmental and safety outcomes and the international climate leads to demands for new security measures, commercial trading ports are, and will continue to be, subject to increasing regulatory requirements, restricting their operations and adding to their costs.

Risks identified

None

Objectives

- Building on existing capabilities and competitive strengths.
- Anticipating and planning for future land, access and infrastructure needs.
- Providing the right regulatory and institutional settings for a sustainable port system.

Strategies

- The Government will support future port development that builds on the existing capabilities and competitive strengths of Victoria's commercial trading ports.
- The Government will act to enhance access to and productivity of existing port assets.
- The Government is committed to working with port managers, industry stakeholders, local councils and communities to position Victoria's commercial trading ports for long term sustainable development.

Measures

- Support for developments to maximise the use of the Swanson Dock container facilities until these facilities are substantially utilised and demand for container services warrants the development of the Westgate-Webb Dock precinct for this purpose.
- Protect the future potential of the Port of Hastings to allow container trade to be accommodated in the longer term when the Port of Melbourne is fully utilised.
- Undertaking the Port of Melbourne channel deepening project, subject to environmental and other approvals.
- Investing in improved road and rail infrastructure connecting to Victoria's commercial trading ports for the transfer of container and bulk cargoes.
- Ensuring that effective Port Strategic Land Use Plans are prepared and in place for each commercial trading port.
- Working with port managers and local councils to ensure that agreed Port Strategic Land Use Plan outcomes are implemented in local planning schemes.
- Promoting improved communication and understanding between Victoria's commercial trading ports, their communities and industry stakeholders.
- Encouraging ports to adopt a range of community engagement mechanisms and ensuring that effective consultation is undertaken in the preparation of Port Strategic Land Use Plans and Safety and Environment Management Plans.

Other Initiatives

- Melbourne Port@L is a long-term strategic planning initiative to improve the efficiency of the Port of Melbourne, primarily by integrating the port and the adjacent Dynon rail precinct into a single world-class intermodal hub.
- The Government's 2004 economic statement, *Victoria: Leading the Way*, announced that in-principle support has been given to deepening the shipping channels in Port Phillip Bay, subject to environmental and other requirements being satisfied.

1.2. Queensland

1.2.1. Key Agencies

Department of Transport and Main Roads – purpose is to plan, manage and deliver Queensland's integrated transport environment to achieve sustainable transport solutions for road, rail, air and sea. The Department of Transport and Main Roads provides policy and strategic advice on the planning, funding and performance of Queensland's port system, including overseeing the operation of the state's port authorities.

The department assists in the administration of strategic port land and tenure issues, and provides policy and procedural advice about government-owned corporations.

In addition to overseeing the port authorities, it provides strategic policy advice on port network issues and general maritime and shipping policy.

The Queensland Government considers itself responsible for overall port strategy, but no actual policy or strategy document exists. However the Queensland Government did perform a review of port authority management and a restructure in 2008, which says: "the State will maintain overall ownership of the State's port network."

1.2.2. Government policy documents relevant to ports and freight

Review of Queensland Ports Management Structure (2008) - Proposes a new management structure for Queensland's ports based on having a regional port strategy and approach. Looks at the needs and challenges of the ports and decides best approach accordingly.

1.2.3. Review of Queensland Ports Management Structure (2008)

Goals for the state seaport network

- To operate as an effective participant in the supply chain.
- To operate as a sustainable and commercially focused business entity.
- To ensure an active port management approach which is environmentally responsible, provides a sound operational response to the port authority functions as detailed in the *Transport Infrastructure Act 1994*, ensure a safe and secure port operating environment and is responsive to Government, industry and community needs and perceptions.
- To maximise utilisation of port assets and infrastructure through (where appropriate) encouraging equitable multi-user access to port authority owned infrastructure and services.
- To actively pursue new trade opportunities.
- To respond in a timely manner to market signals for investment in new or expanded infrastructure.
- To manage issues associated with maintaining adequate land/sea interface of their trade catchment areas.
- To operate within the business plan approved by Government taking account of the need to maximise trade throughput within a commercially responsive framework.

Major issues

The review gives consideration to:

- The varying needs of the State for seaport gateways to service trade and supply chains serving markets from those with a local focus to those of international importance.
- All options for port management structures will need to (1) meet financial, governance and accountability requirements of the *Government Owned Corporations Act 1993*, (2) cover the port authority functions as outlined in the *Transport Infrastructure Act 1994*, and (3) provide future certainty for port authority operations and their staff.

- The ability of each Government Owned Corporation port entity, operating on a fully commercial basis, to sustain an appropriate capital structure targeting an investment grade credit rating.
- The need for port authority structures that have the critical mass, and strong regional presence to successfully manage emerging commercial, operational and accountability requirements.
- Regional issues including a review of whether the government owned corporations model is appropriate in all circumstances (for example the "community port" model).
- How best to manage existing network "legacy" assets.
- How best to develop large scale port developments such as the Abbot Point and Townsville port expansions.
- The impact of the current demand for coal exports on the supply chain and the best approach to manage the corresponding port investment and the best ways to ensure integration between port and rail infrastructure and services.
- The different approaches required to managing large bulk commodity ports to the management approach required for ports servicing a more general cargo base.
- Ongoing regional economic development including the potential for a growth in seaport services from within the northern economic triangle.
- The impact of growth in container trade movements in Queensland, particularly south east Queensland.
- The current commercial, environmental, operational and safety/security regulatory environments.
- Competition issues in downstream and upstream markets.
- The potential to encourage private sector investment in port infrastructure and services.
- How best to achieve the necessary economies of scale in operations and services.
- State-wide and regional trade and supply chain issues.
- Potential perceived and real conflict between a port authority role and an infrastructure ownership/operator role.

1.3. New South Wales

1.3.1. Key Agencies

NSW Maritime - NSW Maritime is the State Government Authority responsible for marine safety, regulation of commercial and recreational boating and oversight of port operations. The Authority is also responsible for property management of submerged lands in Sydney Harbour, Newcastle Harbour, Botany Bay and Port Kembla, and for providing strategic advice on ports and maritime matters to the NSW Government.

NSW Maritime was created in 2004, replacing the Waterways Authority and the Marine Ministerial Holding Corporation.

The Ports and Shipping Division focuses on:

- Ports to support a growing economy
- Port safety and security

Key activities include:

- the management of the regional ports Eden and Yamba
- providing strategic advice to the three NSW Ports Corporations
- the coordination of maritime security arrangements across NSW
- the development of advice on shipping and safety matters at NSW ports
- the development of advice to the Government on a range of matters associated with ports and shipping in NSW
- oversight of the implementation of the NSW Ports Growth Plan
- coordination of NSW Maritime's input into national forums under the Council of Australian Governments (COAG) and the Australian Transport Council (ATC)

- the facilitation of stakeholder forums including the quarterly NSW Maritime and Port Corporations' Chief Executives meetings and the Minister for Ports and Waterways' Port Botany Logistics Taskforce.

1.3.2. Government policy documents relevant to ports and freight

NSW Port Growth Plan (2003) – provides a framework within which Government, industry and the community will work to ensure future growth and development of port capacity in NSW.

1.3.3. NSW Port Growth Plan 2003

NSW is dependent on international trade for economic growth.

Port infrastructure requires significant levels of investment and long lead times. Industry needs to plan for structural adjustments. It is therefore important Government initiates planning now to ensure timely delivery of new capacity.

Failure to plan for port growth would lead to uncertainty for industry, employment and regional development with unsustainable pressure building on Sydney Harbour and Port Botany.

The Ports Growth Plan introduces certainty for future port development.

The Plan will distribute the benefits of port growth more equitably between Sydney, the Hunter and Illawarra regions of NSW, provide long term capacity for containers, bulk goods and general cargo and enhance the economic efficiency of New South Wales' ports.

The core directions of the Plan are:

- Containers, general cargo and car stevedoring from Port Jackson will be progressively encouraged to relocate to Port Kembla as existing leases expire, subject to satisfactory commercial negotiations being completed between the lessees and the Port Kembla Port Corporation.
- The former BHP steelworks site at Newcastle Port will be secured for port use. When Port Botany reaches capacity Newcastle will be the state's next major container facility.
- An Independent Commission of Inquiry will be held to examine Sydney Ports Corporation's Development Application and Environmental Impact Statement to expand container facilities at Port Botany. The Commission of Inquiry will be open to community submissions.
- In relation to Sydney Harbour port lands, the Minister for Infrastructure Planning and Natural Resources will develop a master plan to:
 - Retain White Bay for working maritime uses;
 - Create an unbroken run of public access to the foreshore of the harbour between Woolloomooloo and the Anzac Bridge; and
 - Preserve Millers Point for a future iconic development.
- The Minister for Infrastructure, Planning and Natural Resources will examine how to increase the proportion of containers moved by rail to and from the ports to intermodal terminals in both the Sydney metropolitan area and regional NSW.
- The Government will work towards the implementation of the core directions of the Plan in consultation with industry groups and the community.

1.3.4. Other Documents

Inquiry into Port Infrastructure in New South Wales (2005) issued by the Legislative Council, Standing Committee on State Development.

Some of the key recommendations from the inquiry were:

- That the NSW Government ensure there is a coordinated approach in the development and implementation of plans for NSW ports and related infrastructure, including the NSW Ports Growth Plan.
- That the NSW Government develop and implement a comprehensive strategy for effective consultation with all levels of government, industry and the community in relation to further planning and management of NSW Ports.
- That the NSW Government investigate, irrespective of any expansion of Port Botany, the adequacy of road and rail infrastructure servicing Port Botany, and the intermodal network.
- Recognising an overall increase in the volume of freight traffic, both road and rail, in relation to the NSW Government's Port Freight Plan for Sydney the NSW Government should:
 - Ensure that the Freight Infrastructure Advisory Board (FIAB) consults all relevant parties in the development of strategies to address the freight task in NSW
 - Ensure proposed freight related projects fit into a broader freight infrastructure framework
 - Release, as soon as possible, the means by which the NSW Government intends to achieve the increased rail freight transport, including plans for an intermodal network.

1.4. South Australia

Following corporatisation of the ports in the 90s these ports came under the control of the Government Enterprises Minister. In 1999 the South Australian Government decided to sell the South Australian Ports Corporation, which was bought by Flinders Ports Pty Ltd, who is now responsible for port expansion and development. Port lands were given to Flinders Ports on a 99 year lease.

2. United Kingdom

2.1. Key Agencies

| Key Agencies | Role |
|--|--|
| Department for Transport | The Department for Transport provides leadership across the transport sector to achieve its objectives, working with regional, local and private sector partners to deliver many of the services. |
| Infrastructure Planning Commission (IPC) | The IPC is the independent body that decides applications for nationally significant infrastructure projects. These are the large projects that support the economy and vital public services, including railways, large wind farms, power stations, reservoirs, harbours, airports and sewage treatment works |
| Scottish Executive | The devolved government for Scotland is responsible for most of the issues of day-to-day concern to the people of Scotland, including health, education, justice, rural affairs, and transport. |
| Welsh Assembly | Devolved Government for Wales |
| Northern Ireland Executive | Devolved Government for Northern Ireland |

2.2. Port ownership structure

Most commercial ports' operations have been privatised. 15 of the largest 20 UK ports (by tonnage) are in private ownership, which accounts for two thirds of the UK's port traffic. These private ports have no government investment i.e. all their investment must be privately financed on a commercial basis. Many of the smaller ports are trust ports (independent statutory organisations but without shareholders), as well as a few larger ones such as the Port of London Authority. A few ports are also municipal ports (belonging to local authorities).

2.3. Government policy documents relevant to ports and freight

- *Modern Ports: A UK Policy* (2000) – Issued by all the above agencies. Purpose is to set out for the first time the broad policy aims of the UK Government with respect to ports.
- *Freight Action Plan for Scotland* (2006) – issued by the Scottish Executive. The goals are improved journey times and connections, reduced emissions and a transport system that is high quality, accessible and affordable to use.
- *Draft National Policy Statement for Ports* (2009) – issued by the Department for Transport and relevant to England and Wales. Sets out the Government's conclusions on the need for new port infrastructure, considering the current place of ports in the national economy, the available evidence on future demand, and the options for meeting future needs. Provides guidelines for the IPC on assessing new port development applications.

2.3.1. Modern Ports: A UK Policy (2000)

View of Government role

The Government and the devolved administrations are looking for practical and achievable ways to help the ports industry to help itself, and to rise to the challenges it faces. It needs to involve those who use and work in ports, local authorities, and other interests. The aim is to build on - and not replace - the many sound and well-established working relationships between the industry and Government.

The Government does not run the shipping industry or the ports industry. It does not decide the port industry's commercial strategy, or direct or fund its investment; nor does it manage port operations. These are matters which Parliament has entrusted to local statutory authorities, who fund their investment and operations from levies on users. In general, port infrastructure can and should be commercially financed. Commercial funding for development is unlikely to be a problem where a port's business is growing.

Integrated transport policy recognises that Government cannot treat any element of the transport network in isolation.

Challenges identified

- Maintaining a well integrated freight transport system
- Sustainable development of the freight transport system (environmental issues)
- High growth in container and road trailer (truck) traffic
- Meeting the demands of shipping lines hub port needs
- Providing facilities capable of handling the large post-panamax vessels and efficiency to meet their tight time-table needs

Risks identified

- Losing gateway ports to continental rivals – Gateway ports have become increasingly important to their local and regional economies as their business has grown. If they were to lose this business it would have correspondingly substantial adverse consequences. This consideration is of national interest.
- Failure to meet future capacity demand - The primary services would no longer collect and deliver UK trade to UK ports, adding the cost of transshipment in a foreign port to UK trade. A higher proportion would arrive in or depart from this country on road trailers. There would be a significant effect on the cost of UK trade, and thus on competitiveness, as well as on the volume and pattern of road traffic.

Objectives

- Promote UK and regional competitiveness
- Promote high nationally agreed safety standards
- Promote the best environmental practice

Strategies

- To make regulation add value rather than unnecessary cost, ensuring that different regulators co-ordinate their overall demands.
- To promote agreed national standards and good practice for port management and port operations alike, without detracting from the legal responsibilities of harbour authorities and other port interests.
- To promote training and the recognition of skills for those who work in the ports industry at all levels - not just those engaged by harbour authorities.

- To maintain a balanced policy on development which aims to make the best use of existing and former operational land, secures high environmental standards, but supports sustainable projects for which there is a clear need.

Measures

- Involve ports in shipping policy initiatives
- Develop performance indicators for the ports industry
- Develop project appraisal criteria for port developments
- Review the use made of available facts and figures on the ports industry
- Improve co-ordination of overall Government regulation affecting the ports industry
- Complete national occupational standards for port marine professionals

2.3.2. Freight Action Plan for Scotland (2006)

View of Government role

'The success of the Freight Action Plan will require a partnership approach between the Scottish government, other public bodies and industry. The Scottish government, and regional and local transport authorities have a role to play, not simply in providing and maintaining infrastructure but in stimulating actions that the market may not undertake by itself, where there is clear and persuasive rationale for such market-enhancement interventions. The Freight Facilities Grant scheme – which is helping to move freight from roads to water and rail for environmental benefit – is a case in point. More broadly, it is the market itself – and more particularly businesses across Scotland – that has the leading role in developing flexible and innovative freight operations, stimulated by the competitive pressures that exist. By working together, the flow of goods across the economy will benefit. Thus responsibility for delivering the actions identified in this Plan will be shared between partners.'

Challenges identified

- Lack of co-ordination of freight policy at local, regional, Scotland-wide and UK levels
- Lack of appropriate freight and logistics data for transport planning
- Freight needs are not being fully considered in transport planning and there is a need for closer dialogue between freight and passenger interests
- Development of hub-and-spoke networks
- The move towards customers demanding just-in-time delivery
- Difficulty in estimating future freight levels

Risks identified

None

Objectives

- Enhance Scotland's competitiveness
- Support the development of the freight industry in Scotland
- Maintain and improve the Accessibility of rural and remote areas
- Minimise the adverse impact of freight movements on the environment, in particular through the reduction in emissions and noise
- Ensure freight transport policy integration

Strategies

- Balancing freight and non-freight requirements in transport investment
- Minimising the negative impact of rising transport costs
- Continued business developments in the freight and logistics sector
- Enhancing the skills and professional image in freight and logistics

- Enabling the Scottish freight industry to compete effectively in the European market
- Targeting improvements to road and rail infrastructure
- Promoting modal shift to rail and shipping
- Improving efficiency and sustainability of road transport
- Co-ordinating with other policy areas - such as energy policy, land use, waste disposal, and regional transport strategies - and between public agencies

Measures

- The Scottish government and Enterprise Networks will engage with business, industry, the ports sector and other key stakeholders to determine the need for and location of multi-modal freight hubs, taking account of the strategic economic importance of ports in providing access to international markets.
- Transport Scotland will continue to work with the freight industry to ensure that investment in road and rail links to key ports is targeted to support the needs of the freight industry.
- The Scottish Executive and the Enterprise Bodies will work with other public sector bodies and industry to develop freight information that can be used to inform future freight policy and services.
- Delivering the Mossend – Elgin Freight Loading Gauge Enhancement. This £4m project will allow larger freight containers (9'6") to be carried by rail ensuring that existing rail freight traffic is kept off roads
- Completing the motorway network, by infilling the existing gaps in the M74 in Glasgow, and in the M8 and M80

2.3.3. Draft National Policy Statement for Ports (2009)

View of Government role

The planning system is a key to the future sustainable development of ports. The improvements introduced through the Planning Act 2008 and the Marine and Coastal Access Bill now passing through Parliament will strengthen the system, making it more transparent, and offering greater certainty both to those who propose new developments, and to people who wish to make representations on those proposals.

The Government does not wish to dictate where port development should occur. Port development must be responsive to changing commercial demands, and the Government considers that the market is the best mechanism for getting this right, with developers bringing forward applications for port developments where it considers them to be commercially viable. The Government believes that resilience is provided most effectively as a by product of a competitive ports sector.

Challenges identified

- Meeting estimated container growth of 182% for containers (by 2030 over a 2005 base)
- Ensuring capacity is placed in the appropriate location
- Ensuring resilience in the national infrastructure

Risks identified

- Excluding the possibility of providing additional capacity for the movement of goods and commodities through new port development would be to accept limits on economic growth, and on the price, choice and availability of goods imported into the UK and available to consumers. It would also limit the local and regional economic benefits that new developments might bring. Such an outcome would be strongly against the public interest.

Objectives

- Encourage sustainable port development to cater for long-term forecast growth in volumes of imports and exports by sea with a competitive and efficient port industry capable of meeting the needs of importers and exporters cost effectively and in a timely manner.
- Allow judgments about when and where new developments might be proposed to be made on the basis of commercial factors by the port industry or port developers operating within a free market environment.
- Ensure all proposed developments satisfy the relevant legal, environmental and social constraints and objectives, including those in the relevant European Directives and corresponding national regulations.

Strategies

- Given the large number of factors involved, the Government believes that resilience is provided most effectively as a by product of a competitive ports sector.
- The Government believes the port industry and port developers are best placed to assess their ability to obtain new business and the level of any new capacity that will be commercially viable.
- The Government considers that the market is the best mechanism for getting this right, with developers bringing forward applications for port developments where it considers them to be commercially viable.
- Capacity needs to be provided at a wide range of facilities and locations, to provide the flexibility to match the changing demands of the market, possibly with traffic moving from existing ports to new facilities generating surplus capacity.

Measures

- Specific guidelines for the IPC accepting/rejecting new port development proposals are given based on the need for additional port capacity.
 - The Government assesses the total need for port infrastructure as a consequence of overall demand for port capacity together with the need to retain the flexibility that ensures that port capacity is located where it is required, including in response to any changes in inland distribution networks and ship call patterns that may occur; and the need to ensure effective competition and resilience in port operations.
- In July 2007, during the process of reviewing national ports policy, Government recommended that the major UK ports produce master plans, and consult on them, in order to help coordinate their future planning. Subsequent guidance on the production of master plans produced in 2008 indicated that such plans should be produced by major ports (defined as those handling at least 1 million tonnes) to:
 - clarify the port's own strategic planning for the medium to long term
 - assist regional and local planning bodies, and transport network providers, in preparing and revising their own development strategies
 - inform port users, employees and local communities as to how they can expect to see the port develop over the coming years

An example of this is Port of Southampton's master plan which incorporates the national reference 25 year trade forecasts.

2.4. Other documents

Scotland's National Transport Strategy (2006) issued by the Scottish Executive.

Extracts relating to ports and freight

- 'The movement of freight is critical to our economy and all of our transport infrastructure plays a role in this. For example, ports are key to the logistics chain by providing the interface between land and sea and the infrastructure to support cargo movement by sea.'
- 'The freight sector will continue to face challenges. The role of ports and improvements to their inland road and rail links will be vital in supporting the projected changes in the movement of freight. The movement of freight contributes to congestion; we need to encourage more freight to transfer onto rail and water, which has environmental benefits as well as removing traffic from our roads.'
- 'An effective road and rail infrastructure to support national and international connections by sea is essential to ensure that the critical role of ports in supporting and contributing to Scotland's business and economic health is fully realised. Ports are a key sector, not only in terms of cargo movements and related services within and outwith Scotland and the ferry industry, but also in relation to tourism, including the cruise liner and leisure craft sectors. Future areas of possible development are international transshipment, feeder services and short sea shipping. The ports sector needs to be able to thrive and exploit these potential opportunities in a balanced but competitive market. To ensure that this happens, we will evaluate the infrastructure serving our ports, key national and international ferry routes in the Strategic Transport Projects Review and we will, through our Freight Action Plan consider ways to enhance international freight networks.'

2.5. Other initiatives

- The Scottish government is at the forefront of the use of Intelligent Transport Systems to help deliver efficiencies in operating the trunk road network - as demonstrated by its development of the Traffic Scotland service over the last decade.
- The Scottish government's Freight Facilities Grant (FFG) scheme contributes to the capital costs of equipment and facilities for rail, inland waterway and sea freight where the traffic would otherwise use road and where there is an environmental benefit from the use of these alternative modes.
- Scotland - The Track Access Grant (TAG) offers support to offset charges on the rail network where rail cannot compete commercially with road. So far grant awards totalling £9 million have been made in Scotland since 1999.
- Scotland - The Company Neutral Revenue Support (CNRS) scheme provides revenue assistance for intermodal freight by rail, such as containers to and from sea ports, and inland rail terminals, again on routes where rail cannot compete with road.

3. Canada

3.1. Key agencies

| Key Agencies | Role |
|-----------------------|---|
| Transport Canada | Transport Canada is responsible for transportation policies and programs. It ensures that air, marine, road and rail transportation are safe, secure, efficient and environmentally responsible. |
| Infrastructure Canada | Infrastructure Canada plays a leading role in implementing Canada's Economic Action Plan. The department is also responsible for Building Canada, the Canadian Government's \$33-billion infrastructure plan. |

3.2. Port ownership structure

'The main trading ports are Canada Port Authorities (CPAs) and these fall under federal jurisdiction. Under the *Canada Marine Act (CMA)*, the federal government owns the port lands and infrastructure of six CPA ports in the province [British Columbia] but leaves administration to local authorities. The *CMA* was introduced to allow ports to be more responsive to market opportunities. The Port Authorities provide port infrastructure (e.g. vessel berths) and lease terminal sites to private operators.'

3.3. Government policy documents relevant to ports and freight

Canada's Asia-Pacific Gateway and Corridor Initiative (2006) was issued by Transport Canada, with the aim of providing a state of the art transport system linking Asian and North American markets⁷. The document outlines new investments, policies and regulatory measures aimed at improving the efficiency and effectiveness of the Asia-Pacific Gateway and Corridor, and Canada's exploitation of it. It also sets the directions for ongoing collaboration, future actions and long-term strategy. It reflects the Government's commitment to work in partnership with provincial governments, private sector leaders and other stakeholders: "*The Gateway approach offers a coherent framework for joint leadership and focused collaboration among the different public and private sector actors who control or influence the key issues*"

3.3.1. Canada's Asia-Pacific Gateway and Corridor Initiative (2006)

View of Government role

'The federal government is responsible for fostering the national transportation system's efficiency, safety, security and sustainability in all modes. These fundamental objectives are pursued through marketplace framework policies, regulations, statutes and infrastructure investments. The federal government is also responsible for secure and efficient administration of Canada's borders, for pursuing Canada's interests in international commerce, and for positioning Canada to compete and prosper in the global economy.'

'No single government acting unilaterally can effectively tackle the range of interconnected issues that will determine the Gateway's long-term success. The Government of Canada's approach is based on concrete actions and real partnerships with provincial governments and other stakeholders. It will accelerate the development of Canada's Asia-Pacific Gateway and Corridor, and strengthen Canada's position in global commerce.'

⁷ The Asia-Pacific Gateway and Corridor is a network of transportation infrastructure including B.C. Lower Mainland and Prince Rupert ports, their principal road and rail connections stretching across western Canada and south to the United States, key border crossings, and major Canadian airports. The network serves all of Canada.

Challenges identified

- Rapid economic growth of China – this is driving an increase in trade growth, particularly in container trade.
- Capacity – the capacity of existing infrastructure is being stretched.
- Policy, regulations and operating practices – government policies and regulations, as well as private sector operating practices, impact the efficiency and use of the Gateway and Corridor.
- Governance – There is no single "owner" of the Gateway and Corridor, therefore all levels of government and the private sector must work in partnership.
- Shortage of skilled workers – rising skill requirements and competing pressures for skilled workers from other sectors and regions have created a shortage.
- Environmental impacts – the increased growth in traffic and the pressure it is placing on infrastructure is having an adverse environmental impact.

Risks identified

None

Objectives

- Boost Canada's commerce with the Asia-Pacific region.
- Increase the Gateway's share of North America bound container imports from Asia.
- Improve the efficiency and reliability of the Gateway for Canadian and North American exports.

Strategies

- Strategic infrastructure investment
- Private investment and innovation
- Security and border efficiency
- 21st Century governance – policy coordination and integration at all levels, public and private.
- Improve the co-ordination of port activities

Measures

- Up to \$280m of Federal investment in rail and highway upgrades and dredging.
- Traffic management centre for the British Columbia Lower Mainland.
- Amendments to the *Canada Transportation Act* and *Canada Airports Act* to foster regulatory stability, allowing for private sector investment.
- Up to \$30m of Federal investment for a new container terminal at the Prince Rupert Port.
- An assessment of port security issues, involving consultation with stakeholders.
- Enter discussions with the Fraser River, North Fraser and Vancouver Port Authorities to explore opportunities for a new port authority for the British Columbia Lower Mainland.
- Use of containers study – to address efficiency and regulatory issues surrounding the potential greater use of empty containers moving west through the gateway and back to the Asia-Pacific region.

3.4. Other documents

National Policy Framework for Strategic Gateways and Trade Corridors (2007). This document aims to build on the success of the Asia-Pacific Gateway and Corridor and guide investment and policy measures to exploit opportunities in key regions. The policy is based around five strategies:

- International commerce strategy
- Volumes and values of national significance
- Future patterns in global trade and transportation
- Potential scope of capacity and policy measures
- Federal role and effective partnerships

3.5. Other Initiatives

The Atlantic Gateway

The Atlantic Gateway is a modern competitive and integrated air, rail, marine and road freight transportation network. It provides direct and reliable, access to and from the economic heartland of North America.

Located in Canada's east coast provinces of Nova Scotia (NS), New Brunswick (NB), Prince Edward Island (PEI), and Newfoundland and Labrador (NL), the Atlantic Gateway includes:

- Strategic, ice-free deep water ports ready to handle growing volumes from the world's largest ships;
- Airports;
- Intermodal facilities;
- Border crossings; and
- Essential road, rail and marine infrastructure.

The following infrastructure projects have been identified as priorities for funding, in support of the longer-term objectives of the Atlantic Gateway, including:

- Burnside Connector Phase 1 – \$35 million (up to \$17.5 million federal) highway project connecting Highway 102 and Highway 107 and a major industrial park and transshipment facility;
- Port of Halifax South Terminal Expansion – \$35 million (up to \$17.5 million federal) to accommodate the next generation of container ships;
- Port of Halifax, Richmond Terminals Multipurpose Gateway Extension – \$73 million (up to \$36.5 million federal) to upgrade and expand value-added cargo handling services;
- Truro High Speed Interchange – \$9 million (up to \$4.5 million federal) to upgrade the interchange ramps at a vital highway junction through which high volumes of Nova Scotian trade moves;
- Highway Upgrades on Route 344 – \$15 million (up to \$7.5 million federal) to support development and operation of the proposed Melford Container Terminal; and
- Business Development and Marketing Initiatives – \$5 million (up to \$2.5 million federal) to market Atlantic Gateway ports and other facilities.

3.6. British Columbia

British Columbia is a province in Western Canada, with a population of around 4.4 million, bordered by Alaska and Yukon Territory to the north and the US State of Washington to the south. British Columbia ports service all of the western Canadian provinces and compete with US west coast ports.

3.6.1. Key agencies

| Key Agency | Role |
|---|--|
| Ministry of Transportation and Infrastructure | Responsible for: <ul style="list-style-type: none"> • Transportation and Infrastructure Improvements • Public Transportation • Highway Operations • Commercial Passenger Transportation Regulation • Executive and Support Services |

3.6.2. Government policy documents relevant to ports and freight

- *British Columbia Ports Strategy* (2005) – issued by the Ministry of Transportation and Infrastructure. The goal of the paper is to have by 2020 all port system partners working together to maximise trade traffic and economic growth opportunities for British Columbians and Canadians.

3.6.3. British Columbia Ports Strategy (2005)

View of Government role

'Canada's major trading ports in British Columbia are points of entry to the vast market of Pacific Ocean trade. British Columbia must ensure that these Pacific ports are a key component of an efficient, reliable and competitive port system. By developing this British Columbia Ports Strategy, we will contribute to sustained economic growth.'

'A working partnership between our ports and the federal and provincial governments will ensure that the British Columbia port system can respond to the opportunities created by unprecedented growth in containerized traffic to and from China and other Asia-Pacific countries, and expected growth in cruise and bulk traffic through our ports.'

'Investment in port expansion and new infrastructure development will come from many private and public sources. Governments have an important role in catalyzing these significant capital projects.'

'Broad consensus exists that greater system-wide coordination is urgently needed to ensure B.C.'s ports can grow in response to market forces.'

Challenges identified

- Enhancing competitiveness – British Columbia ports must be able to compete both on price and level of service.
- B.C. port container traffic demand - expected to *quadruple* by 2020 and has already triggered the need for more than \$1.5 billion in terminal developments in the province. Is this enough? Which ports should make these investments?
- Capacity limitations - Shippers have serious concerns about the condition, capability and future reliability of ports, road and rail services and infrastructure.
- Funding infrastructure expansion - Attracting private sector investment by reducing some of the existing legislative barriers to private sector investment in ports. Legislative barriers also prevent the Canadian government from investing directly in marine infrastructure.
- Maintaining existing system while expanding capacity – required expansion must be carried out without disrupting current activity at the ports.
- Coordinating development - In a region so dependent upon trade, there is little coordination in western Canada of port terminal and inland road and rail infrastructure development. Nor is there a system-wide development approach across supply chain partners or among different port authorities. The result: over or under-utilized infrastructure, missed opportunities and the potential for duplication of investments. An inability to balance supply and demand creates negative and lasting perceptions among users who experience service problems and/or increased costs. Without integrated planning that recognizes the interdependency and maximizes the efficiency of B.C. ports and transportation corridors, customers will opt for other more efficient port gateways.
- Competition from U.S west coast ports - B.C. port terminals compete for the container business with ports throughout North America. The main competitors are the Ports of Seattle, Tacoma, Oakland, and Los Angeles-Long Beach.
- Protecting the environment - With the unprecedented growth expected in British Columbia's port system, comes an increased need to manage the environment for the long-term. This includes mitigating environmental impacts from increases in domestic and international traffic at port facilities and the need to meet standards of air and water quality set by all levels of government.

Risks identified

Failure to address the above opportunities and challenges will result in:

- Lost revenue opportunities - B.C. would miss the chance to reach a 15% share of the west coast container market by 2020. Each percentage point in container market capture in 2020 is worth approximately \$250 million a year in GDP and 4,000 jobs.
- Economic and business losses - potential loss of manufacturing, mining, forestry, agriculture, petroleum and petrochemical business that depends on the ports system to ship products in extremely competitive world markets.
- Reduced export earnings - loss of economic wealth
- Lost gateway (hub) status - a diminished international status would have long-term effects since lost business is very difficult to regain.

Objectives

- Maximize Asia-Pacific container traffic growth,
- Maximize export and growth opportunities
- Increase cruise liner stops in B.C.

Strategies

- Capacity expansion
- Increased competitiveness
- Marketing

Measures

- Create a management entity to coordinate activities
- Develop a ports multimodal action plan
- Create a ports/transportation corridor land reserve
- Review “best” operating practices and potential for application
- Create a trade traffic database
- Resolve the rail “open access” issue
- Develop a port system competitiveness policy
- Promote development of smaller ports
- Implement leading-edge technologies
- Develop an integrated human resource plan
- Develop a coordinated public relations plan
- Develop a marketing action plan
- Develop and implement an international marketing campaign

Other initiatives

- Property tax relief for port terminal operators
- \$400m road investment in the Lower Mainland to benefit port traffic
- \$17m to create new container handling capacity at Port of Prince Rupert
- \$2.5m to support development of British Columbia as a cruise destination

4. USA

4.1. Key agencies

| Key Agencies | Role |
|------------------------------------|--|
| Department of Transportation (DoT) | To serve the United States by ensuring a fast, safe, efficient, accessible and convenient transportation system that meets vital national interests and enhances the quality of life of the American people, today and into the future. Oversees federal highway, air, railroad, and maritime and other transportation administration functions. |
| U.S. Maritime Administration | The Maritime Administration is the agency within the U.S. Department of Transportation dealing with waterborne transportation. Its programs promote the use of waterborne transportation and its seamless integration with other segments of the transportation system, and the viability of the U.S. merchant marine. |

4.2. Port ownership structure

In the US, the majority of ports are owned and managed by counties and municipalities⁸. Note that port operations are still largely in the hands of private enterprise, such as those at the heart of the Dubai Ports World controversy, who on-sold the port contracts to AIG Global Investment Group⁹.

4.3. Government policy documents relevant to ports and freight

America's Ports and Intermodal Transport System (2009) issued by the US Maritime Administration. This document identifies key system-wide findings and challenges in the vital strategic areas of end-to-end freight shipments, water access, landside access and interstate rail and highways with port and terminals as the nexus. The Report also discusses significant institutional challenges, including governance, the role of private industry, financing the transportation system, and infrastructure development.

Framework for a National Freight Strategy (2010) issued by the Department of Transport. This document outlines the objectives, strategies, tactics and activities used for improving US freight transportation efficiency and competitiveness.

4.3.1. America's Ports and Intermodal Transport System (2009)

View of Government role

'As the Marine Transportation System approaches capacity, stakeholders are increasingly calling for the Federal Government to play more of a leadership role in dealing with the many challenges and to improve the efficiency and quantity of the services it delivers. The Federal Government should identify projects that have national significance and serve as the broker in developing funding partnerships for them.'

'Americans require and deserve the safest and the most efficient transportation system we can provide. The Federal Government's challenge is to blend these separate transportation modes into a single, fully coordinated system – one that connects and integrates the individual modes in a manner that is at once safe, economically efficient, equitable, and environmentally sound.'

⁸ M. Byrne, 1996. *Financing Port Infrastructure*. International Advances in Economic Research Vol.2.

⁹ Neil King Jr. AND Greg Hitt, 12 December 2006. *Dubai Ports World Sells US Assets*. Wall Street Journal.

Challenges identified

- Growing Congestion - Trade growth has begun to strain waterways, ports and key road and rail freight corridors. The nation's gateway ports, typically located in some of our most populous urban areas, face serious capacity expansion challenges
- Lack of integration in regulatory frameworks between the different transportation modes
- There is no dedicated Federal source of funding for our marine infrastructure
- Expanding and changing trade patterns require that Marine Transportation System planning be elevated to the national level (as opposed to State, local and private stakeholders).
- Competing land-use issues adversely impact port expansion efforts
- Current environmental review and permitting processes inhibit the financing of public and private sector maritime infrastructure. It is not unusual for the permitting process to take upwards of a decade, and even then obtaining a permit is not assured. Clearly this discourages investment in an expanded marine infrastructure.
- Inland rail and road bottlenecks impede efficient port related cargo flows.
- Improved data on port cargo flows are needed to identify bottlenecks and changing trade patterns
- The Nation lacks an overall framework to finance port and Marine Transportation System expansion
- No established programs to research and promote technologies intended to improve port efficiencies
- Environmentally sustainable development
- A new class of ocean going vessels will necessitate deeper and wider shipping channels, greater over- head clearance, and larger cranes and shore-side infrastructure to support the cargoes they carry.
- America's ports face competition from an expanding Canadian, Mexican, Central American, and Caribbean port system.

Risks identified

- American cargos will be diverted to other North American ports (Canada and Mexico). This will limit American job growth opportunities, negatively impact the economy and reduce American strategic port capacity

Objectives

n/a

Strategies

- Solutions to capacity challenges will require the public and private sectors to anticipate and address overall system requirements.
- Authority is needed to develop the capacity of the Nation's small and medium sized port facilities.
- Streamlining the national dredging process will greatly enhance port capacity and productivity.
- Public and private sector cooperation is vital to port development.
- A simplified environmental permitting process will encourage system improvements.
- Integrated data collection will aid in the prioritization of freight planning.
- Fully develop the capacity of America's Marine Highways.
- Information sharing across modes and intermodal networks will increase productivity.
- Address Federal governance issues to make policy, planning, funding, and implementation more effective and efficient.

Measures

- Develop a national freight policy to include a framework for planning, operations, and investment.
- Establish an investment fund for freight-related projects on national freight corridors. The investment fund would be used for freight system infrastructure to fix a number of problems, including bottlenecks and intermodal access to ports and distribution centres, and transportation to international gateways, i.e., ports, airports and border crossings.
- Expand freight infrastructure to accommodate trade growth through a variety of incentives, such as reduced policy and regulatory barriers, Federal funding where appropriate, and cooperative public-private efforts.
- Establish Federal, state, and local “land bank” incentives, including policy development, legislation, and rulemaking, to set aside property for port capacity.
- Provide incentives to the private sector to participate in capital funding of major infrastructure projects.
- Establish the collection of accurate freight volume data to develop a uniform system of measurement that tracks system performance.

4.3.2. Framework for a National Freight Strategy (2010)

'Dramatically increasing freight flows have created congestion in the transportation system, imposing costs on shippers, consumers, and the environment. The U.S. freight system faces significant capacity constraints at key freight gateways, and the Department of Transportation doesn't have the tools, or the authority, to remedy all of the problems on its own.'

The framework lays out a vision and objectives, then details strategies and tactics that the Department and its partners - both public and private sector - can pursue to achieve those objectives.

Objectives

- Improve the operations of the existing freight transportation system
- Add physical capacity to the freight transportation system where it makes economic sense
- Better align all costs and incentives among all parties affected by the freight system to improve productivity
- Reduce or remove statutory, regulatory and institutional barriers to improved freight transportation performance
- Proactively identify and address emerging transportation needs
- Mitigate and better manage the environmental, health, energy and community impacts of freight transportation

5. Japan

5.1. Key Agencies

| Key Agency | Role |
|---|---|
| Ministry of Land, Infrastructure and Transport (MLIT) | To utilise, develop and conserve land in Japan in an integrated and systematic way; develop infrastructure necessary for attaining these goals; implement transportation policies; promote the progress of meteorological tasks; and maintain marine safety and security. |

5.2. Port ownership structure

All of Japan's ports and harbours are managed by the public sector. Japan's port management bodies consist of proprietary-type organizations. In addition to building, maintaining, and managing port facilities (navigation channels, breakwaters and other basic facilities and quay walls, cargo handling and other functional facilities), port management bodies formulate policies for basic development plans in consideration of the development of the inland regions. Port facilities (functional facilities) are leased to the private sector under the management of the port management bodies. Actual operation (port transport, storage, land-based transport, etc.) is entrusted to the private sector, as stipulated by the relevant laws and regulations.

5.3. Government policy documents relevant to ports and freight

Ports and Harbours in Japan (2006) issued by MLIT Ports and Harbours Bureau – A document providing an overview of Japan's ports and harbours sector, including challenges and government policies and strategies.

5.3.1. Ports and Harbours in Japan (2006)

View of Government role

Ports and harbours are viewed as the core of national and regional development. They are specifically planned as a strategic means of regional development, and constructed and administered accordingly.

The development of ports has proceeded systematically according to five-year investment plans for ports and harbours formulated along the lines of each national economic plan. Decisions on the scale of investment during the five-year period of these plans follow Cabinet meetings on the subject.

Based on the port development budgets submitted by port management bodies, the MLIT compiles a national level budget for the development of ports and harbours to ensure the systematic implementation of each port's development plan.

Central Government role is set out as:

- Policy formulation for the development and administration of nationwide ports and harbours
- Establishment of necessary laws and regulations
- Providing advice and guidance on port administration and operation to port management bodies
- Authorising development plans for major ports
- Financial assistance for port management bodies in relation to port construction projects
- Implementation of port construction projects (projects under the direct control of the central government)
- Improvement and maintenance of shipping channels outside the port area
- Establishment of technological standards for planning, design, and construction of ports and harbours
- Surveys and research concerning port technology

Challenges identified

- There are growing concerns that the decrease in the frequency of trunk line services to Japanese ports might undercut the competitiveness of Japanese economy and industry.
- Growth in container trade
- Maintain international competitiveness for the economy as a whole.

Risks identified

- The development of major ports in other parts of Asia, most notably China, and their greater efficiencies over Japanese ports will cause shipping lines to bypass Japanese ports.

Objectives

- Maintain and recover trunk line container services to major Japanese container ports
- Reduce the costs of using container terminals

Strategies

- Formulation of “Mega - Container Terminals”
- Encouraging consolidation of terminal operators
- Introduction of cutting-edge IT
- Improve connection with domestic feeder services
- Improve container terminal efficiency

Measures

- MLIT submitted a bill to the Diet (Japan's two parliamentary chambers) to revise the Ports and Harbours Law and it was enacted on May 2005 to enact super-hub port strategies.
- In July 2005, with the enforcement of the revision, Minister for Land, Infrastructure and Transport designated three ports as “Super-hub Ports.” Upon the consolidation of operators, each port management body is expected to approve the operators of their Mega Container Terminal.
- Public development of quay walls
- Promotion of shared and intensive usage through common terminal operation

Other Initiatives

- To revise the high cost structure in the Japanese distribution sector, relevant cabinet ministers worked together in 1997 to enact the “Integrated Distribution Policy” designed to ensure comprehensive steps in terms of distribution policy.
- The long-term port and harbour policy, ‘Ports and Harbours in the 21st Century,’ enacted in 1985 and ‘Developing Affluent Waterfronts,’ following in 1990, were designed to transform ports, which had formerly served solely as distribution and industrial spaces, into high-quality, comprehensive harbour areas that attract community gatherings and are otherwise integrated into the daily lives of residents.
- In 2003, the Priority Plan for Social Infrastructure Development was formulated, replacing the former five-year investment plan for ports and harbours.

6. South Africa

6.1. Key Agencies

| Key Agency | Role |
|---|--|
| National Department of Transport (NDOT) | Leads the development of integrated efficient transport systems by creating a framework of sustainable policies, regulations and implementable models to support government strategies for economic, social and international development. |

6.2. Port ownership structure

The National Port Authority (controlled by the Ministry and Department of Enterprise) owns all the commercial ports and is responsible for providing and maintaining port infrastructure (breakwaters, channels, berths etc.). In order to encourage a competitive environment the Government plays a minimal role in port operations.

6.3. Government policy documents relevant to ports and freight

Draft White Paper on National Commercial Ports Policy (2001) issued by National Department of Transport and subsequently approved by Cabinet on 6 March 2002. The purpose of this policy is to ensure affordable, internationally competitive, efficient and safe port services based on the application of commercial rules in a transparent and competitive environment applied consistently across the transport system.

6.3.1. Draft White Paper on National Commercial Ports Policy (2001)

View of Government role

'Government recognises the strategic value of the commercial ports system in South Africa, in the context of international trade initiatives and the changing global transport environment. It is for this reason that it needs to devise this policy in support of the efforts to improve the functioning of commercial ports.'

All the existing commercial ports will be managed and administered by the National Ports Authority (a state-owned commercial entity). NDOT will be responsible for national policy, legislation and strategy formulation with regard to the national port system. The extensive public investment in port infrastructure does not provide an adequate return to port users and taxpayers, therefore Government will concession port operations to enable users of the system to have more say in how they work.'

Challenges identified

- Integrating the transport system into the global logistics network
- Ensuring an adequate financial return on port investments
- Ensuring ports are internationally competitive
- Developing ports that are sustainable and economically viable
- Operating ports that complement or compete beneficially with each other rather than compete destructively with each other
- Meeting the growth in international trade

Risks identified

None specifically listed

Objectives

- Ensure affordable, effective, efficient and safe port services
- Improve infrastructure and service levels where appropriate, based on user needs
- Establish appropriate institutional arrangements and legislation to support the governance of ports
- Ensure cost effective and efficient port management and operation
- Shift the financial burden for port infrastructure system from South African taxpayers to users
- Promote the development of an integrated regional production and distribution system in support of government industrial policies

Strategies

- Promoting low cost, high level of service, and shipper choice in the port operations by creating a competitive environment in the commercial ports system.
- Port development cannot be considered in isolation, but should be integrated into any national, provincial and local economic and spatial development initiatives
- Improve the productivity, throughput capacity and accessibility.

Measures

- Establishment of the Port Authority
- Establishment of the Independent Port Regulator
- Separation of the port authority and port operations functions
- The Government will reduce its direct involvement in operations.

Other Initiatives

None

7. The Netherlands

7.1. Key agencies

| Key Agency | Role |
|--|---|
| Ministry of Transport, Public Works and Water Management / Freight Transport | To ensure that the Netherlands' infrastructure is able to facilitate transportation that is quick, easy and safe. |

7.2. Port ownership structure

Port infrastructure belongs to municipalities and central government (often joint ownership) that are responsible for developing this infrastructure. Port operations are run by private companies.

7.3. Government policy documents relevant to ports and freight

Seaports: Anchors of the Economy. National Seaports Policy 2005-2010 (2004) issued by the Ministry of Transport, Public Works and Water Management / Freight Transport. This is the third in a series of five-year rolling National Seaports Policies. The aim of the document is to improve the international competitive strength of the Dutch seaports. It lays out the Government's policy plans aimed specifically at improving the market conditions for port-based companies, maintaining and improving the accessibility of seaports along with ensuring sufficient physical space for growth, and promotion of safety.

Seaports as Turntables Towards Sustainability (2008) issued by the Ministry of Transport, Public Works and Water Management / Freight Transport. The aim of this document is to encourage the sustainable development of the Netherlands' seaports.

7.3.1. Seaports: Anchors of the Economy. National Seaports Policy 2005-2010 (2004)

View of Government role

The Dutch Central Government believes that developments in the international market for freight transport, shifting forces within Europe and the growth of production in Asia (especially China) require a clear vision and responsive strategy on the part of the central government. It envisages that its role will more and more take the form of an orchestrator that controls at arm's length by setting policy and strategy, guaranteeing good preconditions and protecting national interests. Implementation on the other hand will be left more to regional and local governments. A policy cornerstone is to do locally what can be done locally and to do centrally what must be done centrally. The Government also believes it has a role in ensuring that a substantial proportion of freight transport streams continue to be routed through the Dutch seaports to the Dutch and European markets. The government is responsible for maintaining the hinterland connections consisting of national roads, rail and waterways.

Challenges identified

- Significant growth in freight transport in the European Union (EU), with recent forecasts predicting a rise in freight volumes of between 70-80% by 2020 over 2000 levels.
- Development of hub and spoke systems involving very large container ships visiting very few hub ports – this trend is expected to develop alongside multi-porting ships.
- The rationalisation of shipping companies, stevedores and other logistics services into international providers of logistical services will mean ports have to compete more fiercely with each other to acquire and retain large logistical service providers.
- Potential for new bulk streams including biomass, methanol, hydrogen and waste processing.
- Increased societal expectations for transport and industry to have as little environmental impact as possible – this is particularly challenging in the case of European ports due to their proximity to cities and competition for space with residential housing, nature and recreation.

Risks identified

- Expansion of the European Union eastwards may erode some of the Dutch seaports' location advantages, especially with Mediterranean seaports that are better placed for serving the eastward expansion.
- Potential changes in Germany's energy supply may also have significant effects on Dutch ports.
- Relatively larger public investment levels in neighbouring countries may pose a threat to the position of Dutch seaports as major players in various sub-markets. This may occur despite standard EU rules on state aid due to obscurities in the definition of state aid.

Objectives

- Market mechanisms - improvement of market conditions for port-based companies
- Constraints - lay down and enforce clearly defined constraints for the human environment and safety and a level playing field in regard to all European ports
- Capacity - contribute within financial constraints to ensuring good accessibility and sufficient space for the seaports

Strategies

- Streamlining government interventions
- Strengthening the innovative capability of the ports sector
- Increasing transparency in European state aid
- Improving business location climate
- Safeguarding continuity and quality on corporatisation of port management
- Facilitating national cooperation, including of ports at the national level but under the supervision of state competition authorities
- Supporting cross-border cooperation
- Improving market focus of port services
- Protecting Dutch interests internationally
- Promoting a level playing field in constraints
- Making good arrangements for nature conservation
- Increasing safety and security
- Managing, maintaining and expanding sea accesses and hinterland connections
- Striving for more space for economic activities

Measures

- Apply a deliberation framework for projects for seaports in which the national interest is the number one consideration and in which clear requirements are laid down for the validation of projects.
- The Streamlining of Government Interventions in Seaports project, which includes harmonising the administrative systems of the various government departments involved with seaports.
- Intensification of existing grant programmes to encourage port sector innovation.
- Pushing at the European level for the abolition of government financing of internal port infrastructure.
- A review of the tariff structure and establishment of cost-related tariffs, dismantling cross-subsidisations over a 8-10 year period.
- Use of trade missions and other instruments of the Economic Affairs ministry to promote and protect the interests of Dutch seaports.
- Push for international environmental and security standards and only implement standards more stringent than the international standards for specific Dutch problems that need special solutions.
- Eliminating bottle necks in sea access.

- Deepening the North Sea Canal.
- Setting of criteria for state funding of projects, including a priority first to Rotterdam, then Amsterdam and then Zeeland. The state Infrastructure Fund will be available for funding projects.
- The National Ports Council coordinates and facilitates harmonisation between ports in such fields as adoption of positions on proposed European directives, prioritising infrastructure, contracting of dredging capacity for maintenance of harbours and waterways, exchange of knowledge concerning environmental protection, communication on corporate image, a level playing field and the streamlining of border controls and inspections.
- Central government, the province of South Holland, the Greater Rotterdam region and the municipality of Rotterdam jointly established the Rotterdam Mainport Managerial Conference (BOM), with the Minister of Transport, Public Works and Water Management as Chairman. BOM's goal was to formulate a joint, refocused mainports strategy in order to address complex social problems in the mainport by means of integral policy, including a vision of the long-term development of the mainport region in all its facets (economic, social, cultural, recreational, etc). Cabinet published its Proposed Key Planning Decision for Rotterdam as a result of BOM. BOM no longer exists, but the joint effort still continues in an ad hoc basis.
- Reservation of space for use by ports laid out in the central government's 'Spatial Planning Policy Document'.

7.3.2. Seaports as Turntables Towards Sustainability (2008)

This document focuses purely on strategies and measures central government and other parties can use to ensure the sustainable development of the Netherland's seaports. These are focused on five areas in particular:

- Air quality
- Energy, CO₂, and residual flows
- Use of space
- Nature conservation and development
- Water quality and management

8. Germany

8.1. Key agencies

| Key Agency | Role |
|---|---|
| Federal Ministry of Transport, Building and Urban Development | Responsible for national policy with respect to transport, construction, urban development and housing. |

8.2. Port ownership structure

Port infrastructure belongs to individual states or municipalities and they are responsible for developing this infrastructure. Port operations are run by private organisations and trade unions.

8.3. Government policy documents relevant to ports and freight

Port Concept for Sea and Inland Ports (2009) issued by the Federal Ministry of Traffic, Building and Urban Development. This document is intended to increase the competitiveness of both Germany's ports and general economy, and to help Germany through the international financial crisis providing jobs to the port and construction sectors while providing protection for the environment.

Freight Transport and Logistics Master Plan (2008) issued by the Federal Ministry of Traffic, Building and Urban Development. This plan sets the direction for transport policy as a whole, because passenger and freight transport are closely interlinked. It aims to ensure that in twenty years' time, Germany has a transport system that ensures mobility, prosperity and jobs while reflecting environmental concerns.

8.3.1. Port Concept for Sea and Inland Ports (2009)

View of Government role

Government view is that a Germany-wide, coordinated strategy for ordered ports and infrastructure development and integration is necessary to meet the growing freight demand.

Challenges identified

- High growth of freight cargo is forecast up to 2027, especially in the ports of Hamburg, Bremerhaven, Rostock and Lübeck. This freight growth will put a heavy strain on existing infrastructure.
- Competition from European ports – the German ports are facing competition from the improved competitiveness and hinterland connections of other European ports. Mediterranean ports have a particular advantage due to their proximity to the Suez Canal.
- Objective and strategy development – the current lack of integration makes it difficult to identify common objectives and strategies. The Federal Government is responsible for regulation and the infrastructure links to the sea and inland ports, the States and Municipalities are responsible for developing port infrastructure and the market and unions are responsible for the running of port operations.
- Currently there is a shortage of skilled workers in the logistics sector.
- New environmental requirements – the need for a more environmentally friendly and energy efficient port sector while remaining economically competitive.
- Increased security concerns – the increased threat of terrorist attack means security must be enhanced. This comes at a cost, and can distort competition if not internationally coordinated.

Risks identified

- There is a risk that the North German ports become the spokes to Mediterranean hubs.

Objectives

- To eliminate capacity bottle-necks
- Improve port competitiveness
- Improve training and employment
- Promote protection of the environment and climate
- Maximise supply chain security.

Strategies

- Expand seaward approaches
- Give priority to the development of hinterland connections
- Improve the water and shore side connections of the inner ports
- Promote European short-sea shipping
- Increase the market orientation of the inland ports
- Respond to industry requirements on the supply chains
- Programmes for training and integrating the long-term unemployed
- Encourage cooperation between sea and inland ports with their training programmes
- Reduce pollutants, greenhouse gas emissions and noise in the ports, waterways and ecosystems.
- Encourage new propulsion and fuel technologies for shipping
- Develop uniform international security standards

Measures

- The federal government will deepen the rivers Ems and Peene (the Ems by 1m up to Emden), as well as develop and dredge the North-Baltic sea canal by an extra 1m.
- Increase funds available to rail, road and waterway development. 12.2 billion Euro in 2009 and around 12 billion Euro in 2010. Also expects states to increase their transport investment.
- Particular attention is paid to north German coastal states' important transport development and how these can be accelerated, such as an upgrade of the rail line from Rostock to Berlin
- Lengthening the lock basins as in the West German canal system.
- Increasing bridge heights for container ships.
- Expects the port authorities, municipalities and DB Netz AG (rail infrastructure builder and wholly owned subsidiary of Deutsche Bahn) to ensure that the inland ports fulfil their role as a hub and connect to the continental rail network.
- The Federal Government will push with the International Maritime Organisation and at the European level for international standards in shipping and port security.
- The Federal Government will continue to push for internationally binding and tightened limits on ship fuels, ship gas emissions and ship discharges.

8.3.2. Freight Transport and Logistics Master Plan (2008)

Challenges identified

- Traffic growth as a result of globalization and an increasing division of labour
- Climate change and environmental protection
- Demographic change
- Changed conditions of work and skills requirements
- More exacting safety and security requirements

Objectives

- Making optimum use of transport infrastructure – shaping transport to make it more efficient
- Avoiding unnecessary journeys – ensuring mobility
- Shifting more traffic to the railways and inland waterways
- Upgrading more transport arteries and hubs
- Environmentally friendly and climate-friendly transport
- Good working conditions and good training in the freight transport industry

Description of current ports situation

'Our seaports and inland ports are of special strategic importance to our entire economy. They are part of the backbone of the globalised economy and are a hub for the exchange of goods within the Single European Market. For shippers, our seaports and inland ports are an indispensable link in the logistics chain. Given that the volume of cargo handled by German ports is set to double between now and 2025, and that the volume of containerized traffic will triple over the same period, Germany faces major challenges.'

'In order to prevent capacity constraints at ports and in movements to and from ports, the transport infrastructure has to be modernized and adapted to meet the growing demand for freight transport. At the same time, German ports face fierce international competition, which requires fair rules. By lowering the fuel tax to be paid by port cargo handlers, the Federal Ministry of Transport, Building and Urban Affairs has already made a major contribution towards harmonizing the conditions of competition with the ARA ports [ports of the North Sea coastal cities of Amsterdam, Rotterdam and Antwerp].'

'In addition, production and distribution are placing more exacting demands on freight transport and logistics. The port infrastructures and superstructures must therefore keep up with the state of the art. The problems are compounded by the fact that a lack of skilled workers in the maritime cluster is becoming apparent. The growth in the volume of cargo handled and the level of traffic to and from seaports pose new climate change and environmental protection challenges.'

'To meet these challenges, the Federal Government, federal states and the industry have to assume joint responsibility and conduct joint activities. Ports policy has become a national task. For this reason, a national ports policy will be developed'

9. European Union

9.1. Key agencies

| Key Agencies: | Role |
|---|---|
| European Commission | The Commission's job is to represent the common European interest to all the EU countries. To allow it to play its role as 'guardian of the treaties' and defender of the general interest, the Commission also has the right of initiative in the lawmaking process. This means that it proposes legislative acts for the European Parliament and the Council of Ministers to adopt. The Commission is also responsible for putting the EU's common policies (like the common agricultural policy and the growth and jobs strategy) into practice and manage the EU's budget and programmes. |
| The European Seaports Organisation (ESPO) | The ESPO represents seaports in all maritime EU Member States and Norway and has observer members in Croatia, Iceland and Israel, ensuring that seaports have a clear voice in the European Union. |

9.2. Port ownership structure

n/a

9.3. Government policy document relevant to ports and freight

Communication on a European Ports Policy (2007) – Issued by the European Commission. The present Communication aims at a performing EU port system able to cope with the future challenges of EU transport needs; it sets an action plan for the European Commission. It follows up from an extensive consultation with the stakeholders in 2006-2007, which included six workshops, two large conferences and meetings with experts from the Member States.

9.3.1. Communication on A European Ports Policy (2007)

View of Government role

None provided.

Challenges identified

- A demand for international transport - amplified by its low cost and growing quicker than economic growth.
- Major technological change - marked by the development of container transport, more effective, faster, safer, and cleaner operation of ports, but for which a major adaptation effort in land acquisition and management, in technology and social issues is required from our ports and the cities hosting them. At the same time, the necessary use of IT, navigation, and telecommunication technologies requires adaptation and training so as to continue offering prospects for productivity and new jobs.
- Environmental - the commitment to reduce greenhouse gases and the current problems with air quality calls for a decrease in harmful emissions and road congestion effects of each tonne-kilometre transported, and for modal diversification towards rail, inland navigation and maritime transport. It will lead to a better geographical distribution of land transport and to a better use of existing port capacities.
- Communication - the necessity to develop a recurrent dialogue on performance and development of ports between port stakeholders and within the city, the region, and beyond where necessary. Dialogue is of primary importance as it can ensure social acceptance, efficiency, improve the image of ports, achieve a better spatial organisation for urban functions, recreation or tourism; an approach based on dialogue with stakeholders can help to achieve sustainable activity within ports as well as better employment opportunities and conditions.

- The need to reconcile ports' development and management with transparency, competition, and in general the Community set of rules.

Risks identified

None

Objectives

- Expanding capacity while respecting the environment
- Modernisation
- A level playing field – clarity for investors, operators and users
- Establishing a structured dialogue between ports and cities

Strategies

- Development of new, or improvement of existing facilities
- Ensuring adequate waste facilities
- Proper management of water bodies and sediments
- Improve air emissions
- Simplification of procedures for Short Sea Shipping
- Development of an e-maritime approach
- Improving Performance
- Public Financing – transparency
- Increase port efficiency and productivity rates
- Explore alternative transport routes as a means to achieve a more intensive use of all existing ports
- The construction of major new port facilities or the substantial expansion of existing ones should be primarily based on a sound economic assessment of the effect that the envisaged development will have on transport flows. This would also lead to a more rational distribution of traffic across Europe. Even though such a better distribution cannot obviously be "enforced" by regulatory means, it would certainly suit today's concerns on sustainability of transport. The Commission intends at this stage to leave this matter to regional and national authorities and to the market.

Measures

- Evaluate ports' hinterland connections status and needs and their impact on a balanced network of traffic flows on the occasion of the mid-term review of the trans-European transport network in 2010.
- The Commission has already published several guidance documents to support Member States in implementing the environment directives, and citizens and stakeholders in better understanding them. The Commission will issue guidelines on the application of the Community environment legislation to port development.
- The Commission is committed to reducing air pollution and greenhouse gas emissions from shipping and will contribute to establish measures aimed at reducing these emissions in ports, including through appropriate incentives.
- The creation of a paperless environment for customs and trade, including a single window for the submission of data.
- As announced in its Integrated Maritime Policy for the Union and the Mid-term Review of the White Paper on Transport Policy, the Commission will present a legislative proposal on the creation of a European Maritime Transport Space without Barriers in 2008.
- The Commission intends to develop with stakeholders, by the end of 2009, a set of generic European indicators across modes of transport to measure efficiency.
- The Commission will encourage the establishment of a European sectoral social dialogue committee in ports within the meaning of Commission Decision 98/500/EC.

9.4. Other documents

ESPO Policy View on the Future of Transport (2009) issued by the ESPO.

ESPO's priorities for the next Transport Policy White Paper are listed as:

- Strengthening the role of nodal access points such as seaports and inland ports and improvement and further development of hinterland connections between ports and land transport networks.
- More attention and resources for freight transport with the possibility to create dedicated infrastructure networks.

In regards to ports services, the ESPO calls for the full implementation of the policy framework set out in the European Commission's 2007 Ports Policy Communication.

ESPO believes that future policy actions at EU level in the field of transport should be primarily aimed at enhancing efficiency, competitiveness and sustainability of the European Transport system. This involves, in particular, development of infrastructure, creation of an internal market for short-sea shipping, further liberalisation of railway transport, and a general policy framework favourable to freight transport.

10. Other

10.1. China

On 16 August 2006, the State Council passed the National Plan for Coastal Port Layout, which is not only the layout plan for coastal ports of China, but also the highest-level port plan of China. This contains a detailed scheme for the national layout of coastal ports which is briefly as follows: dividing coastal ports of China into five port groups including Bohai Sea Area, Changjiang River Delta, Southeast Coastal Area, Pearl River Delta, and Southwest Coastal Area, and developing eight transportation systems including coal, oil, iron ore, container, food, commercial cars, mainland-island rolling, and passenger transportation systems.¹⁰

10.2. Portugal

The *National Ocean Strategy* (2007) issued by the Portuguese Government notes the existence of a White Paper on maritime transports and ports policy "towards the 21st century" and its objectives of enhancing port competitiveness, investing in intermodality and the creation of logistical chains and the implementation of monitoring and procedure-simplifying instruments.

Quotes from, *Paradigms and Development Strategies: "Portugal Logístico"* (2009), by Rosário Macário:

'In May 2006 the Portuguese government launched a sketch of a plan designated as "Portugal Logístico" [a plan launched by the Portuguese Ministry of Transport, Public Works and Communication] with the declared objective of improving the competitiveness of national Transport infrastructures; promote the Atlantic ports and the efficiency of the logistic sub-system supporting the productive chains. This initiative substantially changes the paradigm and development strategy of the support infrastructures that serve the logistic sector. However, given the dimension and territorial exposure of the logistic chains it is indispensable these strategies are thought of at Iberian scale and not only at national level, considering also the development strategies of Spain. Missing this reality means taking an additional risk of promoting destructive competition between the several platforms that fight for a small hinterland.'

'It seems that the Portuguese logistic system is in a competitive disadvantage when compared with its Spanish counterpart. The lack of regulation [in the 1990s] allowed for the fragmentation of the system and locations of low cost and also low accessibility conditioning the efficiency of the system. The later decision of the government to leave to the private initiative all the investments within a deregulated framework put at risk any Portuguese potential capacity of effective penetration in the Spanish logistic system, and constituted a barrier to the development of intermodal solutions. This situation will of course have negative impacts in the hinterland expansion of the Portuguese Ports.'

¹⁰ Lian Lian, 28 December 2006. *National Plan for Coastal Ports* Shippers Today Vol.29 Issue 6.

New Zealand Government Policy, Challenges and Industry Views

11. New Zealand

11.1. Key Agencies

| Key Agencies | Role |
|--|---|
| Ministry of Transport (MoT) | As the Government's principal transport policy adviser, the Ministry both leads and generates policy. The Ministry of Transport acts as the Minister of Transport's agent for managing the interface with the transport Crown entities, the Aviation Security Service, and the Rescue Coordination Centre New Zealand. |
| National Infrastructure Unit (NIU) | The Government has established this specialist infrastructure unit within Treasury to assist it to meet its objective to permanently lift the sustainable growth rate of the economy. The NIU's role is to take a national overview of infrastructure priorities – providing cross-government co-ordination, planning and expertise. |
| New Zealand Transport Authority (NZTA) | NZTA's role is to help New Zealanders travel reliably and safely and to grow the country's economy by investing in moving people and freight. NZTA plans and delivers national transport networks and supports local networks, as well as working to make public transport and freight networks more effective and improving road safety. |

11.2. Port ownership structure

All of New Zealand's ports are either fully or majority owned by local authorities. All ports are operational ports, with no separation of the infrastructure ownership and port operation functions.

11.3. Government policy documents relevant to ports and freight

- *National Infrastructure Plan (2010)* – issued by the Minister for Infrastructure. This Plan outlines the infrastructure challenges that New Zealand faces and describes what the Government is doing to address these. At this stage the plan is predominantly a "stock-take of already decided projects".¹¹ However, an updated plan is expected to be released in 2011 that contains further detail and guidance for future infrastructure planning and investment.
- *New Zealand Transport Strategy (2008)* issued by the Ministry of Transport – this strategy was issued by Annette King, the transport minister for the previous Labour Government. It is no longer operational due to the change of government. Further details of this strategy, as relevant to ports and freight, are provided in Appendix 1.

11.3.1. National Infrastructure Plan (2010)

View of Government role

General:

'The Government is committed to building better infrastructure to ensure New Zealand can achieve higher levels of economic growth in the years ahead. It was elected with a mandate to fix the infrastructure problems that are holding New Zealand back and to target projects that will help New Zealand build a higher-performing economy.'

'The Government's approach to infrastructure has three parts:

- A step change in the level of Government investment, with expenditure targeted at key infrastructure priorities;
- Improving decision-making and management of the Government's infrastructure assets; and

¹¹ Fran O'Sullivan, 3 March 2010. *Failures make us look third world*. The New Zealand Herald.

- Improving the regulatory environment to facilitate the private sector's investment in infrastructure.'

'All things being equal, the Government will favour the distributed decision-making power of a competitive market for the provision of infrastructure. This is because the commercial disciplines that come from investors risking their own money are difficult to replicate in the public sector.'

Port/Freight Specific:

'Overall, the evidence to hand suggests that the port sector is functioning reasonably well... Consequently, the Government does not need to take a larger role in this sector at this time.'

Challenges identified

General:

- Heavy strain on government finances will mean the government must restrain spending over the 20 years of the Infrastructure Plan.
- Rugby World Cup will strain transport and other infrastructure
- 22% population growth by 2031 will strain infrastructure in the regions where that growth is predicted.

Port/Freight Specific:

- Accessibility to the Port of Auckland
- Poor financial performance of the port sector
- Short-term changes in shipping line schedules
- Potential need for accommodating larger ships in the near future
- Difficulty in predicting future freight demands

Risks identified

None

Objectives

General:

- Increasing New Zealand's productivity growth
- Maintaining high levels of employment
- Reducing New Zealand's vulnerability to adverse events, and
- Closing the gap with Australia by 2025.

Port/Freight Specific:

None

Strategies/Priorities

General:

- Broadband
- Electricity transmission
- Regulatory reform
- Roads of national significance
- Rugby World Cup 2011

Port/Freight Specific:

None

Measures

General:

- Specifies roads for development and the allocated funding for this
- Specifies funding aid for Kiwirail – such as \$500m for the electrification of Auckland's rail network
- \$1.5 billion funding for broadband development over 10 years
- Resource management reforms

Port/Freight Specific:

- Exploring changes to transport regulations, such as vehicle weight and dimension regulations.

11.4. Port and freight issues / challenges either not identified or not considered risks in the National Infrastructure Plan

The governments of the countries analysed in this discussion paper recognise major issues and risks facing their port sectors and supply chains, such as the impact of larger ships and the risk of shipping lines hubbing through foreign ports, requirements to expand capacity to meet significant future growth, the need for increases in efficiency and international competitiveness and the requirement for intermodal hubs to be developed.

Industry players in New Zealand have also identified very similar challenges and risks facing the New Zealand port sector and overall supply chain (see below). These have not been identified or recognised as risks in the National Infrastructure Plan.

11.4.1. Threat of hubbing through Australia

The National Infrastructure Plan did not discuss the threat of New Zealand cargo being hubbed through Australia. However several industry participants have identified this as a significant risk that needs to be investigated further.

- *'We have even seen serious discussion here about Australian ports becoming the hub for New Zealand services. That raises questions about the priority our feeder services would get if there happened to be any port congestion in Australia.'*¹²
- *'Rod Grout is leaving Pacifica Shipping with a warning for policy makers that New Zealand needs to maintain its infrastructure and not become a feeder to Australian hub ports... "People tend to take a hands off approach and let the market dictate. The market could easily dictate Sydney or Melbourne"... The outcome of this [global economic downturn] could be that New Zealand becomes a feeder to Australian distribution centres.'*¹³

¹² Dave MacIntyre, 6 February 2010, *Are the Aussies leaving New Zealand behind?* Shipping Gazette.

¹³ Pam Graham, 22 January 2010, *Aust ports could become hubs for NZ, industry leader warns* NZPA Newswire.

- *"Rationalisation of shipping services is an inevitability and will continue, but we are at the point where we are putting an effective block on those rationalisations because of the constraints on all of our ports", [said Peter Morris, Fonterra logistics strategy manager]. Morris warned that if New Zealand did not develop the supply chain infrastructure to efficiently handle the next generation of container ships, losing those direct callers would leave local shippers having to feeder via Australia. Such a scenario would be expected to cost Fonterra alone \$40 million a year.'*¹⁴

11.4.2. Consolidation of shipping lines and larger ships

The National Infrastructure Plan did identify the possibility of larger (6,000 TEU) ships visiting New Zealand. It recognises that some claim the costs of accommodating these ships will run into the hundreds of millions, but says Auckland and Tauranga can already accommodate them, and quotes Maersk's New Zealand Chief Executive as saying the chances of these ships actually coming to New Zealand in the near future are low. However, there remains concern among industry players that New Zealand needs to urgently prepare to handle larger ships, and this is being accelerated by shipping line consolidation and excess capacity.

- *'Fonterra is calling for an urgent upgrade in port and transport capacity to handle vessels carrying up to 6600 TEUs. Port of Tauranga knows the large container ships will inevitably arrive. Port of Tauranga is looking to double its volume and productivity. Zespri and Carter Holt are keen to send exports on the larger vessels to reduce transportation costs.'*¹⁵
- *"The move to newer and bigger ships was happening anyway but is accelerated by the surplus of tonnage and the obvious desire of ship owners to idle their older, smaller and less efficient container ships" [Port of Tauranga Chairman John Parker]*¹⁶
- *'The OOCL New Zealand... can carry 4,578 TEU, or standard-sized containers, and will travel to New Zealand regularly... The Maersk Detroit, which is capable of carrying 5,042 TEU, was the largest container ship to call in New Zealand when it called at Ports of Auckland in December'*¹⁷
- *'If that rationalisation [of shipping lines] involved the major players taking over some of the smaller ones, and therefore commanding an even greater individual share of the New Zealand cake, the balance of power would shift even more away from the smaller and medium-sized shippers towards the remaining major lines. Ports, too, would lose still more negotiating power.'*¹⁸

11.4.3. Duplication of infrastructure

While recognising that some commentators believe the investment required for New Zealand ports to service larger ships will run into the hundreds of millions, and that duplication of this investment among competing ports is wasteful from a national perspective, the National Infrastructure Plan does not appear to believe this is a major risk or concern. However, industry players do consider this an important issue that needs to be addressed.

- *"There needs to be oversight and regulation so we have a planned port industry that has stability, rather than the massive waste of resources that goes into duplicating infrastructure and machinery for the sake of destructive competition." [Maritime Union of New Zealand General Secretary Trevor Hanson]*¹⁹

¹⁴ Iain MacIntyre, 5 December 2009, *Plea for govt backing*. Shipping Gazette.

¹⁵ 28 October 2009, *City's port gets ready for \$60m expansion*. The New Zealand Herald.

¹⁶ Jenny Keown, 23 October 2009, *Call for fewer ports amid ship glut*. The Dominion Post.

¹⁷ 7 April 2010, *Bigger container ship calls at New Zealand ports*. New Zealand Press Association.

¹⁸ Dave MacIntyre, 12 December 2009, *Is survival only of the fittest good for NZ?* Shipping Gazette.

¹⁹ 29 August 2009, *Union calls for national approach to NZ ports*. Shipping Gazette.

- *'Newer and larger container ships wanted to begin servicing New Zealand, but hundreds of millions needed to be spent on infrastructure to cater for them.*

"That cost and the requirements of these vessels to make at most two New Zealand port calls and to discharge and load big tonnages quickly means that New Zealand cannot afford or service more than two such ports", Mr Parker [Port of Tauranga Chairman John Parker] said.

"A port hierarchy must develop where other ports feed in cargoes to the two primary ports by road, rail and sea".²⁰

- *The regions will fight for their own patch. With the amount of investment tied up in regional port facilities and the associated jobs and transport traffic expenditure, the willingness to adopt a different scheme will be small. To push the issue, Mr Larsen [Centreport CEO Warren Larsen] says some central government muscle is required.'²¹*
- *'Port company willingness to modernise their cranes and other infrastructure is being influenced, of course, by the hard bargains driven by major ship operators – chiefly Maersk – and some councils' grim determination that their port must have all the bells and whistles so it can become what Mr Parker [Port of Tauranga Chairman John Parker] expects will be only two "hub" ports dealing with the vast bulk of the export and import container trade.'²²*

11.4.4. Ensuring sufficient capacity is in place to handle significant future freight growth

The National Infrastructure Plan identified the difficulty in predicting future freight demand, but did not identify the risk that New Zealand would not have the capacity (both port and transport) in place to deal with significant future growth in freight. Industry players believe the implications of this risk for New Zealand, as a remote trading nation, are significant.

- *'The North Island Freight City Concept [discussion paper produced by Fonterra general manager supply chain strategy Nigel Jones for the Labour government's think tank, the Growth and Innovation Advisory Board] argued that with projected growth in freight volumes the country's supply chain would struggle to cope unless there was change and improvement, particularly in the Auckland, Waikato and Bay of Plenty triangle. Given that the state of Victoria was exploring the concept of a logistics city to support growth around Western Melbourne, the paper suggested looking at something similar in Penrose. It would house freight forwarders, trucking companies, importers, customs brokers, government agencies such as customs and MAF, distributors and engineering and repair services among others. It would have an industry wide focus and be planned as such.'²³*
- *"New Zealand can't afford to find itself in the position where we don't have a sustainable, cost effective ocean freight network, supported by highly efficient domestic transport infrastructure." [Fonterra General Manager Supply Chain Strategy, Nigel Jones].²⁴*
- *'The conclusion [of ARH's Long-term optimisation of the New Zealand port sector report] is that... NZ is likely to require capacity increasing technology such as stacking equipment and inland ports to handle the growth, and at least three container ports operating at world-class productivity levels.'²⁵*

²⁰ 13 November 2009, *Calls for change from a big gun*. The Dominion Post

²¹ 13 November 2009, *Calls for change from a big gun*. The Dominion Post

²² Editorial, 2 November 2009, *Ports overdue for reform*. The Dominion Post.

²³ Dave MacIntyre, 3 October 2009, *Looking into the future of NZ's supply chain*. Shipping Gazette.

²⁴ 8 September 2009, *Fonterra move gives Tauranga port boost*, New Zealand Herald

²⁵ Dave MacIntyre, 28 November 2009, *Govt lead needed for port optimisation plan*. Shipping Gazette.

11.4.5. Improving efficiency and international competitiveness

Industry players believe improving the efficiency and international competitiveness (especially with Australia) of New Zealand's port sector and supply chain is vital. This was not identified as a major challenge or issue in the National Infrastructure Plan.

- *"If New Zealand wants to compete globally, we need a more efficient, flexible, reliable and resilient supply chain for New Zealand Inc" [Ports of Auckland chief executive risk officer Jim Harknett].*²⁶
- *'New Zealand's international competitiveness depends on its ability to connect directly with its large export markets.'*²⁷
- *"The only way we're going to improve our productivity is by doing things smarter, not just waiting for the market to collapse" [Nigel Jones, Fonterra general manager of supply chain strategy].*²⁸

11.4.6. Development of intermodal hubs

The National Infrastructure Plan states that:

'Effective alignment and integration between national and local infrastructure investment frameworks, particularly in our large urban areas, is important for getting the right infrastructure built in the right place at the right time, and providing greater long-term certainty for developers, investors, firms and residents. It is also important to identify and enable the integration of different types of infrastructure so that they can work together in a complementary manner, e.g. hospitals and transport, or urban growth areas and water services.'

However, this quote does not refer to ports and freight. The National Infrastructure Plan does not recognise the need for integration of national and local investment frameworks with regards to ports and freight, or the development of intermodal hubs.

- *'Jones [Fonterra general manager of strategy Nigel Jones] defined a logistics city as a concentrated area linked to sea ports, airports, rail and road infrastructure. This would be in a designated area and offer scales of economy by aggregating the moving freight in large volumes. [To create one] there needs to be some backing, encouragement and support from local and central government, particularly in the designation of land uses and transport corridors. Whether it comes from the new Infrastructure Unit, from the minister of transport, from the Ministry of Transport or whoever, there needs to be some forward momentum.'*²⁹
- *'Although noting the Government had recently stepped up its rail investment, Mr Morris [Fonterra logistics strategy manager] stressed it was crucial that backing continued to ensure longer and heavier freight trains were operated between key intermodal hubs.'*³⁰

11.4.7. Poor financial performance

The National Infrastructure Plan notes the poor performance of New Zealand port companies, but does not view this as a concern, noting that some of the listed ports appear to operate quite successfully. However, all of New Zealand's container ports are earning inadequate returns which are unsustainable in the long-term. The true extent of the poor performance of New Zealand's container operations is masked by the diversified operations and limited disclosures by port companies.

²⁶ Iain MacIntyre, 21 November 2009, *Freight strategy seen as vital*. Shipping Gazette.

²⁷ Nigel Jones, Fonterra General Manager of Supply Chain Strategy, 14 August 2009, *Flexibility, capability the key issues: Fonterra*, NZX

²⁸ Nick Smith, 28 January 2010, *Shipping efficiencies crucial to export market*. The Independent.

²⁹ Dave MacIntyre, 17 October 2009, *Two minds think alike on Penrose freight city*. Shipping Gazette.

³⁰ Iain MacIntyre, 5 December 2009, *Plea for govt backing*. Shipping Gazette.

- *'Ports have been achieving inadequate commercial returns over an extended period. From a national perspective this is poor business.'*³¹
- *'Ports are highly capital intensive and require a significant amount of investment, however currently the New Zealand port sector is not earning returns that are sufficient to justify that level of investment.'*³²

11.5. Many industry participants have called for a national ports / freight strategy to address these issues

The New Zealand Government has up until now played a hands-off role with regards to ports; choosing to let the market decide. This view is illustrated by Transport Minister Stephen Joyce:

*"Really, it's for the individual shareholders, mainly councils, to make their determination on the appropriate level of investment and if they get that wrong, then ratepayers will have a view... The catalyst [for port mergers] is being driven by the shipping companies".*³³

The National Infrastructure Plan concluded that it does not see any need for this Government stance to change. This stands in contrast to the strong ports and freight policy focus and actions currently being undertaken by other governments.

Some industry players are calling for a response from the New Zealand Government and a more active role in facilitation and leadership:

- *"Planning of this magnitude can not be undertaken in a vacuum void of Government involvement. With their hands on the levers of policy and control of infrastructure e.g. road and rail, the vision can not come to life without their support and engagement" [Fonterra General manager supply chain strategy Nigel Jones]*³⁴
- *'English and Joyce have made it clear they want to let the market prevail. But there is growing pressure in Auckland's business circles for the Government to get involved in the debate over Ports of Auckland's future footprint as it expands.'*³⁵
- *'Government needs to take a closer interest in the New Zealand supply chain. I'm not talking about central planning or legislation, but there is a desperate need for a cohesive and coherent view on the effectiveness of that supply chain.'*³⁶
- *'But how to actually get things moving? This is where the report [ARH's Long-term optimisation of the New Zealand port sector] looks towards government to actually address the needs of freight. It suggests government could promote a national ports and freight strategy, seeking input from all industry stakeholders, i.e. ports, cargo owners, shipping lines etc., to create a blueprint that would guide future investment in port and transport infrastructure. Australia is already doing this.'*³⁷
- *"If New Zealand's total freight task is expected to increase by 75% by 2031, we need a strategic framework for an optimal mix of rail, road, sea and air" [Ports of Auckland chief risk officer Jim Harknett].*³⁸

³¹ Rockpoint, June 2008, *New Zealand port sector report*.

³² ARH, October 2009, *Long-term optimisation of the New Zealand port sector*.

³³ Jenny Keown, 12 February 2009, *Joyce spells out National's transport vision*. The Independent.

³⁴ Nigel Jones (Fonterra General Manager Supply Chain Strategy) 26 March 2009 speech transcript from Conferenz Ltd conference on Increasing the Productivity of New Zealand's Supply Chains.

³⁵ Fran O'Sullivan, 3 March 2010 *Failures make us look third world* NZ Herald

³⁶ Willie van Heusden, 6 February 2010, *Apt parting shot from retiring Pacifica chief*. Shipping Gazette.

³⁷ Dave MacIntyre, 28 November 2009, *Govt lead needed for port optimisation plan*. Shipping Gazette.

³⁸ Iain MacIntyre, 21 November 2009, *Freight strategy seen as vital*. Shipping Gazette.

- *'Jones [Fonterra logistics chief Nigel Jones] believes any discussion about port rationalisation – or indeed of any state-owned transport asset – misses the point, unless it also involves debating a national transport strategy. The key issue, says Jones, is New Zealand needs to understand what its supply of the future should look like and how that supply chain will deliver optimal productivity. Until then, it would be premature to debate port ownership or transport asset management when the country doesn't actually understand what it needs.'*³⁹
- *"Many freight industry sectors are looking to get a more comprehensive feeling for how the Government wants to structure our logistics networks. They are not, however, getting that overall picture....Transport Minister Steven Joyce's preferred policy in regard to ports, and indeed therefore to the wider supply chain, is 'hands off, let the market decide'. Yet are we in New Zealand a little out of step with others? Could we still be hands off and yet still develop a broader strategy outlining where we need to develop?"*⁴⁰
- *'The Maritime Union of New Zealand is calling for national co-ordination of port strategy, arguing that Fonterra is exerting such power as a customer it is effectively rationalising the port industry.'*

Mr Hanson said since port reform in the late 1980s, successive governments had a hands-off approach to ports, which had led to an unstable industry.

"There needs to be oversight and regulation so we have a planned port industry that has stability, rather than the massive waste of resources that goes into duplicating infrastructure and machinery for the sake of destructive competition."

*What we are seeing is the destructive rationalisation of New Zealand ports regardless of national interest, secure jobs, economic development and stable regional communities, to suit global shipping companies and the short-term interests of a dairy conglomerate."*⁴¹

- *'Port of Tauranga Chairman, John Parker, believes some council-owned ports are performing badly and the Govt should give them a "nudge" and facilitate port rationalisation. "Most ports make truly abysmal financial returns on their assets and most rational investors would sell and put their money in lower risk, higher returning bank deposits or, give it back to ratepayers"*

*Rather than outright privatisation, he wants the Govt to require councils to put port assets in holding companies with a majority of independent directors.'*⁴²

- *'The regions will fight for their own patch. With the amount of investment tied up in regional port facilities and the associated jobs and transport traffic expenditure, the willingness to adopt a different scheme will be small. To push the issue, Mr Larsen [Centreport CEO Warren Larsen] says some central government muscle is required.'*⁴³

11.6. Other Initiatives

The Ministry of Transport (MoT) has recently commissioned the New Zealand Institute of Economic Research (NZIER) to conduct some New Zealand supply chain scenario analysis. This is in response to increasing industry commentary around the potential risks, uncertainties and issues facing the New Zealand port sector and overall supply chain. The report will include an investigation of the likelihood and impacts of big ships visiting New Zealand, and one of the scenarios to be examined is the hubbing of New Zealand containers through Australia.

³⁹ 10 September 2009, *Port rationalisation: the industry works together on an informed plan of action*. The Independent.

⁴⁰ Dave MacIntyre, "Is NZ too insular for an integrated freight plan?", *New Zealand Shipping Gazette*, 29 May 2010

⁴¹ 29 August 2009, *Union calls for national approach to NZ ports*. Shipping Gazette.

⁴² 21 May 2009, *Port chairman calls for Govt action on ports*. NZ Transport Intelligence Briefing.

⁴³ 13 November 2009, *Calls for change from a big gun*. The Dominion Post.

Appendix 1

New Zealand Transport Strategy 2008 issued by the Ministry of Transport

Specific quotes on ports and freight:

'New Zealand has experienced a trend towards fewer, but larger ships in the sea freight sector. Between 2002 and 2007, the average number of vessels arriving in ports each month reduced from approximately 600 to below 500. However, in the same period, the total gross tonnage of freight increased from approximately 2.2 to 4.2 million tonnes.'

'Stakeholder feedback during the development of this Strategy clearly identified the need to invest in economically important routes and infrastructure if the nation's economic competitiveness is to be maintained. These will include major routes used for moving freight, particularly by primary producers and manufacturers to get their products to export markets. Such routes are likely to include arterials linking major ports, airports and major urban areas, and also those that connect rural forestry, horticultural and agricultural areas into the national transport network.'

'The focus on important economic links must be multimodal, and will include rail and sea freight infrastructure...For sea freight, the focus is likely to be on intermodal capacity at ports.'

'Changes to freight distribution networks – global shipping is rationalising, with moves to larger ships and the likely development of hub ports that will impact significantly on freight transportation patterns.'

'Although congestion is primarily an issue for road transport, it can affect rail and sea freight and is a particular concern near sea ports and airports.'

'Ships can also contribute to air pollution by burning fuels with high levels of pollutants in ports that are in, or near, built-up areas.'

'Addressing air pollution from the maritime sector will focus on effects near centres of population – particularly in ports. Solutions such as shore-side power supplies for ships at berth could be used to help reduce pollutants from ships.'

'Targeted network enhancements - Work with local authorities and relevant organisations to identify critical infrastructure including economically important routes, ports, airports and inter-modal terminals.'

'Freight:

- *Complete the National Freight Study by mid-2008 and use it to improve freight policy, including specific ways to move towards the identified freight targets.*
- *Implement the actions set out in Sea Change regarding sea freight.*
- *Investigate options, in addition to the trial for heavier vehicles, to improve supply chain efficiency.'*

'The transport targets - Increase coastal shipping's share of inter-regional freight to 30 percent of tonne-kilometres by 2040'

Appendix 2

Summary of International Port and Freight Government Policy Documents

| Country/Region | Document Name | Year | Description | Lead Agency |
|----------------------------------|--|------|---|--|
| Australia | <i>National Ports and Freight Strategy</i> | 2010 | Draft released in May 2010 for consultation. The aims are to provide planning for relevant ports, ensure ports' ability to execute plans and improving landside efficiency and reliability. | Infrastructure Australia and National Transport Commission |
| Australia - Victoria | <i>Port Futures</i> | 2009 | Aims to coordinate Victorian ports and integrate them as part of a general Victorian freight strategy. | Victoria Ministry of Transport |
| Australia - Victoria | <i>Victorian Ports Strategic Framework</i> | 2004 | Identifies the government's strategies and policies to assist the commercial trading ports to meet the challenges and risks they face. | Department of Infrastructure |
| Australia - Victoria | <i>Freight Futures</i> | 2009 | Focuses on the freight network, its planning, delivery and management. The goal of the paper is to increase the efficiency, capacity and sustainability of the freight network. | Victoria Ministry of Transport |
| Australia - Queensland | <i>Review of Queensland Ports Management Structure</i> | 2008 | Proposes a new management structure for Queensland's ports based on having a regional port strategy and approach. Looks at the needs and challenges of the ports and decides the best approach accordingly. | Queensland Government |
| Australia - NSW | <i>NSW Ports Growth Plan - Summary Sheet</i> | 2003 | Aims to distribute the benefits of port growth more equitably between Sydney, the Hunter and Illawarra regions of NSW, provide long term capacity for containers, bulk goods and general cargo and enhance the economic efficiency of New South Wales' ports. | New South Wales Government |
| UK | <i>Modern Ports A UK Policy</i> | 2000 | A comprehensive assessment of ports policy. Looks at capacity, environmental issues and considers the need for sea, road and rail links. | Department of the Environment, Transport and the Regions |
| UK - Scotland | <i>Freight Action Plan for Scotland</i> | 2006 | Complements the <i>National Transport Strategy</i> with specific reference to freight. Aims to improve the rail and road links to ports. | Scottish Executive |
| UK - England & Wales | <i>Draft National Policy Statement for Ports</i> | 2009 | Framework for future port and related infrastructure (road and rail) proposals and sets out Government conclusions on the need for new port infrastructure. | Department for Transport |
| Canada | <i>Canada's Asia-Pacific Gateway and Corridor Initiative</i> | 2006 | Outlines new investments, policies and regulatory measures aimed at improving the efficiency and effectiveness of the Asia-Pacific Gateway and Corridor. Also sets the directions for ongoing collaboration, future actions and long-term strategy. | Transport Canada |
| Canada - British Columbia | <i>British Columbia Ports Strategy Final</i> | 2005 | Outlines what all partners need to do to position the ports system to maximise trade and economic growth opportunities for B.C. and Canada. | Ministry of Transportation (B.C.) |

Summary of International Port and Freight Government Policy Documents cont'd

| Country/Region | Document Name | Year | Description | Lead Agency |
|-----------------|---|------|---|--|
| Japan | <i>Ports and Harbours in Japan</i> | 2006 | A Port development and management system. Ports have 5 year plans for port improvement. Aims to develop super-hub ports in Japan. Outlines roles for all the major players in the port system, including the national government. | Ministry of Land, Infrastructure Transport and Tourism Ports and Harbours Bureau |
| South Africa | <i>National Commercial Ports Policy</i> | 2001 | Outlines the goals, objectives and principles of the national port policy. All commercial ports are to be placed under one national agency. | National Department for Transport |
| USA | <i>America's Ports and Intermodal Transportation System</i> | 2009 | Provides an overview of the American port sector complete with challenges and recommendations going forward, including development of a National Freight Strategy. | U.S. Maritime Administration |
| USA | <i>Framework for a National Freight Policy</i> | 2010 | Outlines the objectives, strategies, tactics and activities used for improving US freight transportation efficiency and competitiveness. | U.S. Department of Transportation |
| The Netherlands | <i>Seaports: Anchors of the Economy. National Seaports Policy 2005-2010</i> | 2004 | Aims to improve the competitiveness of The Netherlands' ports by focusing on three key areas: improving markets conditions; maintaining and improving accessibility and sufficient space; and promotion of safety. | Ministry of Transport, Public Works and Water Management |
| The Netherlands | <i>Seaports as Turntables Towards Sustainability</i> | 2008 | Aims to improve the sustainability of The Netherlands' seaports, with a heavy focus on environmental sustainability. | Ministry of Transport, Public Works and Water Management |
| Germany | <i>National Plan for Sea and Inland Ports</i> | 2009 | Recognises the importance of a national (over-riding individual states) coordinated strategy for ports and related infrastructure. Aims to expand port capacity, improve port competitiveness and achieve a more secure supply chain and provides appropriate measures to realise these aims. | Federal Ministry of Transport, Building and Urban Development |
| Germany | <i>Freight Transport and Logistics Masterplan</i> | 2008 | Sets the direction for transport policy as a whole, both passenger and freight. Aims to ensure that in twenty years time, Germany has a transport system that ensures mobility, prosperity and jobs while reflecting environmental concerns. | Federal Ministry of Transport, Building and Urban Development |
| European Union | <i>Communication on a European Ports Policy</i> | 2007 | Framework for port capacity expansions, hinterland efficiencies and sustainability. | European Commission |
| New Zealand | <i>National Infrastructure Plan</i> | 2010 | Outlines the infrastructure challenges that New Zealand faces and describes what the Government is doing to address these. Ports are included in this infrastructure plan. | NZ Government |