



AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

## UPDATE ON WATERFRONT REFORM

During the first term of the Howard Government, the waterfront was identified as a key sector for reform. Business had also identified the waterfront as a key impediment to competitiveness. The following assessment of progress on waterfront reform has been prepared drawing on input from members of the ACCI convened Shipping and Waterfront Reform Group and other public statements.

The last twelve months have seen much public focus on the efficiency of the Australian waterfront. The notion that Australia's standard of living and prosperity is dependent on an efficient gateway now seems to be accepted by both the wider community and industry. With the dispute between Patrick Stevedores and the Maritime Union of Australia largely behind us, it is useful to assess the changes that have been put in place and the progress with their implementation.

The agreement between Patrick Stevedores and the Maritime Union of Australia with its substantial improvements in work practices and significant changes to manning levels and crane rate productivity has the potential to improve the performance of the Australian waterfront.

ACCI and the Shipping and Waterfront Reform Group (SWRG) (which comprises ACCI memberbodies and other association representatives of major waterfront users in Australia) at the end of 1997 released the *Waterfront Users' Resource Book* which advised users of the case for supporting reform and how to deal with difficulties faced in the event of industrial disputation. Now the Group is monitoring whether the new arrangements are delivering improvements in reliability, efficiency and productivity for the benefit all Australian industry. There is encouraging evidence of improved productivity in Melbourne, Fremantle and Brisbane.

The Australian waterfront must improve its performance against world benchmarks or otherwise with the pressures of international competitiveness and the globalisation of the world economy there will be an effect on the Australian economy. This was clearly outlined in the two Productivity Commission reports on the waterfront and was discussed in detail in the May 1998 *ACCI Review* article on waterfront reform.

### GOVERNMENT OBJECTIVES FOR WATERFRONT REFORM

The Government made clear its seven benchmark objectives for the waterfront:

- an end to the over-manning and restrictive work practices
- higher productivity through 25 crane lifts per hour
- greater reliability through less industrial disruption and less interruption through elimination of restrictive work practices

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L E A D I N G   A U S T R A L I A N   B U S I N E S S

- substantial improvements in the industry's appalling occupational health and safety performance
- lower costs through the port logistics chain
- introduction of new technology; and
- improved training.

#### **PATRICK/MUA DISPUTE**

The dismissal by Patrick Stevedores of its Maritime Union Workforce of Australia (MUA) on 8 April 1998 and the ensuing four weeks of dispute precipitated changes to the Australian waterfront.

The Government passed the *Stevedoring Levy Act 1998* in the last session of Parliament to establish the Maritime Industry Finance Company (MIFCO). It provides for the payment of redundancy entitlements to waterside workers leaving the industry as part of the ongoing waterfront reform process. MIFCO funding will be recouped from the stevedoring companies over a period of six years through a levy imposed on container and car movements which will be absorbed by the stevedoring companies.

#### **FRAMEWORK AGREEMENT**

The main points of the framework agreement between Patrick's and the MUA at the end of the dispute included:

- staff numbers in terminal and general stevedoring to be around 690 (about half the number prior to the agreement) subject to a productivity rate of 25 crane movements an hour
- new industrial agreements to be negotiated within three weeks of signing the framework agreement, with a 4 per cent salary increase each year to 2001
- double header shifts will no longer be worked
- salaries based on 35 ordinary hours and 5 hour overtime component in lieu of other arrangements on overtime
- terminal workers to be paid between \$42,500 and \$62,000 and general stevedoring staff between \$48,000 and \$65,000 depending on whether they work in a major or regional port
- maintenance operations to be contracted out on a three year basis with current employees given preference for employment, but security, cleaning and line making services to be contracted out, with current employees not precluded from seeking jobs with the contractor
- Patrick to resume operations at all terminal and general stevedoring facilities subject to each port having a reasonable prospect of commercial viability
- Wages and other entitlements outstanding for the period before 7 April and during the dispute to be paid
- All the litigation to the industrial dispute to be settled
- Agreement to be reached on the terms of the deeds of company arrangement for the four Patrick labour hire companies in administration, and the labour hire company employees to be transferred to Patrick Stevedores Holding Pty Ltd with those companies being wound up as soon as practicable.

MIFCO will fund the departure of over 700 wharfies from Patrick Stevedores. This represents nearly half of Patrick's pre-reform work force. Elimination of overmanning in the industry is a major reform in its own right. It will lead to lower

costs and greater efficiencies – two of the major objectives of the Government's reform program.

#### **PATRICK/MUA ENTERPRISE AGREEMENT**

In early September 1998, Patricks negotiated Enterprise Agreements with the MUA which implemented in detail the points set out in the Framework Agreement along with additional improved work practices and providing for more flexibility in terminal operations. There are effective dispute avoidance procedures and a productivity incentive scheme which even at this early stage appear to have resulted in improved productivity rates.

#### **EVIDENCE OF IMPROVEMENTS**

Early evidence of the significance of the productivity gains in Patrick's Melbourne, Brisbane and Fremantle terminals is now emerging. According to Patricks, one productivity measure - moves per employee per shift - has increased by 120% in Melbourne, 65% in Fremantle and 113% in Brisbane.

In April this year, the MUA described the Government's productivity measure of 25 container lifts per hour as 'not possible' and that the union could only commit to achieving the Drewry benchmark of 19.1 lifts per hour.

On 14 October at East Swanston dock in Melbourne a crane crew did 222 lifts on a shift which included a breakdown covering one lost hour of productive time. This represents an achieved crane rate of 36 lifts per hour. When the breakdown interrupted shift is corrected up to full productive time, this crew was working at a rate of 260 per shift which is the equal of anywhere in the world. Also on 14 October, a crane crew at Port Botany did 28 lifts per hour for a full shift.

So with the changes to Patrick Stevedores, we are starting to achieve between a third and a half more productivity by less than half of the previous workforce. The leadership of the Government in arguing for waterfront reform and the commitment of Patrick management to implementing reform has unquestionably been in the public interest. The Australian economy will be stronger for it.

#### **P&O PORTS**

The other major stevedoring operation in Australia is P&O Ports. Together with Patrick they handle 95 per cent of Australia's containerised trade. P&O Ports is currently engaged in discussions with the MUA aimed at achieving similar improvements - the company's stated objective is to reduce costs by 40 per cent at least. Negotiations are continuing on the new P&O Ports/MUA enterprise agreements. The Government has indicated that P&O Ports has until 31 December 1998 to submit its restructuring plan to be eligible for funding under MIFCO.

#### **BENEFITS FOR USERS**

It is understood that shipping companies with contracts expiring at the end of 1998 will seek to achieve cost reductions and/or an improved package of services. It is hoped that a significant part of any price reductions will be passed back to users.

But the benefits of a seamless transport system will far outweigh any of these direct cost reductions. As the Productivity Commission noted in its *International*

*Benchmarking Study* the costs of port delay and unreliability of waterfront services include:

- Capital costs (those associated with goods in transit and holding inventories to avoid shortages)
- Costs associated with hedging on exchange rates
- Costs associated with disruption to production (for user industries)
- Indirect production costs (those associated with adopting less than optimal production techniques or using alternative inputs)
- Additional costs associated with contingency arrangements (or alternative transport arrangements)
- Alternative costs incurred at the port/land interface (that is costs associated with truck queues).

Reduced ship turnaround and greater reliability will provide greater flexibility and capacity to alter ship scheduling to meet customer demand. Greater reliability will ensure a significant reduction in the risk of missing overseas deadlines. A new era is possible in logistical planning with the need for lower inventories, assuming other weak links in the through-transport chain can be strengthened.

A positive aspect to report for small business is that the Australian Competition and Consumer Commission (ACCC) has now established the *Stevedoring Industry Reform Small Business Compensation Fund* to compensate businesses which suffered loss during the waterfront dispute. A damages fund of up to \$7.5m was funded by Patrick Stevedores as part of the settlement between itself, the MUA and the ACCC in relation to the unlawful secondary boycott behaviour by the MUA. As part of the settlement the MUA has provided a formal undertaking to the Federal Court not to repeat boycotts alleged to be unlawful by the ACCC during the dispute.

The Trust Fund will be administered by Official Receiver of NSW and will be subject to proof of losses arising from the waterfront dispute. Priority will be given to businesses with a turnover of less than \$100m per year and initially claims will be limited to \$200,000 per claimant. Small businesses which do not have an alternative claim for compensation, such as insurance, will be given priority over other claimants on the fund.

## **CONCLUSION**

It is too early to say categorically that the new Patrick arrangements will result in an improved waterfront performance. But early evidence is that they have and of course the Framework Agreement suggests that they should. The effects of any P&O negotiations are yet to be determined. What is important is that there has been reform and the 'change' process will continue.

Whilst it may not be appropriate to compare ourselves to the giants of the container world like Singapore, Hong Kong or Rotterdam, it is difficult to understand why Australia cannot match or beat New Zealand in terms of productivity and reliability. There are other ports in the world of similar size and complexity in operation to those in Australia which can provide useful benchmarks. These ports are not sitting still but are drawing away.

As we go forward into the next century, highly efficient integrated logistical systems based on the full utilisation of electronic communications systems



supported by strong links in the through-transport chain will be the norm for exporters and importers in the global economy. The waterfront must play its part in what is a real challenge for all parties involved in facilitating Australia's trading efforts. As the ACCI convened Shipping and Waterfront Reform Group noted in its *Waterfront Users' Resource Book* :

“If we are to trade successfully in the global economy; if our individual enterprises, industry and the economy are to prosper; and if our standards of living are to improve, there can be no bottlenecks. As a nation we must meet this challenge.”

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