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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
TRANSPORT AND
REGIONAL SERVICES

Submission by Shipping Australia to the
Inquiry into the Integration of Regional Rail
and Road Freight Transport and their Interface
with Ports

Conducted by the House of Representatives Standing Committee on
Transport and Regional Services

May 2005

Executive Summary

- + The Terms of Reference for this inquiry are broad ranging but they should include inter-State and intra-State coastal shipping as the shipping of domestic cargo around our coast is a transport corridor which is often overlooked and it does provide a valuable competitive factor for both long distance road and rail transport. SAL recommends that the Terms of Reference be varied to incorporate this area of transport given its potential impact, improving the efficient functioning of the regional transport network.
- + Building capacity on the regional road and rail network as well as our central shipping capacity is very important to meet future demand and ease congestion bottlenecks. In turn this requires an adequate database of future demand drivers in order to determine which regions should receive priority in the upgrading of the road and rail networks and AusLink certainly has a role to play in that determination.
- + SAL requests that the Committee examine the impact of the present maximum road weight limits on that network, especially in NSW.
- + There is a need for genuine whole of Government, long term planning for freight transport and importantly a high level of co-ordination between the three tiers of Government. Rail development has been neglected in this country for many years but this in not to say that the focus should be removed from improving road (and coastal shipping) modes of transport.
- + Connectivity to ports requires an understanding of the detail and planning parameters of the freight strategies in our major ports. The attention of the Committee is drawn to the valuable work being undertaken by the NSW Freight Infrastructure Advisory Board and the regional inter-modal study carried out last year by the Sea Freight Council of NSW. Initiatives such as the smart freight strategy in Victoria are also worthy of serious examination.
- + There are serious issues related to integration and the diminishing availability and lack of waterfront land nationally which when coupled with enormous rental demands and lack of adequate facilities and appropriate interfaces is creating a cost structure that will impede Australia's cost competitiveness. Suitable land must be set aside and the rentals should be pegged according to long term individual usage.
- + SAL also draws the Committee's attention to the mis-match of working hours report released by the NSW Sea Freight Council this year. The SAL Break Bulk Committee is concerned at the declining facilities for such cargo in many of our major ports. We would urge the Australian Government along with the States and Territories to focus more on the need for port development and linkages with regions.
- + The submission also sets out SAL's criteria for effective metropolitan inter-modal hubs and emphasises the need for the concern of all stakeholders to be fully

addressed if they are to be successful. Boarder agencies such as Customs and AQIS must be involved in the early planning states to facilitate effective functioning of such hubs in the future.

- + Constraints imposed by Government actions, or lack of certainty in the Government planning process, inevitably dampen interest in investment by the private sector in the regional transport network.

Introduction

Shipping Australia is a peak shipowner body with 37 members directly involved in all kinds of shipping including container, break bulk, bulk, pure car carriers and cruising. Attached is a list of our members which also includes Corporate Associate members who generally provide services to the shipping industry.

Shipping Australia believes that it is opportune that the Committee is examining this vital issue in terms of the increasing and welcome focus of the importance of transport infrastructure in assisting our export industries and facilitating Australia's trade.

It is the view of Shipping Australia that the Committee should also enquire into our domestic shipping task ie. the inter-State and intra-State shipping of coastal cargo as it is a transport corridor that is often overlooked in the discussion of the freight transport network and provides an important competitive component to our road and rail network particularly over longer distances. Shipping Australia would recommend that the Terms of Reference for this inquiry be varied to incorporate consideration of those issues.

The Role of Australia's Regional Arterial Road and Rail Network in the National Freight Transport Task

Shipping Australia's view is that the regional arterial road and rail network, along with the efficient performance of the domestic shipping task is vital to the efficient performance of our national freight transport task; particularly for rural and regional exports such as bulk commodities. Building capacity on the network is very important to meet future demand and ease congestion bottlenecks. It is important that there is an adequate database of future demand drivers in order to determine which regions should receive priority in the upgrading of the road and rail networks.

One specific issue we would ask the Committee to examine is the issue of maximum road weight limits. Generally in Australia the gross mass limit is 45 tonnes but in New South Wales it is still only 42.5 tonnes gross weight. Some exemptions do apply in New South Wales but these are more to cater for through (interstate) movements than for use by regional operators.

Increasingly 20' containers are being replaced by 40' containers as they are the containers of choice for the import trade and there are many significant efficiencies both for vessel operators, and in turn exporters and importers in standardising on the 40' unit. To achieve optimal container utilisation, it is important that consideration be given to raising the road limits say up to a gross of 50 tonnes and for New South Wales to adopt that limit. The National Transport Commission should be encouraged to examine this potential, particularly for trucks with road friendly suspensions and in line with increasing truck technology.

GE Seaco, the world's leading leaser of reefer containers spent US\$100 million last year on the acquisition of 7,000 new reefer containers almost all of them were 40' high cube units. In its submission to the Infrastructure Taskforce dated 21 April 2005 the Australian Meat Industry Council said "the global trend is to 40' containers. The

ability to fully utilise that increased capacity is essential. A review of national road weight limits nationally is critical. Red meat is a heavy mass product and needs special dispensation if it is both to adopt and leverage the efficiencies of these global trends. As a result the ideal practical objective would be for 50 tonne gross weight limit comprising of 34 tonnes of cargo plus 4.5 tonnes container tare plus 11.5 tonnes for prime mover and trailer.”

It is also important in SAL’s view, for AusLink to recognise the importance of the regional arterial road and rail network in the development of their 20 year strategic plan and, in particular, priorities for the development of strategic corridors. In this respect, alternatives need to be examined including the study of an inland rail link between Melbourne and Brisbane with connections to ports.

Relationship and Coordination between Australia’s Road and Rail Networks and their Connectivity to Ports

This is a very important topic. There is need for genuine whole of Government, long term planning for freight transport and in particular, a high level of coordination between the three tiers of Government.

It is axiomatic to say that rail development has been neglected in this country. A clearer picture of the costs and therefore the appropriate pricing policies may assist in investment decisions in choosing between the two modes and importantly AusLink, again, could assist the decision making process in terms of the best return for the expenditure of the infrastructure dollar.

Connectivity to ports requires an understanding of the detail and planning parameters of freight strategies in our major ports.

It is not only a matter of connecting with the major capital city ports and major bulk ports and also the connectivity between regional ports close to main capital city ports. Shipping Australia is a member of New South Wales Freight Infrastructure Advisory Board which was established in February this year to provide expert advice to the New South Wales Government on the design of an inter-modal terminal network in the Sydney metropolitan area, to improve freight distribution in that area and to consider a possible freight infrastructure charge to contribute towards funding those improvements. The Board will also examine potential changes to work practices such as reducing truck queues at port gates, maximising efficiency of truck haulage and other strategies to minimise unnecessary movements of containers across the city. A priority will be to re-examine the feasibility of developing an inter-modal terminal at Enfield as part of a network of inter-modal hubs. The Board is expected to report to the New South Wales Government in late July this year.

The key objective of the Board’s deliberations is not only examination of what funds are required in terms of the provision of important freight infrastructure but how that infrastructure can be used in a multi-modal fashion to increase the efficiency of the through transport task.

Similar initiatives are being undertaken in Victoria in terms of the smart freight strategy for Melbourne and there is a clear focus on developing important road and rail links between regional areas and Melbourne.

In South Australia, for example there is a new set of regulatory arrangements associated with the Essential Services Commission of SA's (ESCOSA) ports price review and port access review have recently come into operation. Besides price regulation there is a continuation of the ports access regime and its extension to include cargo (infrastructure) services at grain berths.

Connectivity to and from ports will remain high on the agenda as we develop our freight infrastructure in the future. There are serious issues related to integration and the diminishing availability of and lack of waterfront land nationally, which is available for the development of ports and the problems that this will create for the future. This coupled together with the excessive rental demands that the State Governments are imposing through Port Authorities upon lessors, is creating a cost structure which, when combined with the lack of adequate facilities and appropriate interfaces, will impede Australia's cost competitiveness in the future. In our view, there needs to be a national strategy for setting aside suitable land for the development of competitive facilities. That should be underpinned by an agreement providing that the rental, or the rate of return available for such land, is pegged according to long term industrial usage.

Policies and Measures Required to Assist in Achieving Greater Efficiency in the Australian Transport Network

Land transport access to ports will remain an important issue, particularly for the main capital city ports and this raises the issue regarding the longer working hours of containers terminals, for example compared to warehouses, empty container parks, depots and shippers premises. The New South Wales Sea Freight Council (www.seafreightnsw.com.au) has undertaken a study of the mismatch of working hours and we would urge the Committee to obtain a copy.

SAL is concerned at the declining facilities in our major ports for break-bulk cargo and has formed a committee to specifically address this issue. For example, the New South Wales Environmental Protection Agency has, in our view, proposed unrealistic restrictions on the handling of tallow and vegetable oils at White Bay and Port Jackson and there appears to be no realistic plan to handle cargoes elsewhere and no estimate of the costs of trucking these commodities to/from Newcastle or Port Kembla. We need to assess the impact of tallow/vegetable oil road tankers on the road at peak holiday times and this pressure will increase as it is likely that Darling Harbour will be closed for all cargo handling from March next year. If all motor vehicle imports, for example, were moved from Port Jackson (Glebe Island) to Port Kembla there would be 80,000 more truck movements per year on the main Wollongong/Sydney road. It is important that these implications of moving trade between ports are properly assessed.

The pressure of urban encroachment in our major ports will clearly persist into the future and we need to plan for that reality and think through the implications for our future infrastructure decisions.

Australian's current prosperity is underpinned by the work done by Governments and industry and re-structuring to a more open trading oriented economy and this process, along with the waterfront reforms of 1998, have meant that Australia has generally enjoyed a good reputation as a reputable and reliable supplier to world markets. Unfortunately, many of these gains could be put at risk by the various State Government's inconsistent approach to port development. It is time that the Australian Government recognised the need for port development, as distinct from waterfront reform) in our overall economic development framework. Whilst AusLink addresses much needed road and rail improvements, it neglects infrastructure development within the ports themselves (eg. channel deepening in Melbourne as been identified as a major and national infrastructure project).

SAL is looking to the Australian Logistics Council which, with SAL's support, will be seeking a strong role in providing industry advice as far as the implementation of the funding and forward planning program for AusLink is concerned.

Being an island trading nation, we require reliable and efficient ports and the Federal Government must be involved in the coordinated planning and funding of port development.

Shipping Australia is concerned with the movement of bulk export commodities such as grain and coal and again development of our rail systems appears to be a primary prerequisite to increasing the output and productivity of grain and coal loading terminals in ports. The poor state of branch railway lines is of serious concern to the grain industry and the mixing of our coal, for export markets is heavily dependent on "just in time" and reliable train deliveries which need to be substantially upgraded. It is not the sole answer to the problems of these industries but is one of the major prerequisites.

The New South Wales Sea Freight Council has also undertaken a major study on inter-modal freight hubs in regional areas. The economic criteria to be applied to the location of these hubs is not restricted to New South Wales and the Committee is urged to obtain a copy of that study. It examines the economic criteria required to support the successful operation of these hubs in regional areas and will be most useful as a background document.

Whilst AusLink is examining the strategic corridors, the operation of the terminals at either end of these corridors in going to be very important. Inter-modal terminals or hubs in the metropolitan areas of Australia will also need to operate efficiently if the hubs in regional areas are going to operate efficiently. SAL, for example, is working with all stakeholders in Melbourne to achieve more efficient land transport via the hub concept and recognises that they are essential if we are to deal with the rapidly increasing trade volumes. Stakeholders problems must be managed not ignored if the concepts are to be realised in practice.

In our view the criteria for an effective metropolitan inter-modal hub must encompass:

- + Commercial viability/sufficient throughput
- + Be cost effective for all participants
- + Have the ability to undertake container depot tasks and
- + Have the ability to efficiently deliver empty containers in large volumes to the port at relatively short notice.

In terms of the container shipping lines, the problems to be managed in that context involve;

- + Shipping Lines retaining flexibility by exercising rigid control over the development of their own empty container stocks
- + Appreciating that one line's containers are not normally available for transfer to another line
- + If container were to build up in areas where there is insufficient export demand, exporters would face equipment shortages and
- + Importantly the role of depots and their location in addition to the depot services that may be provided by the hubs themselves. It should be noted here that a whole range of services are normally carried out by a container depot including AQIS inspections, pre-tipping refrigerated containers and keeping them on power, provision of food quality containers, cleaning containers and so on.

What is vitally important is location of these hubs which is presently the focus of attention both in Melbourne and Sydney. These locations need to be balanced with achieving a competitive edge and achieving the required economies of scale.

One would expect some depots to remain in the port vicinity at least in the medium term and hubs must be able to compete for the business. Hopefully the hubs are located in an area where the main volume of containers from the ports to the hub must be distributed in the vicinity of the hub to avoid containers having to be re-positioned back to the port.

It is also important to avoid costs in one section of the logistics chain being transferred to another in the name of increasing efficiency for only selected links in that chain. In the selection of inter-modal hubs there could be additional costs incurred in the container terminal, for example, with additional sorting and stacking costs.

In our view, the final solution must recognise that repositioning of empty containers is an integral part of the efficient functioning of the through transport chain and serious disruption will occur if this is not managed properly. Shipping lines are also mindful

of the need to play their part including achieving the highest level of schedule integrity as possible including meeting berthing windows.

Mention was made previously of the involvement of AQIS and there is a serious need to involve the border agencies, particularly AQIS and Customs in the early planning stages of projects that involve changes to the infrastructure serving our freight needs. As far as quarantine is concerned there is a need to mitigate the risks not only at the wharf gates but along the inland distribution chain particularly with the development of inter-modal hubs. Similarly movement under bond of goods requires Customs agreement and involvement in ensuring that there is no impediment to the development of an efficient through transport chain.

There are opportunities to achieve greater efficiency in the use of existing infrastructure, particularly in terms of regulation and the adoption of new technology eg. signally systems and consistent and compatible training and education systems between States as well as licensing systems to facilitate interstate movement. The whole access regime regarding terminals and critical infrastructure needs urgent examination to provide a clearer direction for intending participants.

In terms of AusLink, before there is any investment in new infrastructure, alternatives such as the better use existing infrastructure should always be assessed.

The issue of the possible management and use of intelligent tracking technology is mainly being addressed in the debate about increased security measures in terms of preventing possible terrorist attacks eg. for containers and consignments but the use of standards such as EAN-UCC will be important in tracking consignments. It does raise the whole issue of telecommunications infrastructure and the ability to promote the better use of existing infrastructure with the development of more business to business ecommerce systems.

The Role of the Three Levels of the Government and the Private Sector in Providing and Maintaining the Regional Transport Network

In SAL's view, it is important that the three levels of government work together to provide the highest level of environmental sustainability and to meet safety in particular OH&S concerns but these must be a realistic and coordinated between governments and not continually changed. The environmental approvals, for example, are often given for a defined period of time. These relatively short windows are often not accommodated within the longer lead times required for the development of many transport infrastructure projects. The need to re-apply for environmental permits impedes the progressive development of many of these projects. This often applies in regional as well as urban areas.

Constraints imposed by government actions, or the lack of certainty in the government planning process, inevitably dampen interest in investment by the private sector in the regional transport network.

It recognised that there are many and varied interests that need to be considered in these cases but in the medium/longer term overall benefits for a State or region could be far greater than environmental compromises, funding ability issues and land planning mechanisms.

Shipping Australia would be pleased to have the opportunity to elaborate upon this submission and to answer any questions the Committee the may have.



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NEW INQUIRY: Integration of Regional Road and Rail Networks and their Connectivity to Ports

The House of Representatives Transport and regional Services Committee is to examine the integration of Australia's regional road and rail networks and their connectivity to ports.

The Committee will examine the role of the regional networks in handling the national freight task. An important part of the inquiry will be a consideration of the way the road and rail networks connect to the ports.

The aim of the inquiry will be to find ways of achieving greater efficiency in Australia's transport networks, and to examine in particular:

- land transport access to ports;
- the capacity and operation of major ports;
- the movement of bulk export commodities, such as grain and coal;
- the role of intermodal freight hubs in regional areas;
- opportunities to use existing infrastructure more efficiently;
- and
- the possible advantages to be gained from the use of intelligent tracking technology.

The Committee will also consider the roles played by the three levels of government and the private sector, in providing and maintaining the regional transport networks.

Further information, including advice on making submissions (which are due by 9 May 2005), can be found at:

www.aph.gov.au/house/committee/trs/index.htm

or obtained by phoning the Committee Secretariat on (02) 6277 2352, or emailing Trs.Reps@aph.gov.au .