



ADSTEAM MARINE LIMITED

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Committee Secretary
House of Representatives
Standing Committee on Transport and Regional Services
Parliament House
CANBERRA ACT 2600

via email trs.reps@aph.gov.au

**SUBJECT: INQUIRY INTO INTEGRATION OF REGIONAL RAIL AND ROAD NETWORKS
AND THEIR INTERFACE WITH PORTS**

Please find attached our submission to the Standing Committee's inquiry into the integration of regional rail and road networks and the interface with ports.

We have only addressed the parts of the terms of reference which are relevant to our area of business.

The key point we have made in our submission is that national transport will never be efficient and cost effective if the three arms – road, rail and sea – are not given equal and due consideration. We believe the terms of reference should be widened to include sea transport and its important contribution to the freight transport task.

Regards,
ADSTEAM MARINE LIMITED

MELOS SULICICH
General Manager, Adsteam Harbour

Introduction

Adsteam Marine Limited is a public company listed on the Australian Stock Exchange. The company is a leading international provider of harbour towage and related marine services including line running/mooring, fuel bunkering, workboat and offshore services, marine salvage and ships' agency.

Operations cover major container, bulk and general cargo ports in Australia, the South Pacific and the UK. Adsteam Marine serves a global customer base with a fleet of 150 tug boats. The fleet also includes barges, workboats and launches and five additional tugs are currently under construction.

In Australia the company has a fleet of 89 vessels serving some 35 ports and is the largest employer of maritime labour in the country. As Australia's leading towage provider to the maritime industry (it serviced nearly 43,000 tug jobs last financial year), it is engaged primarily in harbour towage, but also provides emergency towage, salvage, bunkering, tug barging and ships' agency operations.

Australian maritime trade

- In 1998-99 total cargo moved into and out of Australian ports was 536 million tonnes.
- In 2003-04 total cargo moved into and out of Australian ports was 632 million tonnes.
- This represents a compound increase of 3.5% per annum over the five year period¹.
- In 2003-04, outbound cargo represented 516 million tonnes, with coal accounting for 221 million tonnes and iron ore 161 million tonnes.
- In 1994-95, coastal cargo totalled 49.2 million tonnes (loaded).
- In 2001-02, coastal cargo² totalled 52.4 million tonnes, representing a 0.9% compound increase over the seven year period. This sector was dominated by three industries: iron ore, bauxite and alumina, and refined petroleum products. Smaller volumes included the regular movement of fertilisers, raw sugar, cement and gypsum.
- From April 2000 to March 2001, the domestic seaborne task, in tonne kilometres amounted to approximately 30% of the domestic national freight total. Rail accounted for 42% and road 28%³.

Notwithstanding the important role of sea transport in Australia's domestic trade, sea transport only received one mention in the 2004 Auslink White Paper "Building our National Transport Future". While Auslink is to be welcomed as the most serious initiative in national transport planning for over 10 years, its focus on land transport with a disregard for sea is a significant omission.

Cost effective national transport planning cannot be properly undertaken without consideration of sea transport. Sea transport is often overlooked when freight transport is discussed however it provides a competitive contribution to land transport, particularly over longer distances. We believe the terms of reference for this inquiry need to be varied to include sea transport and its important contribution to the freight transport task.

Movement of bulk and breakbulk cargoes by sea

Typically water transport costs compare very favourably with rail and road in the ratio of 1:4:10 cents per tonne kilometre.

Such a cost differential is normally critical for low value cargoes (<\$100 per tonne) where even sea transport may cost between 30 and 50% of the cargo value. Most of the Australian coastal shipping task involves long established movements between privately owned terminals on an interstate basis. The trade has not diversified in the manner it might have done, mainly because market-driven logistics have shown a strong preference for road, where there is no additional

¹ 1989-2004 data as reported by AAPMA

² BTRE Information Paper 50, Australian Sea Freight 2001-2

³ ABS Report 9220.0 Freight Movements Australia

handling between transport modes, and to a much lesser degree rail. Few potential users of sea or rail transport have an in-house rail or marine terminal adjacent to their places of production and consumption, with the result that frequently such cargo is only able to move by road where it can afford to do so, or simply does not move at all.

Breakbulk and bulk port facilities

This situation has been aggravated by the declining availability of adequate common user facilities for handling coastal bulk and breakbulk cargoes in various major ports:

- in Sydney, the closure of White Bay and Darling Harbour
- in Melbourne where there has been no replacement for Victoria Dock
- in Brisbane, up river general cargo facilities are progressively disappearing.

In short, older breakbulk and bulk cargo facilities in many of Australia's major capital city ports are under pressure from commercial and residential development and the attractive yields such land use generates for government and commercial investors.

The rail/port interface

The problems associated with rail services to ports stem from a lack of integrated infrastructure planning, which significantly impacts on terminals and berths developed for export trades such as coal, iron ore, grains, minerals and metals trades. Bottlenecks in the rail supply chain in Queensland and New South Wales are currently inhibiting the growth of coal exports to Asia. This has caused substantial delays to vessels at anchor which translates into massive demurrage bills amounting to millions of dollars for exporters.

It would seem that despite the decade since the creation of the standard gauge coast to coast rail freight network, with the belated recognition of the need to link it to key container ports, transport infrastructure planning is still disjointed. This is in contrast with the successful development of Tauranga on the east coast of New Zealand as a container port serving the Auckland metropolitan market via its rail service to Metroport in South Auckland.

The road/port interface

The same comment may be made in respect of freeway and tollway development to facilitate road access to major container terminals. In Brisbane, Fisherman Islands was operative long before the commitment to the port freeway; in Sydney the city's first major motorway (M4) still does not link with Port Botany. Likewise in Melbourne, Citylink was conceived and delivered long after the development of Swanson Dock as Melbourne's prime container terminals.

Integrated transport initiatives

With such a backdrop, some recent international initiatives are worth citing.

a) United States of America

The US Maritime Administration (MARAD) aims to strengthen the country's maritime transport system, including infrastructure, industry and labour to meet economic and security needs. As a result, congestion is reduced on the nation's inland waterways and infrastructure (marine and land side) and environmentally friendly transport improvements can be made. MARAD believes short sea shipping is the solution to freight growth and an effective alternative to congested land transportation systems.

The Alameda Corridor in Los Angeles is an instructive example. This project, overseen by the dedicated Alameda Corridor Transportation Authority, was conceived in 1989 and cost some US\$2.4 billion. It was funded jointly by the cities of Los Angeles and Long Beach, their respective ports, the Los Angeles County Metropolitan Transportation Authority, the US Federal and California State Governments. Opened in 2002, it provides grade separated triple track rail access to a series of on dock rail facilities in the ports of Los Angeles and Long Beach linking directly over 20 miles to the east Los Angeles rail yards and the intercontinental rail network of

Burlington Northern and Union Pacific. Today it handles some 3.2 million teus per annum by rail or 25% of the two ports' container volumes, with reduced traffic delays, pollution and associated direct and indirect costs.

b) European Union

Coastal shipping is seen by the European Union as a successful mode of transport in Europe. It can help curb the forecast substantial increase in heavy goods vehicle traffic, re-balance the modal shares, bypass land bottlenecks and provide safe and sustainable transport solutions.

The EU has resolved to make more effective use of rail and sea transportation and the Marco Polo initiative was developed to reduce road congestion and improve the environmental performance of the whole transport system by shifting freight from road transport to short sea, rail and inland waterway transport.

The Motorways of the Sea program is part of this initiative and aims to provide industry with logistics alternatives to road transport. It seeks to develop high quality and frequent door to door intermodal services, relying on maritime transport for the long haul. EU funding is available for infrastructure projects which support this initiative.

c) United Kingdom

Similarly, in the UK, the Department for Transport helps the freight logistics industry to be efficient, resilient, safe and environmentally friendly. The Department encourages a shift from road to inland waterways, short sea shipping and rail and to this end also manage regulation, research, government initiatives and the resilience of supply chains. Grants are available to offset the capital costs of providing water freight handling facilities.

Summary

In order to overcome many of the problems currently facing Australia's transport infrastructure (including its ports) and to optimise the cost benefit of future investment in this area, the following are critical.

1. A national transport vision involving all transport modes and related linkages.
2. Whole of government involvement in the planning process on a co-ordinated basis.
3. Review the need for enhanced infrastructure on a total supply chain basis, including road, rail and sea.
4. Consideration of transport infrastructure development including ports, on a triple bottom line basis which allows for the integrated use of coastal transport. This has a number of benefits.
 - Removes part of the freight transport task from road thus reducing congestion on our national highways.
 - Removes part of the same task from rail. thus freeing up capacity for a further transfer from road
 - A more environmentally friendly mode of transport thus reducing greenhouse gas emissions and the social costs arising from land transport accidents.
 - Greater use of sea transport that is funded by the users and is not cross subsidised as is the case with other modes such as road, and to a lesser extent rail.