

WOOLWORTHS LIMITED

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23 June 2008

Committee Secretary
Standing Committee on Infrastructure, Transport, Regional Development
and Local Government
PO Box 6021
House of Representatives
Parliament House
CANBERRA ACT 2600

email: itrdlg.reps@aph.gov.au

Dear Committee Secretary

Re: Inquiry into Coastal shipping policy and regulation

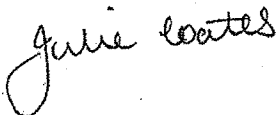
As a leading retailer in Australia, Woolworths Limited recognises the importance of an efficient transport system and we welcome the opportunity to respond to this inquiry.

Australia's freight task is set to double by 2020 and an important transport priority for the future is to plan supply chains to take advantage of the different strengths of road, rail and shipping, in association with the aviation industry.

Government and industry must work together so that our shipping, ports and land transport systems are in harmony to create strong local, regional and national economies.

Please find attached our submission to the Committee's inquiry.

Yours sincerely,



Julie Coates
Chief Logistics Officer

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Inquiry into Coastal shipping policy and
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1 Executive Summary

Australia depends almost exclusively on shipping to move its imports and exports. Close to 99 per cent of all our merchandise trade is moved by sea. We have the fifth largest shipping task in the world, in terms of tonnage and kilometres travelled.

The rapid acceleration of our international maritime trade has put a strain on the capacity of ports. This has been exacerbated by the time it takes to plan, finance and build new capacity and the move to larger ships requiring longer berths, upgraded stevedoring equipment and deeper shipping channels.

Substantial and sustained growth is forecast for the volumes of cargo moving through our ports during the next 20 years, therefore, the efficient operation of Australian ports is imperative to the trade task.

Woolworths is a key user of international shipping trade routes from Asia and Europe but has never embraced the use of coastal shipping for the movement of goods between Australian capitals with the exception of Melbourne to Devonport, Tasmania.

A key part of Woolworths' business is freshness of our products to consumers and high on shelf availability of products. Within our business there has been a perceived incompatibility with the service levels coastal shipping can provide.

Specifically, the key impediments which have emerged from previous investigations have been:

- Frequency of sailings, limited departure schedules;
- Excessive point to point lead times when compared to road and rail alternatives;
- Stability and long-term viability of operators providing coastal shipping services; and
- Credible cost comparisons between coastal shipping and other modes have not been recently investigated.

Applicability to Woolworths freight movements is likely to remain low due to the just-in-time nature of much of our domestic distribution.

Nevertheless, we encourage the inquiry because an increase in coastal shipping may result in an overall reduction in transport corridor congestion, improved road safety outcomes and a reduction in carbon emissions.

We would recommend the scope of the inquiry also include the ports access logistics, with a focus on the resolution of congestion issues which currently exist.

2 Woolworths Transport

Woolworths Limited is made up of some of the most recognisable and trusted brands in retailing, serving millions of customers every day with great choice, low prices and excellent quality. As a group across Australia and New Zealand, Woolworths Limited has more than 3000 stores and 180,000 employees.

The business of selling fresh food in a country like Australia is quite a challenge in itself. Remote locations, huge distances, climate fluctuations, topographical challenges – all of which are sufficiently challenging for any movement of goods, but when you're trying to move fragile, perishable food items, it compounds the issue somewhat.

To pick a tomato ripe from the vine, transport it 3000kms and ensure that it's still in perfect condition for you to put in your shopping basket is an art form. If that tomato is anything other than perfect, then it won't sell, simple as that.

Improving the design of our fleet and maximising vehicle space utilisation are two of the simplest ways of reducing the environmental impacts of transport. We aim to achieve 25 percent reduction in CO₂-e emissions per carton delivered by 2012 through a combination of the following measures:

- Alternate fuels (13 percent);
- Vehicle design (8 percent);
- Reducing distance travelled through improved efficiency (4 percent).

We own our Victorian delivery fleet and have recently conducted a successful biodiesel trial for those vehicles. Based on the results of the trial we plan to roll out the use of a biodiesel fuel blend for the entire Victorian fleet by 2012.

Third-party road carriers, shipping and airfreight operators undertake the majority of our transport and logistics. We have already been able to reduce the number of delivery trucks being used in our business through more efficient planning and backfilling, and our logistics planning is constantly reviewed to maximise efficiency and minimise movement of empty trucks.

Our priority is to work with our third party carriers to establish accurate baseline information and develop future actions to minimise environmental impacts.

Fuel costs are rising and the advent of carbon pricing in the near future will add significantly to these costs, so there is a strong economic case to find ways to reduce our fuel use and support the investigation of viable transport conduits.

3 Future business decisions

The fresh food sector of the Australian economy operates in an environment of intense competition and is, therefore, intimately concerned with controlling the costs of production and distribution of its products.

In view of the significance of storage and transport costs in the final price of fresh food products it is necessary to continually evaluate the transport options and search for ways of improving overall transport efficiency.

Coastal shippings most important task is the transport of bulk cargo, which consists of dry commodities such as coal, bauxite, alumina and iron ore, and wet commodities such as crude oil and refined petroleum products. Non-bulk cargoes are generally goods such as fruit and vegetables, timber, paper, steel slab and processed food.

The nature of our distribution network is such that we would conceivably only be able to consider coastal shipping for limited product groups on the Sydney-to-Fremantle, Melbourne-to-Fremantle and Melbourne-to-Brisbane routes.

Our future decisions around the use of coastal shipping would be based upon cost advantages, such as shipping over rail and road transport, enhancements to safety outcomes in the retail freight network which might result from the removal of trucks from roads current performing the freight task and reduction in carbon footprint in the retail freight network which may possibly result from more fuel efficient movements in the freight task.

However, pre requisites revolve around service to our consumers. Earlier investigations have suggested that sailing frequencies on these routes would likely be once per week – incompatible with a 24/7 business such as Woolworths. The point-to-point lead times are also adverse to rail on the Sydney/ Melbourne to Perth route by 3-4 days (4 days vs 7-8 days) and the Melbourne to Brisbane route by 3 days (2 days vs 5 days).

4 Conclusion

As a national operator of more than 770 supermarkets, our business is built on a world-class network of distribution centres, providing efficient daily supplies of fresh produce and groceries. Transport plays a critical role in the delivery these products right across the country, and in maintaining our competitiveness.

Any shift from road and rail to marine transportation would be viewed critically and realistically, and based upon cost advantages.

Whilst acknowledging ports are important links in the transport chain, it is equally imperative to recognise that ports do not work in isolation. They need to work in harmony with the road and rail networks transporting the cargoes to and from the ports.

A review of the regulation and effectiveness of coastal shipping should aim to support the efficient use of national infrastructure, as well as reduce regulatory uncertainty and compliance costs for owners, users and investors.

Port services and shipping are in need of liberalisation to improve conditions and lower the cost of domestic and international trade.

5 Recommendation

Woolworths recommends the scope of the inquiry also include the ports access logistics, with a focus on the resolution of congestion issues which currently exist.

