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**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES**

**Wednesday, 27 July 2005**

**Members:** Mr Neville (*Chair*), Mr Gibbons (*Deputy Chair*), Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Richardson, Mr Ripoll and Mr Schultz

**Members in attendance:** Mr Haase, Dr Jensen, Mr McArthur and Mr Neville

**Terms of reference for the inquiry:**

To inquire into and report on:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
  - land transport access to ports;
  - capacity and operation of major ports;
  - movement of bulk export commodities, such as grain and coal;
  - the role of intermodal freight hubs in regional areas;
  - opportunities to achieve greater efficiency in the use of existing infrastructure; and
  - possible advantages from the use of intelligent tracking technology;
- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

**WITNESSES**

**BRADFORD, Mr Stephen, Chief Executive Officer, Port of Melbourne Corporation ..... 20**

**CROSBIE, Mr John, General Manager, Supply Chain Operations, Australian Wheat Board Ltd ..... 1**

**GILLINGHAM, Ms Jill, Group General Manager, Supply Chain, Technology and Business Processes, Australian Wheat Board Ltd ..... 1**

**McNEIL, Mr Keith, General Manager, Supply Chain Strategy, Australian Wheat Board Ltd ..... 1**

**POWER, Mr Brendan, Executive General Manager, Planning and Development, Port of Melbourne Corporation..... 20**

**SLACK-SMITH, Ms Peta, Government Relations Adviser, Australian Wheat Board Ltd..... 1**



**Committee met at 9.32 am****CROSBIE, Mr John, General Manager, Supply Chain Operations, Australian Wheat Board Ltd****GILLINGHAM, Ms Jill, Group General Manager, Supply Chain, Technology and Business Processes, Australian Wheat Board Ltd****McNEIL, Mr Keith, General Manager, Supply Chain Strategy, Australian Wheat Board Ltd****SLACK-SMITH, Ms Peta, Government Relations Adviser, Australian Wheat Board Ltd**

**CHAIR (Mr Neville)**—Good morning, ladies and gentlemen. I declare open this public meeting as part of the inquiry of the House of Representatives Standing Committee on Transport and Regional Services into the integration of regional road and rail networks and their interface with the ports. Today's hearing is part of the committee's program of public hearings and visits which will enable the committee to source some of the issues, test some of the written submissions and look at some of the key port cities. This is the third day of sittings in Victoria. To date, we have received approximately 110 submissions and there is a wide diversity of opinion on some of the issues that we are testing. This is the fourth actual hearing and the third day of our Victorian visit. The committee will be hearing today from the Australian Wheat Board and the Port of Melbourne Corporation.

I welcome the representatives of the Australian Wheat Board. Although we will not be asking you to give evidence under oath, I should advise you that these hearings are proceedings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to caution witnesses that the giving of false or misleading evidence is a serious matter and could lead to an action for contempt of parliament. Ms Gillingham, are you going to lead?

**Ms Gillingham**—Yes, I was going to give a short statement in relation to our submission, if you so wish.

**CHAIR**—You might give us a five- to seven-minute overview of your submission and then your colleagues may add something if they wish. We will then go to some interaction.

**Ms Gillingham**—We welcome the opportunity to appear before the inquiry and to answer any questions in relation to our submission. In managing the single desk for export wheat on behalf of Australia's 36,000 wheat growers, AWB recognises the need for a clear government policy on transport matters and a clear policy to help Australia as a leading player in the highly competitive international grains market. AWB has a constitutional obligation to maximise returns to the growers who deliver to the national pool. Obviously, part of that obligation is to actively manage the grain supply chain and to help lower costs to growers.

We are a strong subscriber to the view that the grain supply chain needs to be world competitive if our grain growers are to prosper and if we are to survive in a world market that is becoming more competitive globally. We really cannot afford to have inefficiencies in the cost

structures and access regimes in the domestic supply chain. It is important that we do not have imposts that reduce competitiveness internationally. The world markets are a very competitive environment and we need to have a domestic supply chain in this country that is as efficient and cost-effective as possible. We have been actively participating in terms of promoting competition across the entire domestic supply chain through the use of competing transport modes. We have introduced alternative rail operators, where there is an open access regime, in New South Wales and part of Victoria. We have invested in new modern grain storage infrastructure to improve the efficiency for growers delivering grain into safe storage, with more efficient out-loading of grain to transport.

The contribution that the wheat industry makes to the national economy is obviously significant. In 2003-04, the value of production was about \$5.6 billion. Perhaps just as importantly, the flow-on effect into rural communities is an important aspect of that as well. The major challenges for Australia's agricultural ability to compete in the global grain market are really the limitations of our domestic infrastructure, particularly around storage and handling and transport. In our submission, you will have noted that we have identified four critical areas that, we believe, currently limit Australia's ability to expand in export grain markets. These are: rail infrastructure, rail access, storage and handling, regional road networks and port infrastructure.

The present regional road and rail infrastructure is really anachronistic in its context of current standards. A lot of the infrastructure was constructed many years ago, on the basis of production and usage levels that were suitable for 30 or 40 years ago—or roughly half what we really need today to be able to move the crop, primarily from up-country to port. There has also been a shift to road in terms of movement of the national freight task, mainly due to the abandonment of other rural sectors such as wool, from the rail network. We believe that investment in rail is going to assist to shift some of those commodities back to a more efficient rail network.

Coupled with the declining standard of infrastructure is the emergence of increasingly difficult and ineffective access regimes, particularly on rail. In part, this is the result of deregulation of the national rail market, whereby state governments have in many cases sold critical elements of the rail network to private operators. Not surprisingly, we find that the private sector has different drivers to those of the government, perhaps most noticeably in the lack of community or public benefit in lieu of commercial drivers. Together with the lack of effective structures in terms of incentives or regulatory structures to promote open competition, the nation's rail network and export grain terminal are currently constrained due to lack of investment. With this lack of investment in essential infrastructure, we see a lack of incentives for private operators to manage their businesses.

In our submission, you will see that we have made a number of recommendations. We detailed these in the submission, but I will run through them briefly: rail infrastructure and access, and infrastructure and investment in rail infrastructure to ensure a more efficient and timely supply chain, thereby allowing the grains industry to respond to the demands of the export market. Specifically, the regional rail network has to be maintained to a minimum standard, which we define as 23-tonne axle loads and 60 kilometre per hour speeds on the broad and standard gauges and 19 tonnes for the narrow gauge. You need to encourage investment in infrastructure through reinstatement of community service obligations in some format, encourage greater competition between rail operators through ensuring network operators facilitate a workable open access environment and establish agreement between the respective levels of government to work



together in facilitating rail infrastructure investment and access. All governments should encourage sectors to utilise the regional rail network as the most efficient transport mode for rural and regional users. This could be achieved by ensuring a viable regional rail network that is in good condition and accessible and that supports above-rail competition. In relation to roads and regional roads, where rationalisation of the rail network is necessary this should only occur where there is some certainty that the alternative mode of transport will be supported through appropriate road funding. The road networks support the transfer of grain onto rail wherever possible.

The third area is the connectivity to port infrastructure. We have recommended funding to remove rail and road bottlenecks, particularly into Brisbane, Newcastle, Portland and Port Lincoln. There is the advance funding for the channel and berth deepening, particularly at Newcastle, Melbourne and Albany to make each of these ports more capable of loading up to 14-metre draughts so that we can get in the bigger vessels, the Panamax vessels. That is basically an outline of our recommendations and our view of the grain supply chain. We would certainly be happy to take any questions in relation to our submission.

**CHAIR**—This was a very good submission. It was very thorough. Your language is simple and to the point, and it is very clear. I would like to congratulate you and your colleagues for doing that. Would that all submissions were as straightforward as this one.

**Ms Gillingham**—Thank you.

**CHAIR**—I note your comment about the axle loads. Translate that into tonnages for me. On the broad and standard gauge, the 23-tonne axle load equates with what sort of tonnage per wagon, roughly?

**Mr Crosbie**—Roughly, we are talking about larger sized wagons—at least 50 or 60 tonnes.

**CHAIR**—And a 19-axle load?

**Mr Crosbie**—We are talking there around 35 tonnes. It is very limited.

**CHAIR**—But I think you said elsewhere that QR is carrying 48 tonnes to its wagons.

**Mr Crosbie**—On limited sectors where they have upgraded their network itself, yes. It also depends on the configuration of particular wagons. In some instances they do have some efficient wagons.

**CHAIR**—It is a bit hard to know where to start with this. You talk about access. Should I conclude from your comments that some of the privatised companies or those that have inherited vertically integrated rail systems are using those as personal fiefdoms rather than creating a genuine third-party access regime? Am I going too far? Please be frank, because we need to know.

**Ms Gillingham**—John can add to this, but in our experience over the last five, six or seven years of trying to introduce a level of competition into rail the only success we have had in using the access regime that is available has been in New South Wales.

**CHAIR**—You like the new ARTC model in New South Wales?

**Ms Gillingham**—We have been able to use the ARTC network and the New South Wales network. We have not really been in a position—and neither has any other rail provider—to economically introduce competition into any of the other networks.

**CHAIR**—Give us an example of one of those New South Wales areas, where you said you have a couple of operators competing. What line is it on and what are the names of the operators? We might call them later as witnesses.

**Mr Crosbie**—I am happy to provide further detail. AWB in fact took on two contract trains, which are operating in southern New South Wales and into—

**CHAIR**—You took them on yourself or you got subcontractors to do it?

**Mr Crosbie**—We got subcontractors to come in, and they leased the trains. One was provided by what was previously Freight Australia, called the Waratah train. It operated extensively on the southern part of the New South Wales network.

**CHAIR**—Freight Australia is now Pacific National?

**Mr Crosbie**—That is correct. That train operated principally into Port Kembla—that is why it was called the Waratah train. We also engaged what we called the ATN train—ATN being the Australian Transport Network. ATN was owned by Tasrail, which was also bought by Pacific National recently. That is a contract train which has operated on the standard gauge network in New South Wales, again, and on the ARTC interstate network here in Victoria, principally into Port Kembla and also into Port Melbourne, where there is a standard gauge connection and we have a 24-hour port. The ATN train is still operating under a contract and is now owned by Pacific National, whereas the Waratah train is now out of service.

**CHAIR**—Pacific National are not likely to create two subsidiary companies at each other's throats, are they?

**Mr Crosbie**—When the Victorian rail contract expired, they took it upon themselves to withdraw that train.

**CHAIR**—Yesterday we took quite extensive evidence at Portland. I think we were all a bit shocked at the condition of the Victorian track, especially for grain—and, as you point out in your submission, most of that is wheat. It seemed that in some areas there would be an advantage in the track going to standard gauge but that perhaps in other areas, as it is not likely to ever carry much else in the way of freight, it would be best to stay with broad gauge. That is just the first blush of what we felt. The cost realities to convert in one fell swoop the whole Victorian system to standard gauge on tracks that perhaps have limited use might prove it to be an expense beyond its justification. I am just interested to hear your views, particularly on the lines that feed into Ararat and on to Portland. Would there be some case for at least having those lines standard gauge so that you could have an integrated system on the western side of Victoria?

**Mr Crosbie**—AWB's position in the past has been that we wanted to see the whole Victorian network standardised. The basis for that position was that we felt that, if we had a standardised Victorian network, it would provide better opportunities for competition above rail; interstate operators can come in off those networks without having to do gauge conversions to broad gauge and the like and incur those costs.

**CHAIR**—But we are told that the broad gauge in some areas is down to 20 kilometres an hour.

**Mr Crosbie**—That is correct. And since then we have seen the Victorian government proceed with the fast rail project and we have seen investment in a whole range of limited areas in different parts of the network.

**Mr McARTHUR**—There is plenty of money for a fast train project but not much money for anything else.

**CHAIR**—With the fast train project, our experience in Queensland in upgrading the tilt rail track is that the whole track has been upgraded—it is not exclusively for the use of the tilt rail, and all freight systems have improved immeasurably as a result of that. Do you have fairly good access to those lines that feed into grain lines?

**Mr Crosbie**—The access at the moment is controlled by Pacific National because it is one of these vertically integrated access regimes. At this stage the Victorian government is going through a process of changing the access regime through legislation to, in their words, provide more open access to the Victorian network. At the present time you cannot get other train operators operating on the Victorian network apart from the interstate ARTC network. Even the standard gauge sidings that feed onto that ARTC network are in the control of the Victorian rail access regime, and therefore Pacific National, at this point. As Ms Gillingham mentioned, to this point it has proved difficult to bring competing trains onto those sidings—indeed, we have only been able to do it where we have had private sidings, such as the siding at Dimboola.

**CHAIR**—Do you have good statistics on the various grain lines in Victoria? Could you tell us where the heavy tonnages are, where the lines that are used fairly extensively are and where the ones that are only used partially are?

**Mr Crosbie**—Only to the limit of our grain being hauled on those lines.

**CHAIR**—Yes, that is what we are talking about. You made another comment in your submission that you could see other freight, including wool, going back onto rail if the system were improved. What other commodities besides wool would you see? You have obviously got this from some of the other peak agricultural or livestock bodies.

**Ms Gillingham**—There has been the activity around mineral sands and woodchips.

**Mr Crosbie**—The issue has been that, when these lines were first established many years ago, just about all commodities were put on rail. Over the years we have seen them come off rail, and go largely onto road, for a variety of reasons—largely economic, service related and so forth. We now have a situation where these regional branch lines are just about exclusively grain. In some

quarters it is being seen that the problem is that of the grains industry. It has really been one of abandonment by other products. Our contention is that, if we did have a viable regional rail network, we could attract some other product back onto the rail—not all of it, but some of it in logical areas. Wool may be one area and perhaps fertilizer another area.

In some parts, of course, governments are looking at trying to regenerate passenger transport. We have not done extensive work on the whole range of other commodities that could go. But our contention is that, if you had a viable network—one that at least had a standard level of service and reliability—then the opportunity would be presented for product to go back on rail, including containers. There is a lot of effort there, and Victoria is an example of that. The Victorian government has a policy to put more and more containers on rail. Again, if it could be viable and the port linkages were correct, you could see more containers go on rail in regional centres.

**Mr McARTHUR**—I commend you on your submission. I have read it very carefully and I think it is a very good submission, but I will challenge the basic thesis of what I picked up while running through your submission. The AWB is saying that there should be plenty of competition by the rail operators and grain-handling authorities. That is on the one hand but I remind you that, on the other hand, you are the monopoly—no-competition—outfit in Australia with a monopoly which is supported by statute, so I find some conflict in the argument as to the monopoly position that the Wheat Board enjoys and what you are suggesting: that we ought to have more competition among everyone else. Would you like to comment on that for starters?

**Ms Gillingham**—As I mentioned in the summary, we certainly see part of our obligation, as part of managing the single desk on behalf of growers, being to minimise supply chain costs. We believe that the advent of competition in terms of rail and some storage and handling has in fact reduced growers' costs by somewhere between \$4 and \$5 per tonne. Yes, we do manage the single desk on behalf of Australian wheat growers but we also compete in a very competitive international market. The global market is a very competitive environment and we certainly believe that, in order to get the best deal for Australian growers for their product, we need the single desk marketing arrangements which provide the growers with a significant advantage in that international competitive market. We also certainly see and believe that, in order to reduce supply chain costs and put more dollars back into growers' pockets, we need to have a level of competition.

**Mr McARTHUR**—Let us have a look at a specific example. As I understand it, the AWB have bought a couple of sidings and grain-handling facilities in Victoria. Some people would suggest that you have been cherry-picking some parts of the grain-handling chain to suit yourselves, given that you have got a monopoly position. Would you care to comment on those forays into grain-handling operations?

**Ms Gillingham**—In fact, we obviously do not have a monopoly position around the domestic supply chain. In fact, we are dealing with regional monopolies. We do have storage and handling companies that are regional monopolies in the main. We have not in many cases seen a lot of investment in that infrastructure over the years. We have not seen a lot of investment either in storage or in the interface with rail. We have seen a storage network that in many cases has ensured long queues for growers at harvest time. Growers would tell us that they could be queuing for four, five or six hours in many cases when trying to get their grain unloaded.

**Mr McARTHUR**—But you would have to agree that the grain-handling operations have improved quite dramatically and that there has been a rationalisation of the grain-handling authorities across the eastern seaboard since some 10 years ago. Surely you would agree with that.

**Ms Gillingham**—We have seen some improvement in grain handling on the eastern seaboard. We would like to see more. We would like to see more investment. Where we have seen some changes, we believe we can attribute a lot of those to a level of competition having been brought in. There is also the issue that the 2000 national competition policy commission review of the single desk certainly encouraged the AWB to do more about introducing competition and getting the domestic supply chain to be more competitive.

**Mr McARTHUR**—But, on the alternative side, there is not much competition in which the wheat growers can sell their wheat. This cherry-picking of the rail operators might give you a good price in the short term but it will be to the disadvantage of the longer term operation. If you look at the Western Australian rail operation, you see that one of the successes has been that the economies of scale of the total operation have had a quite good outcome, as I understand it. What would you say to that—that you cherry picked a couple of short-term deals with the rail operators that may be to the disadvantage of the long-term—

**Ms Gillingham**—No, we have always been very happy to enter long-term arrangements with rail operators and to have commercial arrangements and incentives in place for the rail operator where appropriate. We have had contracts where we have encouraged the rail operator to invest in infrastructure at the expense, in fact, of short-term advantage. Our belief is that we have done the best we can in contracting with rail operators to ensure that we do have a long-term view. We have incentives for them to invest in those contracts. Do you want to add anything, John?

**Mr Crosbie**—No, that pretty much sums it up. We have had long-term contracts encouraging the ongoing viability of the rail industry. In the case where we had contracts in New South Wales competing on the New South Wales market, the incumbent operator, FreightCorp, had dropped its standards significantly and raised its prices significantly and there was an opportunity for growers to capture savings and get better efficiencies out of the network by introducing competition. And that has been borne out.

**Mr McARTHUR**—We had some evidence yesterday that grain that got as far as Maroona could go to Portland or to Geelong. The difference was eight kilometres. It was suggested in the evidence yesterday that Pacific National may care to move the grain to Geelong because it would be more economic from their perspective but in terms of the total industry it might be better to send it to Portland. Can you give us a view on that scenario?

**Mr Crosbie**—I cannot comment about the specific costs associated with the alternatives you have described; however, AWB moves grain by what we call the least cost supply chain, the least cost pathway. We look at the total cost of holding the grain in storage, the cost of hauling that grain to respective ports—and there could be competing ports involved, such as the ones you describe of Portland and Geelong—and the relevant port costs associated with receiving that grain at port and loading it onto ships. Each rail company has its own view about the relative merits of one port versus another. In their pricing they look at things like distance. They also

look at turnaround times, access arrangements and how quickly they can get their trains loaded and discharged, and they build that into their pricing.

You could have a situation, and indeed it has happened, where you might have a slightly higher or lower freight rate going to one port location but the port costs and the overall supply chain costs—we call it the site-sea cost, the cost associated with receiving grain at a silo right through to the cost of loading it on a ship—are such that we would take grain by the least cost pathway to one port location as opposed to another. Part of that decision is driven by the pricing that is reflected back to us by the rail operator, the port operators and the storage and handling providers. In the competitive environment they are all competing for the business and they competitively price.

**Mr McARTHUR**—Do you see a problem in the Victorian outlets at Portland, Geelong and Melbourne in that there may be the loop availability at Geelong but not at Portland, and problems with some of those things you talked about, so that you might have a situation in which it was in the rail and handling operators' best interests to send the grain to Geelong and Melbourne and leave Portland out of it? What would you say to that—if it was just not economic to take it to Portland?

**Mr Crosbie**—The grain handling facilities operated in Portland and Geelong are one and the same—that is, GrainCorp—and they have the same pricing. Unless they introduce some differential price between the two ports, that part of the equation would not be any different. The rail operator is going to price based on what is the most economic outcome from their perspective. Indeed, if it more expensive for them to put a train into Portland because of interface issues and so forth, they will reflect that in their pricing. Therefore, you have a pricing signal reflected back to the storage or the port operator to make some investment to overcome that bottleneck or indeed that inefficient connection. They are the sorts of pricing signals you really do need to have in the marketplace so that you can drive investment and make sure we get a more efficient outcome.

**Mr McARTHUR**—You mentioned the standard gauge. We had a lot of evidence yesterday about standardising the freight lines in Victoria. Some of the wheat lines are standardised. Your comment earlier in your evidence was that it would allow interstate competition on the Victorian rail track. Is that your predominant view of why the wheat lines should be standardised?

**Mr Crosbie**—That was our view at the time when we were proposing that the whole network be standardised. Given the passage of time and some of the other investment decisions taken—I mentioned the fast rail project—we believe it is probably unsustainable to have the whole network standardised at this point in time. Indeed, we are realists; it is going to require a mixture of gauges moving forward. Our position in terms of arguing for a standardised network is to provide an environment to encourage above rail competition.

**Mr McARTHUR**—What would you say about standardising the Dunolly-Mildura line to receive a bigger percentage of that grain from the Mallee and the Wimmera?

**Mr Crosbie**—We have not got a firm position but we would not stand in the way of that happening. We think that if that encouraged more product on rail that is a good outcome. We

think it is important that rail's access into ports is open and available so that we do have those options about where you could—

**Mr McARTHUR**—Give us a priority. If \$100 million is available, what is the next line that you would standardise in the wheat areas?

**Mr Crosbie**—I would have to take that question on notice.

**Mr McARTHUR**—Haven't you got a bit of a view? We will not hold you accountable. We had a long debate yesterday about this Mildura-Dunolly line being standardised to give access to the wheat lines. There were a number of witnesses who argued this case quite extensively.

**Mr Crosbie**—My reticence about giving a response to that question at this time is that I am unsure as to whether or not the feeder lines into that Mildura line would also be standardised. We could have the scenario of having a standardised Mildura line and still having broad gauge feeder lines, which no trains could operate on.

**Mr McARTHUR**—Everyone would concede the problem of the feeder lines to the standard gauge. There was a lot of discussion yesterday of standardising a couple of the main gauges. You have got one to Hopetoun and Yaapect. Then if you made another standard gauge into the Mallee and Wimmera, it might just help the movement of grain in the longer term. That was the argument yesterday.

**CHAIR**—Do you have a view on the Dunolly to Maryborough link, which is the missing link, which would allow you to standardise at least the western lines of Victoria feeding into Portland while still retaining the central and eastern lines on broad gauge?

**Mr Crosbie**—We do not have a view about that. We are aware that there has been discussion about the missing link.

**CHAIR**—You are the handlers of wheat. You must know which lines are of most value to you and what tonnage is the most important to you. Do you have a priority for any of these lines to be upgraded? I think you understand the reality. No government—state or federal—is going to put a motser into this overnight, so it is going to have to be a strategic upgrade. Do you have a view on where your priorities lie—which lines are the heaviest carriers, where the greatest efficiencies could be achieved?

**Mr Crosbie**—We do not have a firm view about where investment should be on those lines. We are currently assessing it.

**CHAIR**—Have you ever done a study of them?

**Mr Crosbie**—Not a detailed study that I can recall.

**Ms Gillingham**—We are always obviously analysing the lines in terms of usage and least cost, as was mentioned before. It is certainly something we could accelerate. If it was important to get back to you we would be happy to get back to you with—

**CHAIR**—I am surprised that you do not have a stronger view on this. Your submission seems to be leading to that point and then stops short of it. You tell us about how all these efficiencies could advance the industry. You tell us what is wrong with the network. It is a very good submission in that respect. Then you make some recommendations, but you do not give us any guidance about where your priorities lie when we get outside the area of generality. That is what we are looking for.

**Ms Gillingham**—In terms of individual lines, as I say, I think we would really want to make sure we had done the full analysis of the impact of what that may mean for other lines, what that may mean for other storages, just to be very sure that we understand the full implications.

**CHAIR**—If you could come back to us on that, we would appreciate it.

**Ms Gillingham**—We would be happy to do that.

**CHAIR**—Also, if you have a view on the missing link from Dunolly to Maryborough, we would be interested to know what your view is, because that ties into what Mr McArthur was talking about. If there is one line into Victoria that anecdotally would seem to lend itself to an upgrade, it is the Mildura line, on the basis that it is the longest non-arterial line in Victoria and that there is the possibility of other freight and passenger services on it as well. Then, if you had the missing link to Maryborough, you would have the opportunity of feeding that to Portland on a standard gauge line. So I just wonder, if you have a view on that, if you would like to come back to us on that point.

**Ms Gillingham**—We would be happy to come back. I think we would just like the opportunity to do some analysis.

**Mr McARTHUR**—You might also add your view on the specifics of this loop. We were surprised to learn yesterday that they did not plan to put a loop in at Portland as they have done at Geelong. It seemed to some of us that it was a very retrograde step that they would haul in and haul out rather than having a loop such as the one that has been part of Geelong in recent times. It has made it efficient. You talk about return to growers—that seemed to me a very strong recommendation.

**CHAIR**—Mr Haase and Dr Jensen might like to have a lash at this as well.

**Mr HAASE**—‘Lash’ is a bad choice of words, Chair! Thanks for your evidence. For starters, I would like to know about your understanding of the Western Australian grain collection system. I expect you would have a fairly broad understanding of it.

**Ms Gillingham**—Yes, we have.

**Mr HAASE**—I see from your submission that you raised the issue of either outmoded or insufficient infrastructure for the collection and storage of grain at the various points in the system. What is the Western Australian experience in relation to ownership of those facilities?

**Ms Gillingham**—The Co-operative Bulk Handling company, CBH, in Western Australia, own virtually all the storage and handling facilities in Western Australia. Certainly they are our only



provider of storage and handling in Western Australia. In fact, probably CBH would have some of the more modern storage and handling facilities across Australia.

**Mr HAASE**—How does that affect the cost for growers?

**Ms Gillingham**—The general storage and handling costs in Western Australia would be below those of the east coast. So Western Australia would have the lowest of the storage and handling costs, although they have just gone up recently by seven per cent. But, in general terms, they would be generally considered lower than those of the eastern states.

**Mr McARTHUR**—What do you put that down to?

**Ms Gillingham**—CBH are obviously a cooperative. They reinvest their money in facilities. Their cooperative structure really sets them up to continue to reinvest in more modern facilities.

**Mr HAASE**—As an almost monopolistic entity, they do a pretty good job?

**Ms Gillingham**—Certainly from the point of view of having modern facilities and upgrading those, their general storage and handling facilities are good.

**Mr HAASE**—So to be a monopoly does not have to be a malignant situation? I thought you would be making that very case in your own defence, quite frankly!

**Mr McARTHUR**—Keep going, Barry!

**Mr HAASE**—I think you could perhaps afford to be charitable and suggest that the West Australian receipt, transportation and export system is amongst the world's best practice—I like to give them a pat on the back. In relation to some of the questions asked by the chair, another organisation that I would like to recognise is the Triangle Regional Plantation Committee. They presented us yesterday with a brochure which indicated the current use of road-rail infrastructure for the transportation of woodchips, and projected use for 2009-14. It is a very thorough guide, delightfully colour coordinated, showing which roads carry what tonnage over what period of time.

Having such a study carried out by AWB would put you in a very strong bargaining position, I believe. Reaching that position would give us a real opportunity to hear your views on whether road or rail transport was the optimum situation for a given area and where you would strongly recommend rail. As the chair has already intimated, our job is to collect your strongest preferences and interpret them correctly. In that regard, where does this transport task sit as far as your priorities as an organisation are concerned? What are its inefficiencies, if there are any, and where do those problems sit?

**Ms Gillingham**—As an organisation, and certainly in relation to our management of the single desk, some of our highest priorities in particular would be the issues around rail and some port infrastructure in terms of the sustainability of the grain and wheat industry. In terms of achieving resolution of some of the worst positions that we see in rail infrastructure, off the top of my head, it is hard to think of a higher priority than the domestic supply chain. It is of major significance to us and the industry.

**Mr HAASE**—Therefore you could identify where the worst of those highest priorities were?

**Ms Gillingham**—As I mentioned, we are well into significant analysis of the issues around particular rail and rail lines. I would be happy to get back to you with that detail. We do not have it with us today.

**Mr HAASE**—From a storage perspective, do you as an organisation ever contemplate involving yourself in the construction and ownership of silos?

**Ms Gillingham**—We have, in fact; we have 22.

**Mr HAASE**—Where do they exist?

**Ms Gillingham**—We have 22 on the east coast, in Queensland, New South Wales and Victoria, and four in South Australia. We built some modern, state-of-the-art storages in the early days with assistance in design from our Western Australian colleagues at CBH.

**Mr McARTHUR**—What did the other grain handlers think of that?

**Ms Gillingham**—I would think they were not thrilled by getting a level of competition.

**Mr McARTHUR**—Was it real competition or cherry picking?

**Ms Gillingham**—It is competition where it is appropriate.

**Mr HAASE**—That is a remarkable point, isn't it? CBH is successful in Western Australia because it is across the grain growing region of the state. It is everywhere; it is the only facility. There is no real opposition. I am sure AWB would have liked to have been a real opposition. Nevertheless, I think the outcome as it is it is the best outcome. And I think any opportunism in concentrating other facilities in areas of high productivity can only damage the future for wheat producers in Western Australia. I hold that point of view very strongly.

My concern is that, if you have elected to own those port facilities on some parts of the east coast, why is it not your policy to put in place or to lease from existing owners those facilities necessary to maximise the efficacy of your operation and, therefore, reduce the cost of handling to your members?

**Ms Gillingham**—We have never had a strategy of developing facilities en masse across Australia. Our major providers are the bulk handlers: GrainCorp is our major provider on the east coast, ABB Ausbulk in South Australia and CBH in Western Australia. They are our major providers. We are very keen to get good commercial arrangements in place with those storage and handling providers. On the east coast, where we have seen some advantage by introducing a level of competition that would benefit growers and would—

**Mr McARTHUR**—But how do you argue that case when in your own submission you indicate that there are economies of scale and that these bulk handlers have amalgamated and been through the takeover process? So a large number of grain handlers is now a smaller number

of bigger operators who get economies of scale. You are going counter to that particular thrust, which is exactly what Mr Haase was saying.

**Ms Gillingham**—Only from the point of view, as I say, where we believe competition has been able to deliver benefits to growers. We have seen it in many cases.

**Mr McARTHUR**—What about the competition in the far parts of the Mallee and out at Ouyen? Are you going to put some of your facilities out there where it is a bit marginal?

**Ms Gillingham**—We will only develop facilities where it will benefit growers, reduce supply chain costs and AWB will get a commercial rate of return. From an AWB Ltd perspective, they are investments. They are like any other investment in that they need to be able to deliver to growers and reduce costs and be able to get a commercial return.

**Mr HAASE**—You are a limited organisation.

**Ms Gillingham**—Yes.

**Mr HAASE**—We know about duty of care of directors in companies. Does your constitution allow you to cost-shift to cross-subsidise, or do you believe that you are bound to always maximise the profit of the members?

**Ms Gillingham**—As a normal business we would be running any investment from the point of view of normal business operations. We certainly do not cost-shift, if you like, between any operations we perform for the national pool. Where we purchase services for the national pool from our own company, GrainFlow, which is a storage and handling company, or from GrainCorp or from CBH, those costs will be directly reflected in exactly the same way to national pool participants through the site to sea costs. So our storage and handling company is treated no differently from any other storage and handling company.

**Mr HAASE**—Except, perhaps, CBH. CBH provide the receipt and transportation facilities in the most far-flung points of wheat production in Australia. They also provide those same facilities in the highly efficient, highly effective, profitable or extreme low-cost areas of extremely high and guaranteed production, so there is an across-the-board distribution of service not on the basis of costs but on the basis that they are in fact a cooperative and are providing a service to all of the members.

**Ms Gillingham**—CBH certainly, with their cooperative structure, have had a network approach to their pricing. What has been announced by CBH is that they intend to, over the next 10 years, rationalise that network, and they intend to spend a significant amount of money upgrading a smaller number of super sites. Potentially, that will lead to a rationalisation. CBH have announced a different strategy that they intend to follow in going forward to what they have had in the past.

**Mr HAASE**—Does the AWB organisation have a sector that is concerned with the strategising of freight routes et cetera? Of what concern to your organisation is it?

**Ms Gillingham**—It is a concern, certainly, and we are involved in a number of government related or associated activities that are looking at rail in each of the states. There is a group that includes us, CBH, the rail operator and the Western Australian government and it is looking at the longer-term issues around storage and rail and what needs to happen there in terms of investment. We have been involved with the New South Wales government in discussing particular branch lines with GrainCorp. We have been working with the rail provider and the government to look at how best to handle investment and what needs to be done in New South Wales. We are very active in the area; we take it very seriously.

**Mr HAASE**—So you would have data on the appropriate division between that that is most economic for trucks on road and that which is most economic for wagons on rail?

**Ms Gillingham**—This is part of the ongoing work that we are doing. As part of each of these activities in each of the states that we are involved with, we are doing our own work and are looking at the economics of each of those forms of transport. It is an ongoing process and, as I mentioned before, we are happy to share some of that later on.

**Mr HAASE**—That would be very helpful for our committee, I am sure, and I might share this document from the woodchip producers in the green triangle with you. It might act as a guide for you. It would be most helpful.

**Ms Gillingham**—We would be happy to see that.

**Ms Slack-Smith**—I would like to clarify one point. In relation to the assessment that Ms Gillingham has mentioned, it is work that we have been doing for some time and our plan is to come to government—both state and federal—over the next couple of months to talk about those sorts of issues where we, as the AWB, see priority investment is required by state and federal governments and private industry.

**Mr HAASE**—The next couple of months, you say?

**Ms Slack-Smith**—I would not want to pinpoint a time frame, but that is something we are working on.

**Mr HAASE**—Perhaps, Chair, it would be appropriate for us to look out for those bits of information?

**Dr JENSEN**—I found it quite interesting that you pinned down what sort of axle ratings and what speed you require on the network. Given that, have you actually determined the problems you have got with the rail infrastructure and what it is costing you on a tonne basis?

**Mr Crosbie**—No, we have not quantified the tonne basis. You really do need to look at it on a sector by sector basis, but we have not specified that yet. As was said, the work that Ms Gillingham has been referring to—a number of different quarters are doing that piece of work. From a collective perspective, we do not have all the information and that is why we are working with these other groups.

**Dr JENSEN**—It would certainly be very useful. It would allow the determination of the benefit-cost analysis of each individual rail route in a region and help to determine which regions it would be useful to spend money on and which regions it would not. It might be nice to have somewhere, but there might not be much benefit to it. Which ports are your major bottlenecks?

**Mr Crosbie**—The bottlenecks we have are more timing bottlenecks in the period just after harvest, when there is a great demand for capacity. There is competing capacity—it is not just wheat; it is other grains. We can have queues of ships at Kwinana in Western Australia, for example, in the period just after harvest, when there are a lot of barley ships going out and other ships, as well as wheat ships, competing for space. So it is a matter of timing.

Given that we have 18 or 19 ports around Australia, we do not generally have an overall bottleneck issue from a port ship loading capacity perspective. The bottlenecks that get created are more with the infrastructure behind the ports, such as rail. There are rail pathing issues, particularly in places like Newcastle, where grain is pretty much a poor cousin to coal in terms of priority of pathing because of its infrequency and the uncertainty of the trains arriving in the port area because of the distances they have to travel. So Newcastle is one example where that is an issue.

Increasingly, Brisbane is becoming an issue, and it will become a particular issue for the grains industry should we have a big harvest again—which we hopefully will soon. That is particularly the case with the Toowoomba Range and the pathing restrictions on that range. And the growth of coal is putting a lot of pressure on pathing issues. Again, from the grains perspective, we do not have the volume of grains shipments coming out of a particular port, as indeed coal does. When we do have a ship coming in we are trying to shift grain movements as quickly as we can to minimise the loading time and the waiting time; therefore, you have to access grain paths as and when you need them.

**Dr JENSEN**—So it is more of a timeliness issue than anything else.

**Mr Crosbie**—Yes, it is. In these particular areas there is a general congestion issue from the point of view of other products, particularly coal, being on those lines.

**Ms Gillingham**—The other issue around some of the ports is more relating to the depth and the size of the vessels that we can get in.

**Mr Crosbie**—Such as Panamax.

**Mr McNeil**—There is a general trend for the two larger Panamax vessels—the 70,000 or 80,000 deadweight vessels that owners are now wanting to build. They are wanting to make the vessels beamier and push them up to 80,000 deadweight. For example, in Sudan, which is a big market of ours, there has just been a major upgrade to a 14-metre port and the shipowners will be wanting to have equivalent ports in Australia.

**Dr JENSEN**—So what sort of draughts are you talking about?

**Mr McNeil**—I think the near trend will be to 14-metre draughts.

**Dr JENSEN**—So, depending on the tides, you would need to have—

**Mr McNeil**—You would sail out on about 14½ metres with tide—that sort of thing.

**Dr JENSEN**—Going back to rail, you mentioned some of these rail routes and the fact that, if the infrastructure were improved, you might see use of the rail networks by other producers, such as wool. What I would like you to consider is that these other producers do not come on board. I would like you to have a look at the outlook of five and 10 years in the future if nothing is done about the current rail network. What sort of pressures are you going to have? What is it going to be costing you? We have spoken about timeliness. How much will that be affected? Will you be able to get all of your product to market?

**Mr Crosbie**—It is a real dilemma. If the present situation continues, particularly with regional branch lines, it will not just be us; it will be growers who bear the costs. It is growers who bear the costs in the supply chain of getting their product to market. If the rail network cannot provide the service, it is going to force more and more grain onto roads in bigger trucks. Moving the sorts of quantities we are talking about for big shipments takes a lot of truck movements. You have the trauma and the congestion issues around ports, the road damage issues and the like. The reality is that there will be further waiting time for vessels and there will be increased demurrage costs for growers. Current charter party rates being as high as they are, that could be substantial in terms of ship delays. There is also the issue of whether there really are enough trucks out there to do the task anyway. So it is a considerable worry.

**Dr JENSEN**—It would be useful, once again, to have some numbers on that. Having a look five or 10 years into the future, if nothing changes, what is it going to be and what is it going to cost us versus if the rail is upgraded? It would give us some specifics of the benefit-cost analysis that we can hang improvements on.

**Mr Crosbie**—There are studies, including the one in Western Australia, that do indeed look at those scenarios: what sorts of truck burdens we would be looking at if the rail was to deteriorate further. It would become uneconomical and indeed the above rail operator could choose to leave and not provide a service.

**Dr JENSEN**—The point here is that obviously not only do you have to improve the rail network but also you have to maintain it to a higher standard, which all costs money. If we can balance that up against the improved profitability that you would have with those improvements, it would give us a good solid handle on which way to go.

**Mr Crosbie**—Yes.

**Ms Gillingham**—A lot of this work has been done and is being done around the regional areas. There is a similar study that was done for the Eyre Peninsula in South Australia that looks at rail in that context and the cost of upgrading.

**CHAIR**—On that point, you are all familiar with the Dalrymple Bay experience of not being able to get the ships in and get the coal out. Have you met any circumstances where you have not been able to get your grain to port or have had substantial delays that have taken the edge off the

profitability of that particular series of consignments? Have you had that supply chain problem that the port of Dalrymple has had anywhere else around Australia?

**Mr Crosbie**—Certainly not to that extent, as we understand it from the press, but we have experienced shipping delays in getting grain to port in situations where we have had big harvests.

**CHAIR**—Is that because of the loading facilities at the ports, or because of the feeder systems into the ports themselves or because of the wider feeder systems into the arterial networks?

**Mr Crosbie**—It is generally the feeder systems into the arterial networks and, in some instances—only a limited number of instances—into the port itself. At Newcastle the problem is in getting into the port and the feeder system at the terminal at the port.

**CHAIR**—Have you done papers on the ports that are difficult and on what you believe needs to be done to improve them?

**Mr Crosbie**—We make limited reference in the submission, but beyond that—

**CHAIR**—But a more detailed analysis of each one?

**Mr Crosbie**—Again, these are being picked up in the broader studies that Ms Gillingham talked about.

**CHAIR**—Would you like to come back to us with some detail on that, because that is what it is all about. We have just been to Mackay and Gladstone and we know quite specifically what the problems are there—port connector roads, feeder systems and all sorts of things—but we need to know what the actual physical impediments are to getting your product out. That is what the government wants to know. The government wants to know how to improve the system to get our exports out in a more efficient manner and what part is played by the various components: the arterial road and rail system, the connectivity to the port and the constraints within the ports themselves and in their loading facilities.

Another issue that has become apparent and that we have touched on this morning is to do with the channels to nearly every port that we have been to so far. There is a problem in widening or deepening the channels at just about every one of them. Mackay and Gladstone will need that done in the near future, as will Portland. We will be talking to the Port of Melbourne Corporation today of course. There is a lot of debate in the media about their channels. I will not presume to talk about that until we hear their evidence. Is that something that you find a problem too? Have you intelligence that tells us that the shift to the 60,000, 70,000 or 80,000 tonne vessel is now well established and that there is going to be a lot more of it?

**Mr McNeil**—We can provide evidence from an independent body, Clarksons, which shows what the trend is overall in terms of bulk vessels. We can also tell you that we do at times have to two-port load ships out of Melbourne to maximise the sailing draught for the long distance. So at times, for a vessel loaded out of Melbourne, we would have to top up at Portland.

**CHAIR**—Because you have not got sufficient draughting?

**Mr McNeil**—Correct.

**Mr McARTHUR**—Surely you could add to a couple of these things here today. My question was really about the interface between the port and the grain handlers. The chairman has alluded to that, but could you give us some general comment about it. The issues that strike me are the deepening of the Port Phillip channel and the topping up operation that we talked about yesterday at Portland—that you cannot fill a wheat ship in Geelong or Melbourne. You have draught problems. What about some of the other interface problems of loops and having the ability to discharge the grain through the port system into the ships? Do you have a couple of broad brush views across the eastern seaboard on those issues?

**Mr McNeil**—It does vary location by location. We could provide you with more detail on a specific basis.

**Mr McARTHUR**—That is what the committee are really on about. We have been asked to look at that interface between the port handling and the infrastructure transport arrangements going into the port. So we are seeking comment from some of the operators as to the problems they see and more particularly what solutions they have.

**Ms Gillingham**—We could get back to the committee with the level of detail that the committee are interested in. We can draw on the information we have and the studies we have done and put together another level of detail on the individual ports and their draw zones and connection to rail.

**CHAIR**—Have you got statistics on demurrage causing a substantial increase to the cost of individual consignments? Or, on particular lines where there is congestion, do you have any data on what effect that is having on a per tonne basis on the return to the farmer?

**Ms Gillingham**—We would certainly be able to put some data together. As you would be aware, often demurrage can have a number of different causes and you need to be careful to attribute it appropriately.

**CHAIR**—I understand that.

**Ms Gillingham**—So we would want to be sure that we were attributing the costs appropriately. We can provide some more information on that.

**CHAIR**—When you have a demurrage situation, is it confined to that particular consignment, is it confined sectorally to that subregion of Australia or do you ultimately absorb it across the whole crop? How do you charge the growers? What is the methodology there?

**Mr Crosbie**—Demurrage is part of the net pool return for growers.

**CHAIR**—Yes, but how do you do it? Do you do it generically?

**Mr Crosbie**—We do it across the national pool.

**CHAIR**—Regardless of where it is happening?



**Mr Crosbie**—That is right.

**CHAIR**—So if you have all your demurrage problems up on the Queensland east coast, the whole of the nation would be sharing that.

**Mr Crosbie**—Yes; that is right.

**Mr McNeil**—Where there are sustained port restrictions, such as draught constraints or whatever, we do reflect those back to individual ports, on a port by port basis, through our port cost differentials. On an individual port basis, the relative advantages and disadvantages of those ports are taken up in the cost deductions that we take from growers.

**CHAIR**—We would appreciate some more data on this. This is getting to the core of what we are on about. We have to be able to demonstrate to government just what problems these inefficiencies are causing industry.

**Mr McARTHUR**—I observe that the Australian Wheat Board are the prime recipient of growers' funds, but you are dealing with a couple of third parties. One is the grain handlers and the other is, as we talked about, the rail system, which you do not really have a lot of control over. We would be interested to know where we might see improvements. You have been complaining a little about the lack of competition with the grain handlers, on the one hand, and there has been a lot of commentary on the rail system. The question is, from this committee's viewpoint, how could we improve those two aspects? From your point of view, you do not have much control over it, but you could make some observations on it. You had some comments about the grain handling groups on the eastern seaboard. We want to know how that might be improved over a 10- or 15-year period.

**CHAIR**—I would like to keep this going, but we cannot. We are going to run out of time. We have commitments with the ports corporation this afternoon. When you have got some of that material together that we have talked about this morning, we would like to have your team back again, if you do not mind.

**Ms Gillingham**—Certainly.

**CHAIR**—It may have to be Canberra. Would that be suitable?

**Ms Gillingham**—No, we enjoy Canberra!

**CHAIR**—We would like to talk to you again. I notice that you have all taken notes. In asking you to come back, please do not think for a minute that we were not happy with your original submission. What we would like to do is to take it to the next level. What are the actual impacts? Where is demurrage a problem? Where do shipping channels impede the type of vessel that can come to Australia and, in turn, distribute the Australian crop and so on? Once again, thank you for a very good submission and for coming this morning.

**Ms Gillingham**—Thank you.

**Proceedings suspended from 10.47 am to 11.03 am**

**BRADFORD, Mr Stephen, Chief Executive Officer, Port of Melbourne Corporation****POWER, Mr Brendan, Executive General Manager, Planning and Development, Port of Melbourne Corporation**

**CHAIR**—I welcome the representatives of the Port of Melbourne Corporation. You will not be required to give evidence under oath, but I advise you that these are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and could be considered to be a contempt of parliament. Mr Bradford, you are well known to this committee from your many submissions on rail matters, so we welcome you back again.

**Mr McARTHUR**—We are old friends!

**CHAIR**—As you know, we are inquiring into the matter of arterial road and rail systems and their connectivity to the ports; the impediments within the ports themselves, be they transport or loading; and we have also picked up in the course of our inquiries the matter of channels, which is emerging as a seminal issue in the inquiry. Perhaps you would like to give us a five- to seven-minute overview of your submission, and then we will go to questions.

**Mr Bradford**—Thank you, Chair. Yes, I will make a brief opening statement and then, as you say, take questions. The Port of Melbourne is Australia's largest container and general cargo port. Melbourne handles almost 40 per cent of the nation's container trade, so it is easily the No. 1 port in Australia, and it plays a significant role in the nation's transport task by providing a major international gateway for the transfer of both Victorian and national imports and exports. Significantly, Melbourne is the natural transport hub for south-eastern Australia. It is located in the heart of a triangle that encompasses four of Australia's major states and holds 70 per cent of the nation's population. There are both road and rail connections to South Australia, regional New South Wales and the east coast of the Australian mainland. Melbourne is also the primary mainland port for the import and export of Tasmanian cargo and provides a vital link in that state's transport logistics.

The port makes a major contribution to both the Victorian and national economies. For Victoria this contribution has been estimated at over \$5.4 billion per annum and annual trade through the port is valued at nearly \$70 billion. The port has recorded 14 successive years of throughput growth. In 2004-05 the number of containers handled exceeded 1.9 million TEU. On current growth projections we expect to be at two million TEU by Christmas or early in the new year. The year itself had an 11 per cent growth, so there was a very significant increase, albeit in more recent months there has been a clear indication that imports are slowing with consumer spending, so we would expect next year to go back to more historical levels. In addition to containerised cargoes, the port also handles significant levels of general cargo, liquid and dry bulk cargoes and motor vehicles, both imported and exported. It has a number of modern dedicated facilities for each of these cargo types.

As noted in our submission, the Port of Melbourne Corporation considers the road and rail transport links that connect the port with its catchment area as critical to the current and future

operation of the port. Eighty per cent of the cargo that is handled by the port is delivered to or leaves the port by road. Significantly, this generates approximately 1.2 million truck visits to the port per annum and it is evident that the efficiency of this task requires much improvement. One of the major issues is the incidence of back-loading, the levels of which are currently low. The Port of Melbourne Corporation takes the view that trucks coming into the port with one or two containers should leave with one or two containers loaded to their maximum capacity. If trucks are going through urban areas, they should at least be highly productive rather than there being a high percentage of empty moves. Rail typically moves around 15 to 20 per cent of the port's cargo. Generally this is related to long-haul cargo to or from regional and near-border interstate areas. More recently Melbourne metropolitan intermodal terminals serviced by short-haul rail services have been established and it is expected that as the number of these increases this will improve the percentage of cargo handled by rail. It is noted that the Victorian government has set a target that by 2010 30 per cent of the cargo that enters or leaves Victorian ports should be carried by rail. The current percentage of the port's cargo handled by rail is around 17 per cent. The clear objective of the task is to convert urban containers to rail.

Origin destination studies indicate that 90 per cent of Melbourne's containerised imports are delivered within the Melbourne metropolitan area and that these are mostly moved by road transport. Forty per cent of export containers come from outside the metropolitan region and these are predominantly carried by rail. In this regard regional rail networks are an important link to the port, particularly where these are connected to regional intermodal centres. Importantly, 25 per cent of the port's throughput has its origin or destination in Tasmania. This forms an important part of the nation's freight transport task and should not be excluded from the issues that this committee wishes to consider.

To cater for the continued and future growth in the port's throughput, there are a number of major initiatives that the corporation has and will be undertaking. These are aimed at relieving bottlenecks within the system and improving the efficiency of the port's transport task and access to both the metropolitan and regional road and rail networks. These include the channel deepening project, which is one of the most significant capital projects in this state, and the implementation of the port development plan and its associated commercial strategy to ensure that there are sufficient funds to meet investment in infrastructure requirements. This will also include major investment by private operators. We expect that the port development plan, which is virtually complete, will be available for public comment in the next month or two. It sets the scene for the port commercially and operationally, and it provides a planning strategy to 2035.

The grade separation of Footscray Road project is very important to the port. It is funded by AusLink, of which we are very appreciative, and that includes an allocation of \$110 million. Melbourne Port@L, another initiative of the Victorian government, is the development of a major freight and transport precinct adjacent, and with uninterrupted road and rail connections, to the port area. It commences with the taking up of the land from the soon-to-be-relocated Melbourne wholesale fruit and vegetable markets along Footscray Road. I will pause there and allow the committee to ask questions.

**CHAIR**—Will we be seeing the Footscray Road, the Westgate Bridge and the Dock Link Road areas this afternoon?

**Mr Bradford**—Basically, yes. We certainly will explain it.

**CHAIR**—We want to have a look at the impediments. We have been talking about this since we did the inquiry into rail track in Australia. Although there have been some improvements, we really have not got on with the national system as well as we should have. I would particularly like to look at the Footscray Road project, if we could, this afternoon. Coming back to the broader issue of impediments, you say that the Victorian government wants to put 30 per cent on rail and you also allude to sprinter trains, as I have heard them called—

**Mr Bradford**—Yes.

**CHAIR**—to take the stuff from the port out to some sort of intermodal hubs in the outer suburbs, I imagine. What percentage would you see of that 30 per cent? Let me go back a step. Would that 30 per cent be in and out?

**Mr Bradford**—Yes, of the total container throughput.

**CHAIR**—If we have the sprinter connections to the outer suburbs, to some sort of suburban intermodal hubs, how much of the 30 per cent will be taken up by that, and how much is the arterial track system from regional Victoria into the port? Can you break up that 30 per cent for us?

**Mr Bradford**—In brief, on the current 17 per cent of the port's cargo handled by rail, our performance on regional cargo handled by rail is strong. We have a very good performance.

**CHAIR**—So most of the 17 per cent is the—

**Mr Bradford**—It is regional cargo. The Port of Melbourne has very strong rail links—

**CHAIR**—When you say regional cargo, where is it coming from?

**Mr Bradford**—It is imports coming through the port into the metropolitan area, particularly consumer goods, and exports generated from within the metropolitan hub, which we call 'urban'. To explain it briefly, our rail links to and from South Australia are very strong, so the rail percentage is very high. Our rail links to southern New South Wales are similarly strong and dominate road in that area, and it is the same with regional Victoria. The weakness in transferring more containers to rail is in the metropolitan area. The simple reason for that is that the road system is efficient in Melbourne, and therefore there is a natural cost advantage to use trucks in terms of time and cost. But that ignores the effect on urban areas of trucks coming through urban areas, because Melbourne is a city port. We believe the solution is the establishment of intermodal terminals at various points of the compass in the metropolitan area—at three, in particular. One has been established more recently at Somerton in the north. P&O terminals have now taken over that terminal, and we will link the rail links from Somerton into the port. We see that as excellent news and as supporting the strategy. In time, we believe another terminal will be developed in the Altona-Laverton area to provide that catchment and, in time, another one in the Dandenong-Cranbourne area. That gets the three major—

**CHAIR**—Are they all rail connected?

**Mr Bradford**—They will be rail connected, yes.

**CHAIR**—Who will operate the rail? Will it be done by the terminal operator or will it be subcontracted—do we know?

**Mr Power**—The model at the moment is that either the stevedoring companies or freight operators start in the intermodal terminals and most of the rail operations are the traditional above-rail operators on a contract basis. There are lots of variations to the model, but that is the most likely.

**CHAIR**—Is this getting down to the sprinter train model or is it just conventional rail at this stage?

**Mr Bradford**—You could do it either way.

**CHAIR**—I do not want get bogged down on this, but I would not mind seeing a bit of analysis of that 30 per cent as it is now and then what your projections are in terms of modernising the port and how these things might take place. Also, you have Port Phillip Bay all the way around you. Could you give the committee a bit of an idea of where the port corporation's area finishes.

**Mr Bradford**—The port is the biggest single land-holder in the city of Melbourne. The committee will see this afternoon our land based holdings from the water, which is principally the Swanson Dock area and Appleton and Victoria docks, down to Webb, with some other port land linking that. The channel runs from the mouth of the Yarra River down to Port Phillip Heads. There is a defined channel. Much of it is natural depth but there are sections of it that are draught restricted.

**CHAIR**—And you will be showing us that this afternoon?

**Mr Bradford**—We will show you a map of the bay.

**CHAIR**—You are not responsible for any other wharves in the Port Phillip area other than that specific area.

**Mr Bradford**—No, just the ones in the defined area.

**CHAIR**—Are there other users of the channel further out?

**Mr Bradford**—Geelong shares the channel and the entrance to the bay and then turns left. Geelong—that is, Victorian Regional Channels Authority—are responsible for their own channel into Geelong from that point.

**CHAIR**—I see. Do you have any questions, Mr McArthur?

**Mr McARTHUR**—I was going to open the batting on the channel deepening just to get a broad understanding of where we are at, because that is the current issue.

**Mr Bradford**—The channel-deepening project is a very important one for this state. The port currently has a limit of 11.6 metres of draught at all times. With tide, it can be 12.1 metres. At

the present time, 30 per cent of the vessels leaving the port of Melbourne do so not fully loaded because they would use more draught than 11.6 metres or 12.1 metres with the tide. The container trades, which are affected significantly, cannot use the extra tide because they are basically on a worldwide schedule in their various routes and so they cannot rely on the tidal movements; they have to rely on the actual limit of the draught of 11.6 metres. The port is undertaking a major project—it is well over \$500 million—to deepen the channels to 14 metres at all times. We have put a major study before an environmental panel. The panels came back giving a very detailed and well thought out response of 350 pages and 137 recommendations of issues the port needs to consider. We are currently in the process of preparing for a supplementary EES in the near future.

The most significant event in the port is that on 5 August we will undertake a period of trial dredging—it is a trial; it is not capital dredging—to do two things. The *Queen of the Netherlands*, one of the biggest dredgers to come to this country, will arrive next week. She will do eight to nine weeks of trial dredging in the bay, first of all testing the technology at Port Phillip Heads. Historically, when it needed to be deepened at the heads it had always been blasted. In today's environment, that is totally unacceptable and so we have devised a system with our alliance partner where the *Queen* will, through a drag head, on recommendation of the panel, trial a section of the heads outside the current shipping channel but within the capital area to trial that she can actually do this task. If the vessel could not do that task, why would you interrupt other parts of the bay when you cannot do the front door? We support that, and the trial will show the outcome of that.

The second big issue of the trial is turbidity in the bay. It is a concern. Turbidity is the cloud, the plume, coming behind the vessel when it dredges. That affects the amount of sea light going to the seagrass. If the seagrass growth is affected, that can affect the environmental health of the bay. The environmental models we have on turbidity are theoretical. They must be, by their nature. It has not been measured before. Important tests will be done in the south of the bay and a small test will be done in the north of the bay on our turbidity models as part of us providing information to the supplementary EES.

It is a very important trial. The federal Minister for the Environment and Heritage approved it as a trial two weeks ago, as did the state minister. It is a very significant cost to the port, at \$32 million, but we believe it is a worthwhile exercise.

**Mr McARTHUR**—A question has been raised by another witness about Westernport and the Hastings deep port and access to that. Could you give us a brief comment? The suggestion from some operators is that Melbourne will reach its peak of activity in another 30 years, Victoria will have to seek a deepwater port, and Hastings-Westernport is an obvious choice. It seemed to us, on the evidence given to this committee two days ago, that access to that possible port was limited, to say the least. Would you give us a very brief comment on that scenario?

**Mr Bradford**—Yes. The Melbourne port container facilities have a capacity of seven million containers, and they are currently doing 1.6 million international containers and the rest are Tasmanian, so there is considerable capacity. On current projections, capacity will be reached in about 2035. That could move. The intention is that the next container port would be at the port of Hastings. To implement that port today as an alternative to, for instance, channel deepening, we believe would cost in excess of \$3 billion. The road and rail links to that area are poor, to say the

least, and they would also need to go through a major environmental study to establish that port—which they will do in time, but we say it is not required at the present time.

**Mr McARTHUR**—Why doesn't the \$3 billion capital cost get more of a run in the public domain? That seems to be missed out by the protagonists of the Westernport option.

**Mr Power**—I do not know the answer to your question, but there is another piece of the equation. There is also the considerable additional logistic cost. In a short-term decision, when you look at the role the Melbourne port plays as a gateway port—where it heavily imports to very close to the city—if you did instigate a Hastings option early, you would have an enormous increase in the tonne-kilometres of goods that would have to be moved. Basically, if a vessel went to Hastings, you would have to bring the box and a lot of cases to the west of Melbourne. So the \$3 billion is probably the easy figure. The real hidden cost is the extra transport cost of moving all those goods back into the centre of the system. I have not answered your question—why isn't it getting a run?—but there are other figures besides the \$3 billion that are important as well.

**Mr McARTHUR**—Just as a matter of interest, a couple of witnesses were very strong about access through the eastern suburbs—the development of that part of Melbourne—and therefore we need the port at Hastings. They conveniently overlooked the \$3 billion plus some of these other factors.

**Mr Bradford**—And the eastern suburbs are important to the port but do not dominate in our catchment area. In looking towards Hastings in 2035, you would expect that area to grow so it would provide a natural catchment of sufficient size to make it efficient.

**Mr HAASE**—At no stage will Hastings become the alternative; it will be not only but also.

**Mr Bradford**—It will be an addition, yes. Whilst Hastings is being developed, Melbourne will still do seven million TEU. It is equivalent to saying, 'We will develop a second airport for Sydney and close Kingsford-Smith.' Of course you would not do that.

**Dr JENSEN**—With the dredging, you are going down 14 metres to handle Panamax vessels. It strikes me that what is being done is that you are dredging to meet the current need. Is there any projection for cape type vessels and whether they are going to come to the fore in the future, what sort of time period are we talking about, and how deep the channel would need to go for them?

**Mr Bradford**—Do you mean vessels that take a draught greater than 14 metres?

**Dr JENSEN**—Yes.

**Mr Bradford**—The immediate need for the port is for vessels up to 13 metres, and 14 metres in a 30-year horizon is more than adequate. Projections of vessels greater than 14 metres we would see as remote, but that would also require a change to the Melbourne facilities, because Swanson dock, with its width and length, would become an issue with bigger vessels.

The three beneficiaries of channel deepening are the container industry, primarily; the grain industry, at F Appleton, which we would propose to deepen—we expect the Melbourne grain terminal to put complementary capital investment at landside to facilitate that; and the fuel industry at Gellibrand. But, in the 30-year horizon, we do not see that there is a case at all for going beyond 14 metres.

**Mr Power**—Our dominant vessel going into the future will be the container vessel. Our strategy revolves around about a 300-metre post-Panamax vessel with a draught requirement of 14 metres. The channel will be much deeper than that but it will allow 14 metres. On our best advice we predict that even by 2035 only a small percentage of vessels coming to Melbourne—20-odd per cent—would be vessels of that magnitude. The rest of them would fit under that size. So we believe it is well sized for that planning period.

**Mr McARTHUR**—You are talking about the problem of the height of the container vessels. Apart from the 14-metre depth of the channel, could you comment on the big container ships being restrained by height restrictions or other impediments at Westgate?

**Mr Power**—We are fairly comfortable that the 6,000 TEU range, the 300-metre post-Panamax vessels and basically all of the current builds are of an air draught low enough to fit under the Westgate Bridge. So we are not concerned about oversized container vessels in our planning period.

**Mr McARTHUR**—So that public commentary has no validity?

**Mr Power**—It is not valid.

**Mr Bradford**—None whatsoever. The port is strategically going to develop the Swanson Dock complex, because that is in the best interests of the state. Our second growth area is Webb Dock, which has previously been an international container terminal. It is on the other side of the Westgate Bridge. That area becomes available to the port in 2017. The possibility of vessels that cannot get under the Westgate Bridge arriving before that time I would say is highly remote.

**Dr JENSEN**—On the issue of dredging, how are you going to go about charging customers? Are you going to charge right across the portfolio or are you going to charge just those customers that are using the Panamax-type vessels, where that draught is required?

**Mr Bradford**—The port has put in the public domain a funding model for channel deepening. It consists of four basic elements. The first is that the port receives its revenue from commercial rents of the port, which we propose will remain at a commercial level based on market rates. The second is that the port receives revenue from ships by tonnage dues—we see those tonnage dues increasing by the consumer price index plus possibly up to one per cent, but not significantly more than that. Third, we have recently—on 1 July—introduced into the port an \$8 charge to the shipowner on empty containers coming through the port, as their share of the infrastructure that they are using. We see that increasing by CPI plus maybe one per cent. Fourth, the bulk of channel deepening would be funded by a levy on international containers. At \$33 or \$34 per container Melbourne is currently by far the cheapest container port in this country. We would see a levy being in place of around \$20 on the 30-year life of the project, subject to its final cost, plus CPI. So that is the funding model.



If all that comes to pass after doing a \$500 million capital project, and assuming the other ports in Australia do absolutely nothing in capital development, Melbourne will still be the cheapest container port in this country. So we believe that channel deepening can be afforded by the industry and it should be shared by all users of international containers.

**Mr McARTHUR**—Why is Melbourne the cheapest container port? Is there some fundamental reason?

**Mr Bradford**—Apart from very good management!

**Mr McARTHUR**—You are new management; you have only been there a week!

**Mr Bradford**—There are two reasons. I believe the decision of the previous Victorian government for Melbourne to be a price regulated port forced the port authority to focus on costs and justify fully its expenditure. That has led to a cheapening of prices. If you compare port prices, Sydney, for instance, for our \$33 is \$60; Brisbane is over \$70. So there are big differences. So, firstly, it was the decision to constrain port pricing as well as having to justify prices to the Essential Services Commission, which has now a light-handed approach. And, secondly, there is the advantage that if you are the biggest you have a greater spread of cargo. I have to admit that. But our facilities we believe are efficient and the port considers the users fully.

**Mr Power**—There was a period of seven or eight years when costs were driven out of what was the old port corporation. It was a vertically integrated business with several hundred people in it and, I think, about five years ago it was a body with about 70 or 80 people in it. The costs were just driven out; they disappeared. The regulated model did not fully allow for future investment. A lot of the work we have done in the last 12 months has involved not only building a pricing model to suit the channel deepening but also setting a 30-year plan for the port to understand the total capital we would need for the next 30 years generally and to build that into the pricing model as well. We have both a 30-year physical plan for the port and a commercial strategy for a revenue stream which will fund that investment. I think that is where we are at the moment.

**Dr JENSEN**—Five and 10 years out, what are the areas of major constraint for the port that need to be worked on?

**Mr Bradford**—We believe the port plan, which has the lengthening of Swanson Dock and after that period the return of the rail service to Webb Dock, is critical. We are investing regularly in road and rail infrastructure in the port. The Appleton Dock extension, which we have completed, will open in the next few days. We believe the port has a capital model that will service future demand.

After a record year in this country of 11 per cent growth, and in some months 16 per cent, a lot of industries would struggle with that on a regular basis. The Port of Melbourne has handled it comfortably. The stevedores have performed. The road and rail mix has performed. We do not see a crisis. We see ourselves as strategic managers and planners for the future. The task for us is not only to develop the infrastructure behind the port and ensure that the road and rail

connections are effective but also to take into account urbanisation. People live in areas near the port and we have to consider that trucks on the road are unpopular.

**Mr Power**—A single piece of infrastructure for some form of road connectivity from the port to the west is an issue that we are interested in developing. Picking up on Stephen's point, the biggest challenge for all inner-city ports is the urban interface. A lot of our planning energy is in building a clear understanding of the port environs and the buffering capabilities or issues, so that we can lock in an equilibrium between the community and the port for the next 30 years. Now is the time to do that; it is not only the port but also the transport interface and corridors. While Melbourne is fairly well blessed by road service and rail service into the port, we need to protect not only the port and its environs but also the environment around the corridors against future urban issues. That is where a lot of our focus is at the moment.

**Mr HAASE**—What style of dredging will be used? What is the engineering challenge? Will it involve pumping to landfill or rock-breaker deposits to the side of the channel? What is happening?

**Mr Bradford**—The greatest challenge is the quantity of the spoil—40 million cubic metres—and the percentage of that that is in the south of the channel and the effect of moving that to another section, a designated zone, within the bay. It will not be brought to land. One challenge is the environmental issues surrounding that. The second environmental issue is contamination of the lower Yarra from Swanson Dock to the Westgate Bridge. It has been contaminated due to 100 years of industrial development in Melbourne, and the treatment of that spoil will receive great attention from any environmental panel. We have done extensive studies on that and how we would treat it in the optimum manner for the environment. It is a major project.

**Mr HAASE**—Will you use a combination of dredges: one that can cut its way through hard ground and one that will pump debris?

**Mr Bradford**—The *Queen of the Netherlands* is designed for both, to do both the heads and the south and the north channels. She will be the principal vessel for the task. We are doing studies on the south channel and whether we would only dredge in the period after Easter and before Melbourne Cup Day. Summer is the prime growth time for the seagrass, so we will not dredge in that area at that time. There is a possibility—and this is subject to environmental review—that we will introduce a similar second vessel to speed the task if that is the best option environmentally.

**Mr Power**—There would be another small dredge in and around the port, near berth pockets and things like that. But the technical challenge, as distinct from the environmental challenge, is around the heads, where there are enormous currents and water movements. There are quite large swells coming from the ocean, so the vessel has to be both navigable and safe as well as able to dredge a reasonably hard surface. That is why the *Queen of the Netherlands* has been chosen.

**Mr McARTHUR**—How much of the total channel are you dredging?

**Mr Power**—In terms of the length, I do not have a figure. A small percentage of the total length of the channel has to be dredged and a very minor physical part of the overall bay has to be dredged. That is not to underestimate—

**Mr McARTHUR**—Of the overall channel, are you suggesting that you are actually dredging about 10 per cent?

**Mr Power**—I do not have the figure.

**Mr Bradford**—It is one per cent of the bay. A lot of the channel is undredged because of its greater depth. It has never been dredged and it will not need to be. The key issues are the technical difficulties with the heads and the sediment in the lower Yarra, but the bulk of the job is in the south channel off Sorrento.

**Mr HAASE**—Do you have any evidence from the original dredging experience as to whether there was damage to seagrass?

**Mr Bradford**—Not to our knowledge, but I do not think a lot of evidence was recorded in the past.

**Mr HAASE**—Sad, isn't it?

**Mr Bradford**—Yes.

**Mr HAASE**—Is there any estimate of additional cost being placed on your operations by the impediments of environmental constraints, as opposed to going ahead and doing the job, including blasting rather than getting this super whiz-kid in?

**Mr Bradford**—We would never consider blasting. Environmentally, you could not do that in this day and age. The other option is preferable.

**CHAIR**—What is wrong with blasting at the mouth? You were talking about out at the heads. What is wrong with blasting there? Surely there is no problem there in just shifting rock.

**Mr HAASE**—I am sure you are about to tell us, Mr Bradford.

**Mr Power**—This is a difficult issue. The environmental effects process is not complete and a lot of thinking and work are still to be done in this second phase. Some of the issues around blasting are to do with the impact on mammals and sea creatures and things like that. Those issues have been cited. The main environmental issues are to do with the dredging plumes that exist during the dredging process.

**Mr HAASE**—What is all this about the variation in cost?

**Mr Bradford**—There is a lot of public misinformation about whether the Port of Melbourne is considering blasting. We have made pretty categorical statements, and I would not like the committee to get the impression that we are going to blast the heads. We will not be blasting the heads; we will not be doing that.

**Mr HAASE**—Correct me if you think I am dreadfully wrong, but given that your environmental clearances are still in process I accept that there is no intent by the Port of Melbourne to upset the process and detract from a positive outcome. Can you give me an estimate of the variation in cost in producing this 14-metre clearance 50 years ago versus the constraints of today?

**Mr Power**—I think that piece of work would only be possible at the end of the next phase of the environmental effects process. We would only know what the restrictions and methodologies are for the dredging at that point.

**Mr HAASE**—In your submission you mention your concerns about the lack of rail infrastructure for sending gear west to Adelaide. We have had a lot of information in submissions indicating just how efficient the shipping industry is. If you have something on a vessel, I wonder why you would not send that ship to Adelaide. In a nutshell, can you explain to me your rationale there—or is it simply to maximise the income of the Port of Melbourne?

**Mr Power**—The Australian transshipment argument is a complex argument. Generally, it is to do with the cost of the vessel. That is usually the dominant factor. The attempt by the shipping lines obviously is to have minimum calls, to have their vessels moving more than stopping. For Adelaide, for example, it is quite often cheaper in the through-chain analysis for the vessel to bypass Adelaide and for the box to go back on rail, because there might be 100 or 150 boxes and that does not warrant the call in Adelaide. So a lot of that transshipment logic is around cost optimisation and usually around the biggest piece of infrastructure: the vessel.

From my memory of the paper, the comment on infrastructure in the west was more to do with the local-west connectivity from the port back into the main line systems. There have been some restrictions in the past. I think \$40 million of the AusLink money is going into increasing the capacity between the port itself and the standard gauge main line. It is putting in some more two-way running and some extra holding capacity. That is the issue that I think we were referring to, and that is a good thing for the port and freight transport from Melbourne.

**Mr HAASE**—What is your ranking with other Australian ports as far as tonnage is concerned?

**Mr Bradford**—We do not measure that; we measure our market share of containers, in which we are No. 1. We measure our market share of import and export of motor vehicles: the same. Then, in terms of grain and other cargoes, we are much less—down the pecking order. But we do not compare tonnes, because then you are comparing Port Hedland with Mackay, and to us that is apples and oranges.

**Mr HAASE**—I am always happy to do that, of course!

**CHAIR**—To put it another way, as a general cargo port, how do you compare with Sydney and Brisbane, for example?

**Mr Bradford**—Do you mean in quantities?

**CHAIR**—Yes, volumes.

**Mr Bradford**—We are easily the biggest in containers and No. 1 in cars, but not by a large percentage. For the rest of the cargo—I do not think there is grain in Sydney—in general cargo break bulk, I guess we would be about the same.

**Mr Power**—Even on a national scale, we are small in those break bulk and dry bulk volumes.

**CHAIR**—You quote 1.7 million tonnes. What would Sydney's gross tonnage be?

**Mr Power**—I do not know. I suppose this represents our focus on containers. We very much look at the Australian container volumes and consider ourselves in the context of that. As a port, about 60 or 70 per cent of our business is containers, and automotive follows on. We do a million-odd tonnes of cement as a major cement importer into Melbourne and one to two million tonnes of grain as one of the two or three significant Victorian players. But as a port we never tend to measure ourselves in terms of those dry bulk or break bulk quantities.

**Mr HAASE**—I guess you measure yourself on the basis of what you do best and most.

**Mr Power**—Yes.

**Mr HAASE**—Of course. For a mug punter, what is a TEU? Is it a tonne equivalent unit?

**Mr Bradford**—It is a 20-foot equivalent unit. It is a 20-foot container. So a 40-foot container is two TEUs. It is the international—

**Mr HAASE**—I see. So it is referring to a 20-footer.

**Mr Bradford**—Yes.

**Mr HAASE**—In your submission, in relation to road connections, you mention that you have 1.2 million truck visits a year and that poor equipment and technology standards on trucks make the current efficiency of road transport trips to and from the port low. In your opinion, whose costs are being inflated by that inefficiency?

**Mr Bradford**—Ultimately, those of the owner of the cargo. So our objective in increasing the number of containers carried per truck is driven by urban amenity—making sure the truck is efficient—but also it would naturally reduce the cost to the cargo owner.

**Mr HAASE**—You are convinced of that? You do not see that a one-container truck movement costs half as much as a two-container truck movement?

**Mr Bradford**—No, my point is that if a one-container truck comes into the port it should leave with one container and not no containers. We are looking at the efficiency of the truck. Yes, the truck can carry two containers if it is capable—and if it is only capable of carrying one that is fine—but bring one in and take one out. Do not have an empty leg.

**CHAIR**—Are either you or the government going to attach a penalty if that is not done?

**Mr Bradford**—No, we believe it can be done through industry consultation, working with the two major service providers, the stevedores, through their booking system, and the trucking industry.

**Mr McARTHUR**—Are you making better progress with that booking system?

**Mr Bradford**—Yes. We think the booking system in any port is mandatory.

**Mr McARTHUR**—Is that working well? They do not have long queues now?

**Mr Bradford**—There are no long queues as a result of the booking system. There could occasionally be long queues of trucks waiting for their time slot to arrive. But that is more to do with the efficiency of the truck and when it arrives in the port area. We think truck booking systems are the only way to go in ports. It is a bit like trying to run an airport without a schedule.

**Mr McARTHUR**—Last time we looked at this there was a big problem with queues—there were trucks queued up for three kilometres.

**Mr Power**—The trucking industry is a very diverse and broad industry with a lot of smaller players in it. Stephen referred to the issue of them getting a job for the day. It might be a one-way trip, so they will drive from their origin, come to the port and take a container back. If they only have one or two dock jobs for the day then they might wait in the port for their slot. The efficiency of the booking system is quite high. They allocate a time slot, service the truck in that time slot and get it back out again. But if the sophistication of the truck owner's system is not high enough for him to optimise and make sure he has three jobs for the day, he will be sitting there waiting. That is the waste in the overall system. It is a waste of not only the truck and the labour but also the road that he fills up. A real strategy is to try to ensure that the systems open the market up a little so that many players can see and get access to both-way running. At the moment about 50 per cent of the truck slots into the port are not full, so there is a lot of capacity there that you could fill up with containers, reducing the number of truck trips and taking loads off the road system.

**Mr HAASE**—There are a lot of very small players in the truck transport industry and any attempt to regulate in a manner that was perceived to be heavy-handed would be hugely unpopular with those small operators.

**Mr Bradford**—That is why we have said that we believe it should be done through consultation.

**Mr HAASE**—Do you, for instance, have any restrictions on the parking of trucks on your property in your precincts? I am talking about congestion caused by trucks that are waiting for a load at a time that is not their allotted time.

**Mr Power**—We put a lot of effort into ensuring that if there are people on the site they are parked safely and there are facilities available for them. We service that need even though we would rather it not be there. We acknowledge that it exists and we make sure that it is done safely.

**Mr HAASE**—If I asked your drivers, would they be as charitable?

**Mr Power**—I think they would probably give a reasonably good response to that. We do not issue parking fines and we do not have a heavy-handed approach. To go back to the question of method: a regulatory solution may not work. It is really a matter of thinking through the logistics and opening up the system so that people will naturally get better utilisation of their asset and work better. It is a system thing rather than a pure regulatory solution.

**Mr Bradford**—There are a lot of system issues that will be resolved, in our view, over time and as the port gets bigger. For instance, the truck hours commonly in Melbourne—not exclusively—are 7 am until 4 pm or 5 pm. After that the number of trucks coming into the port and using the facilities falls considerably. There are lots of empty slots. That is not a simple issue to address because, whilst the port is operating 24/7 and the receive and delivery section works two shifts a day, five days a week, where they are going to is often restricted to a day shift. We do not see a heavy-handed solution to that. We think it should be through consultation. As industry in the port grows it will move to a greater two-shift capacity.

**Mr HAASE**—And possibly there will be much more dispatch and receipt in an urban area done outside of what are perceived to be normal business hours.

**Mr Bradford**—Yes. I think you will see the summit and complex, and the ultimate ones that we believe will be developed in the other two areas will provide that facility.

**Mr HAASE**—Evidence has been given to us that there appears to be a great deal of inefficiency with trucks and their trailers waiting on wharf premises to be serviced. It is legendary that it is the most inefficient area of the whole transport system from time to time in various places. I am not accusing Melbourne port.

**Mr Bradford**—I would be surprised by that happening with a booking system.

**Mr HAASE**—I am sure that is the case. I am sure they do not have booking systems in the areas to which I referred.

**Mr Bradford**—I could not conceive of Melbourne without a truck booking system, because you would invite a free-for-all where people would be turning up on the basis of first in the queue. In my days of running a container terminal I think I put in a booking system because at 5 am there were trucks everywhere. You cannot clear them; they cannot all be first.

**CHAIR**—I would like to talk about the broader access to the port, mainly the road and rail systems. We will look at those three immediate road issues today if we can. I am interested in comments you might have on the future of the rail system to the port. Do you see the future being in broad gauge or standard gauge, or in a combination of both? Is there perhaps a case for the immediate area to the north of Melbourne staying on broad gauge and the eastern side going up to Mildura going onto standard gauge? What are your comments on that?

**Mr Bradford**—We believe the port needs to accommodate both gauges, so it should be dual gauge. We are building our facilities to service both.

**Mr Power**—One of the more complex cost-benefit analyses you could do would be to try to work out what level of standard gauge roll-out you need to do in Victoria, and the port probably has not put its mind to that bigger issue. Because we have such a small amount of track within the port, we are able to offer dual gauge.

**CHAIR**—You are physically putting dual gauge in there?

**Mr Bradford**—Yes.

**Mr Power**—Yes, everything is dual gauge in the port.

**CHAIR**—Do you mean pure dual gauge within one corridor, or just joint corridors?

**Mr Power**—It is pure dual-gauge track. All the track is dual gauge and all the turnouts are specially built dual-gauge turnouts so that the port can cater to both gauges.

**CHAIR**—What about grain? Are you using tippers or bottom-release for grain?

**Mr Power**—Again, I am not certain of the technology; I look at the outside of the shed. I think the ABA terminal is bottom dump, but I would not be confident about that.

**CHAIR**—Does your planning for the port take the rail links into the individual operators?

**Mr Power**—We have a negotiated rail strategy with all the port users whereby the port funds the rail to the edge of the lease, essentially, and the common tracks. Before we made our last investment—and I think the port has invested some \$15 million in the last five to seven years in rail—we negotiated to make sure that the systems of the port users and our systems were completely compatible. They pay for what is inside their terminal and we pay for what is outside.

**CHAIR**—You bring the rail system to their gates, so to speak.

**Mr Power**—We do. We fund the signalling and the system work.

**CHAIR**—Are you aware of impediments to the supply of bulk commodities such as wheat to the port?

**Mr Power**—Are you talking about physical or commercial impediments?

**CHAIR**—Physical, structural, the train line itself—we are told that some of the lines are now down to 20 kilometres an hour. Does that have an impact at the port?

**Mr Power**—Again, we have not necessarily put our mind to it. We have worked very closely at the loader end to ensure that the maximum train length can enter the port and be dealt with without a lot of braking, shunting and things like that. So most of our energy has gone to work with them at the end of the exercise. We really have not put our mind to the other side.



**CHAIR**—Do you have a rail loop?

**Mr Power**—No. It is a dead-end track, but it is reasonably efficient. It is not as efficient as a full loop, but it is quite efficient. Our plan is for a 40-wagon train to be unloaded without breaking, basically, and without interfering with any of the other port-rail activity, so it is quite efficient.

**Mr Bradford**—There are 1,500 metres.

**Mr McARTHUR**—I raise the issue of Melbourne being a bulk port. We have had evidence from the Wheat Board. It seems to be a historical situation that Melbourne port takes some of the bulk material. If you look at Geelong and Portland, which are basically commodity operators, in the best scenario why wouldn't you shift the bulk commodities to Geelong and Portland by rail and concentrate your energies on upgrading your container operations?

**Mr Bradford**—That is one side of the argument. The port got into grain eight or 10 years ago. The government at the time elected to build the Melbourne grain terminal at F-Appleton. Portland, Geelong and Melbourne are broadly about equal.

**Mr McARTHUR**—On commodities?

**Mr Bradford**—On grain in tonnes handled. There could be a slight variation, but I think they are roughly similar. We have taken the view that the Melbourne grain terminal is an efficient facility. Therefore, if we can help grow that commodity and give them greater access for exports, we should. Our role is to develop the berth and deepen the channel to allow them to put larger vessels in, which they are giving us plenty of encouragement on. From that, we would expect them to make complementary investment in their own terminal to handle that capacity.

**Mr McARTHUR**—What is your view on the topping up arrangement of some of those bigger vessels that you fill in Melbourne and then have to top up at Portland?

**Mr Bradford**—It is a fact of geography: because the Melbourne channel is constrained, they cannot fully load. We trust that at 14 metres they could fully load or become more efficient.

**Mr McARTHUR**—Let's just take a 20-year scenario. There will be bigger grain ships. This topping up must be an inefficiency in the system. Surely in the long run that is not a good thing.

**Mr Power**—It all depends on the steps in which you go. A 14-metre Melbourne port would probably not be a top-up or a two-stop port.

**Mr McARTHUR**—So that is another reason for making sure you get the channel deepened.

**Mr Power**—Absolutely.

**Mr McARTHUR**—Are you arguing that case?

**Mr Power**—In the economic case that supports channel deepening, while the containers are the dominant beneficiary, we equally argue the benefits to the grain industry and to the chemical

and petrochemical industries from the larger vessels as well, because there are significant savings in the larger vessels.

**Mr McARTHUR**—Does your port see this relativity with Geelong and Portland being maintained over time—that you take about the same and as the volumes grow in Melbourne they will grow in Geelong and Portland at about the same proportion?

**Mr Bradford**—We do not take a particular view on it. We talk to our customers in the grain industry and look to develop the Port of Melbourne.

**Mr McARTHUR**—But your rough view is that it will end up being about the same—there is no counterview?

**Mr Bradford**—I do not know.

**Mr Power**—We do not know and we have not put our mind to it. But there are some natural efficiencies in terms of where grain wants to go. To some extent, as you have probably heard from better qualified witnesses than us, the grain is chasing the cheapest tonne-kilometre and the lowest distance. Melbourne is that for some of the grain that is produced.

**Mr McARTHUR**—It strikes me that Melbourne is basically a catchment for the Riverina and northern Victoria, so it trickles down on the rails just to Melbourne rather than to Geelong and Portland—those are the simplistic logistics.

**Mr Power**—It is an 18th or 19th century radial system that funnels those trades to Melbourne, as it does with some of the intermodal container boxes as well, even going up into the south of New South Wales. The radial system that was originally built goes across the border into the southern parts of New South Wales and naturally allows that trade to gravitate to Melbourne.

**CHAIR**—Is most of that box trade being done by road or rail?

**Mr Power**—A lot of it is by rail.

**Mr Bradford**—In southern New South Wales, it is a high percentage of rail—the odd box. One of the reasons Melbourne has that trade is that it is a very efficient rail system.

**CHAIR**—Stepping outside the port itself, would you like to comment on how Dynon is working in relationship to the port? Since we were last here with the *Tracking Australia* inquiry, have the efficiencies there impacted more broadly on facilities like the port?

**Mr Power**—I think that Dynon is at the start of its planning phase. The Dynon you see today and the operations in that precinct are probably similar to how they have been for a number of years. There have been commercial changes, which have changed labour efficiency and things like that but, in terms of a physical environment, it is quite similar. The Victorian government has a portal strategy—the Melbourne Port@L strategy—which is a major piece of strategic work, which, I think, will plan the next step of the integration of the port with the rail. We are incredibly optimistic that that will produce a fairly spectacular trade outcome; between the Dynon precinct and the port there will be a great outcome. The first step in that is the AusLink

money for the Footscray Road grade separation which starts to give very good connectivity. The rail-road conflicts that occurred at the edge of the port will not be there any longer, and that is an enormous saving. It will also enable us to start to feed ITV or large, heavy axle load or long road vehicles under Footscray Road into the rail precinct. These may even turn out to be non-road registered and high-capacity type vehicles. If you ask the question in 10 years time, you would probably get a very good answer, but it is really at the planning stage now.

**CHAIR**—For these sprinter trains to work efficiently, do they need to come at the end of that process or during that process?

**Mr Power**—Again, there is lots of thinking about this at the moment but, if they are short, double-ended type sprinter trains that feed into the urban system, there is capacity in the on-port terminals that both the stevedores have for that trade to start to evolve. If it gets to the very high levels that are predicted and hoped for, there may be a need in the medium term for specialist terminal facilities in the Dynon area to cater for them, but the port has capacity in its terminals for that to start.

**Mr McARTHUR**—Could you make a comment on the P&O Intermodal Terminal at Somerton? Could you give us a view on whether that is working and helpful to port?

**Mr Bradford**—It is an excellent addition. It was built by a company called Austrak and is based on a principle of a rail siding and a loading-unloading facility in the centre of a hub where the owner of the land is attracting importers and exporters to come in. Therefore, they can quickly move the boxes into the rail siding and then come—usually overnight—into the port and the import is delivered back. It is early days for the concept, but we see it as the future of ports in this country.

**Mr McARTHUR**—Do you think that will help the very issue the committee is looking at—that it can move the rail into the port and out again more effectively than trucks?

**Mr Bradford**—Yes. The committee may wish to visit that site; what is being developed is very impressive.

**Mr McARTHUR**—How much improvement in efficiency do you think you would get once you get to that level of sophistication?

**Mr Bradford**—A considerable amount, because it allows the shipping lines also to put a lot of their empty containers in that area so that, rather than taking a container out, bringing it back as an empty then reissuing it for the same area, you do it from a hub terminal. It has considerable efficiencies in the system. It requires volume.

**Mr McARTHUR**—What is the key to the argument? Is the key to the argument that you put it on rail, it has access to the port then it comes out again, or is it the land area that is a bit cheaper and you have more space to move?

**Mr Bradford**—It is a combination. It also requires volume to work. You cannot do it in a small port; you need a certain amount of volume to make the model work.

**Mr McARTHUR**—Is that working in other parts of the world?

**Mr Bradford**—It is complicated. I keep saying that, don't I? Some of it is driven by urban amenity and road capacity issues. In some parts of the world, there is not the space near the port so, if you can much more heavily utilise your berth and port land by very quickly getting the boxes on the ground and out of the port, you can put much more through your port. If you have to retain everything in the port area, it reduces the ultimate capacity. In some locations in northern Europe and on the west coast of America, it works for a different reason, because they are sort of transshipment bases. I think it will work here; it will be behind the Sydney model. The Sydney model is much further advanced because of the congestion around the Sydney port and the need to get the boxes out. Here it is starting to work because of, to some extent, the vertical-horizontal integration of companies whereby they have control over many more facets of the boxes' life, so their systems can optimise it better. We think there is a good future for it.

**CHAIR**—I would like your view on another comment we heard while taking evidence. Is there a trend with refrigerated containers towards the 40-foot model, or are the 20-foot ones likely to stay?

**Mr Bradford**—That is a bit too technical for us but, from my days in the shipping industry a decade ago, there was a move then to 40-foot reefers. With regard to whether they will take over 20-footers, I think there is also an issue of weight and keeping the cargo at the right temperature. I think one of the shipping lines would probably be best placed to answer that. Australia does have a high percentage of reefer cargo compared to most other trades.

**CHAIR**—That is very good evidence. Thank you for your submission. As always, Mr Bradford, you gave very good evidence. Mr Power, we also enjoyed your submission. We thank you for your frank responses.

Resolved (on motion by **Dr Jensen**, seconded by **Mr McArthur**):

That, pursuant to the power conferred by paragraph (o) of sessional order 28B, this committee authorises publication of the evidence given before it at public hearing this day.

**Committee adjourned at 12.07 pm**