

House of Representatives Standing Committee on Transport and Regional Services

**Inquiry into the integration of regional rail and road freight transport and their
interface with ports**

Submission by the Port of Melbourne Corporation

Introduction

The Port of Melbourne Corporation is pleased to have the opportunity to make a submission to this inquiry.

The Port of Melbourne is Australia's largest container and general cargo port. The port has a significant role in, and makes a major contribution to, both the Victorian and national economies. It handles 39 per cent of the nation's container trade and over 40 shipping lines make more than 3,200 commercial ship visits to the port each year. Annual trade throughput is valued at nearly \$70 billion.

Melbourne is the natural transport hub for south-eastern Australia. Strategically situated, it is currently well serviced by both road and rail connections to South Australia, regional New South Wales and the east coast of the Australian mainland. It is also the primary mainland port for the transfer of Tasmanian cargo.

The port has experienced thirteen consecutive years of trade growth. Annual growth for the 12 months to March 2005 was 12.7 per cent and for containers (Melbourne's predominant trade sector) the rate was 14.0 per cent. In 2003/04 the port handled over 1.7 million TEUs and it is estimated that in 2004/05 this will grow to in excess of 1.9 million TEUs. This places Melbourne within the top 45 container ports in the world.

Although the port has experienced major gains in efficiency and performance during the past decade, the Corporation is acutely aware that the port's performance is also determined by the quality and efficiency of its transport linkages - road, rail and sea.

The Corporation is currently undertaking a major project to increase the depth of its channels to cater for future growth and to accommodate the larger, more efficient vessels now being utilised by shipping lines. Associated with this will also be the corollary land side investment requirements for new and operational improvements to the current transport infrastructure that connects the port to its trade catchment and delivery areas to ensure that trade growth is efficiently and effectively accommodated.

In the context of this, the Corporation has a major interest in the outcomes of the inquiry and the Corporation provides the following comments on the issues raised in the inquiry's terms of reference. The majority of these comments are concerned with how these issues currently relate on the Port of Melbourne's operations and the activities and planning being undertaken by the Corporation to address these challenges.

The role of Australia's regional and arterial road and rail network in the regional freight transport task.

Both road and rail transport are critical links in the supply chains for cargo to and from the Port of Melbourne. Melbourne is centrally (and strategically) situated with respect to Australia's south eastern rail and road network and is well serviced by transport links to regional areas.

An important source of the port's international export cargo is regional and near border interstate areas. Most of this is 'heavy' cargo and transported to the port via rail. This is in contrast with international import cargo, approximately 80 per cent of which is distributed within the greater Melbourne metropolitan region and mostly carried by road.

Origin / Destination studies of the port's **container** throughput have indicated that 90 per cent of import containers are delivered within the Melbourne metropolitan area (ie, within 15-40km of the port. These moves are mostly undertaken by road transport although the role of rail is increasing as rail shuttle services to metro intermodal terminals are established and encouraged. For export containers, approximately 40 per cent come from outside the Melbourne metropolitan region. The significance of rail in the port's transport task increases dramatically as the distance from the port increases.

Currently, a daily long-haul train service runs between the port and Adelaide. Train services also run daily from the Riverina and country Victoria. The interstate services are run on standard gauge, while Victorian regional services are broad gauge.

In competition with road and rail land transport services is the transport of mainland cargo (particularly containers) by ship. This is carried out under the Commonwealth Government's permit program through Single Voyage Permits (SVPs) or Continuous Voyage Permits (CVPs) where it involves international vessels. The trade has two main routes – north/south (Brisbane - Sydney - Melbourne) and east /west (Melbourne – Fremantle). It is estimated that in 2004 the number of mainland domestic and international containers carried was around 80,000.

The interconnection of the mainland road/rail networks with the seaborne movement of cargo to and from Tasmania needs consideration in any examination of the national freight transport task. The operation of the Tasmanian Freight Equalisation Scheme (TFES) provides subsidies to overcome the transport disadvantages faced by Tasmanian importers and exports vis-a-vis their mainland counterparts. Approximately a quarter of Melbourne trade throughput originates in or is destined for Tasmania and in 2003/04 over 375,000 TEUs were moved between Melbourne and Tasmania.

The Corporation sees that there are a number of mostly national issues that need to be examined and overcome if the productivity of road and rail transport is to increase. Of concern for the Port of Melbourne are the difficulties created by different rail gauges (both interstate and intrastate), load capacities on road and rail, rail infrastructure restrictions for double stacking on rail routes, rail infrastructure restrictions and rolling stock shortages for carrying 9'6" and 10' high containers single stacked on some lines, the ownership and access to above and below rail infrastructure assets and the lack of back loading of trucks carrying import containers.

The relationship and co-ordination between Australia's road and rail networks and their connectivity to ports

The connectivity of the Port of Melbourne to the nation's road and rail network is of major importance to the Corporation. These connections impact on the efficiency of the port's

operation and its capacity to handle current and future trade throughput. Additional issues are created by the fact that these connections are made and move through commercial and residential areas that surround the port and they also compete with non port related and passenger road and rail traffic. In some areas there are curfews that also restrict the movement of cargo within particular time limits. These issues create additional transport logistics challenges in near port areas which need to be addressed.

Road connections at the Port of Melbourne

The 80 per cent of the port's trade carried by road results in an estimated 1.2 million truck visits to the port each year. The current efficiency of road transport trips to and from the port is low with, on average, only 1.05 TEU carried per truck visit. Over 200 trucking companies use the port often lacking state-of-the-art equipment and technology. Such inefficiencies, if addressed offer potential to extract significantly higher usage out of existing infrastructure prior to further investment in capacity expansion.

While the port is well served by a road network that provides adequate capacity to service its catchment area, there are a number of local and metropolitan road access improvements that have been identified which will increase capacity. These include:

- **Footscray Road** - The PoMC in cooperation with VicRoads have developed a local plan for freight operations within the Swanson Dock/Dynon precinct. This strategy provides for road freight transport growth in the precinct until 2020 and provides details of timings of local works required. Further opportunities to improve the functionality of Footscray Road for both Port related and through traffic will be explored in conjunction with development of the Melbourne Port@L project. The first stage of this development provides for the grade separation of road and rail at Footscray Road and allows for multiple rail tracks and Port Precinct Vehicles (PPVss) routes between Dynon and the port. Currently, the investigation of broader network issues and solutions, including east-west road capacity are being undertaken by VicRoads.
- **Westgate Bridge** - The Westgate Bridge is near capacity during peak periods. VicRoads are undertaking a review of the Westgate bridge and reviewing other possible capacity solutions to improve east-west road capacity in Melbourne.
- **Dock Link Road** - This provides access for high productivity vehicles to Pacific National interstate terminal at the Melbourne Freight Terminal. Further works are required to allow high productivity vehicles to access the North Dynon Rail Terminal and in the longer term to eliminate rail/road conflict..

Rail connections at the Port of Melbourne

Rail's connection to the Port of Melbourne is via the Inner Western Rail corridor and through the Melbourne freight hub to the north of Footscray Road. A single, dual gauge track crosses Footscray Road, linking the port with the South Dynon Rail terminal and the state and national rail systems. The interstate capital city rail freight network is standard gauge and the intrastate rail network is predominately broad gauge with some standard gauge connections.

Currently, there are a number of physical impediments outside the port which affect the ability of port rail services to connect into the state's rail network. AusLink funding of \$110 million has been allocated for the grade separation of the Footscray crossing (not due for completion until 2009). This investment is needed to provide multiple rail lines into the port and contribute to reaching the State Governments 30% rail share target.

Further funding of \$40 million has been allocated for the installation of a bi-directional rail line between Tottenham junction and the Bunbury Street tunnel at West Footscray, to reduce freight train congestion and improve transit times.

Future rail projects to improve capacity and connectivity include the reinstatement of the Webb Dock rail connection and the upgrading of the West Maribyrnong rail connection. Both of these are broad gauge links and will probably need to be dual gauge in the short to medium term.

As noted above the Victorian Government has set the objective that, by 2010, 30% of the cargo that enters or leaves Victorian ports should be carried by rail. Currently Melbourne is achieving approximately 50% of this target. To achieve this target there will need to be considerable investment and upgrades in rail infrastructure and rail operations. The greatest opportunities to increase rail's share would appear to be:

- in the use of short-haul rail transport of cargo, particularly imports, to intermodal terminals located in and adjacent to the metropolitan area, and
- greater levels of rail transport of export cargo from regional intermodal terminals.

Policies and measures required to assist in achieving greater efficiency in the Australian transport network:

1. Land transport access to ports

While the Port of Melbourne is already linked to an extensive road and rail networks, the following policy measures could enhance the ability of these networks to handle expected trade growth in the long term:

- Investigate the separation of passenger and domestic road and rail traffic from the freight task in high use corridors, including the establishment of dedicated road and rail freight corridors
- Continued support for the establishment of a major freight transport precinct in Melbourne Port@L
- Incentives for improving truck utilisation efficiencies and greater use of high efficiency vehicles, particularly where rail services are not available
- A move toward optimising standard gauge rail throughout Victoria
- Rail access regimes which are simple and transparent
- Enhanced axle loading for road and rail which meet uniform standards across all States

2. Capacity and operation of major ports

The Port provides critical infrastructure of state and national significance and a commitment is need by Governments to support major port developments such as:

- Channel Deepening

The Corporation is currently undertaking a major project to increase the depth of its channels to 14 metres to accommodate the larger, more efficient vessels now being utilised by shipping lines. Already, 30 per cent of the container ships that visit

Melbourne cannot enter or leave the port fully laden because of draught restrictions. Without the planned increased channel depth, future trade growth and the development of the port will be retarded and there will be higher costs for shipping lines, exporters and importers. The project has the in-principle support of the government, shipping lines and the majority of port users and the Corporation has devoted a significant amount of funding and resources to progress the project. Currently, further environmental studies and planning are being undertaken to ensure compliance with Government requirements. When these additional studies are completed the Corporation is confident that the project will be environmentally sustainable and provide benefits for not only the State but the greater hinterland served by the port.

- Melbourne Port@L

The Melbourne Port@L is a long term strategic planning initiative to improve the efficiency of the Port primarily by integrating the Port and the adjacent Dynon rail precinct into a single world class intermodal hub. A Melbourne Port@L Board has been established to progress the concept which will seek to:

- o enhance the road and rail access to and between the rail and shipping terminals
- o use information technology to improve logistics-chain performance
- o reduce the road congestion around the port and free up strategic land around the port for freight related activities
- o encourage growth of outer metropolitan intermodal terminals servicing the port and
- o increase the Port's capacity, including its container terminal capacity at Swanson Dock.

- Grade separation at Footscray Road

As noted above, this project is designed to separate the road and rail intersection at Footscray Road and will provide for significantly enhanced movement of rail traffic into and out of the port. It will also reduce the multiple handling of freight and allow Port Precinct Vehicles (PPVs) to move between the port and the Dynon precinct.

In addition to improvements to be achieved through the development of major infrastructure projects opportunities also exist to secure appropriate service levels provided by port operators through agreements with the Port Authority.

Gains can also be achieved through the greater use of technological improvements in cargo handling in terminals.

3. Movement of bulk export commodities, such as grain and coal

Bulk export commodities are an important but small component of the overall trade handled at the Port of Melbourne and are predominately grain products. The movement of this trade in and out of Melbourne is predominately by standard and broad gauge rail connections and significant investment has been made by the Corporation and the private sector to increase the port's bulk handling, on port silo capacity and transport capacity.

The policy requirements for this trade are similar to the issues outlined above.

4. The role of intermodal freight hubs in regional areas

Competition between ports is not solely related to a port's operational efficiency or size but includes the entire logistics chain that the port is linked to. Competitive advantage is derived from providing the best logistics linkages, as transport operators strive to increase efficiencies, maximise the use of infrastructure and improve customer service.

Recent trends indicate that a significant amount of horizontal aggregation of logistics companies and the vertical integration of logistics chains has occurred. This has included the purchase of trucking and rail terminal operations, particularly in regional areas, the use of sophisticated information and management systems to link all components in the supply chain and control of regional intermodal centres which are linked to these vertically integrated logistics chains.

These trends allow vertically integrated operators to control the transportation of cargo to and from outlying distribution centres to ports. While in some cases this reduces the transport options for exporters and importers there can be benefits in terms of efficiency gains, security and investment in new infrastructure. In addition the use of cheaper land and opportunities to aggregate cargo into single large shipments which can be more effectively transported to and handled at port terminals rather than by multiple trips will allow greater utilisation of existing infrastructure. Other benefits that could be gained include less traffic congestion and lower freight rates for customers of intermodal terminals.

There are a number of regional intermodal freight terminals which are linked to Melbourne. These are established at Merbein (Wakefield), Shepparton (Goulbourn Valley Intermodal Terminal), Griffith (Riverina Freight Terminal), and Bomen (Wagga Wagga). A new development is underway at Wodonga ("Wodonga Logic"), and/or proposed at Mooroopna. Metropolitan intermodal terminals are also established at Altona (CRT) and Somerton (Austrak). Future developments include the Westgate Ports terminal at Altona (SALTA) and the possible establishment of a terminal in the Dandenong region.

5. Opportunities to achieve greater efficiency in the use of existing infrastructure

The Victorian Government in its Victorian Ports Strategic Framework (Nov 2004) has outlined a number of directions for the future development of Victorian Ports.

Framework Direction 1 requires ports to build on existing capabilities and competitive strengths and for the Port of Melbourne this particularly relates to providing support for developments to maximise the use of the Swanson Dock container facilities prior to the development of new infrastructure.

Other strategies under this framework direction include:

- Developing and investing in Melbourne Port@L projects
- Undertaking the Port of Melbourne Channel Deepening Project subject to environmental approvals
- Protecting options to reconnect the rail link to Webb Dock

Investing in improved road and rail infrastructure connections are a major component of the Corporation's future development plans for the port. As noted above there are also benefits to be gained from the further development of metro and regional intermodal terminal facilities and their associated value added services.

An initiative which has particular relevance to this topic is the *Business Activity Harmonisation Study (BAHS)* which is being promoted by the Victorian Freight and Logistics Council, Victorian government departments and others. This study is concerned with the mismatch of operating hours between port container terminals, transport operators, importer/exporters and other supply chain participants. The objectives are to understand the extent of the mismatch, measure the impact on logistics efficiency and to improve supply chain outcomes.

6. The possible advantages from the use of intelligent tracking technology

A major initiative being promoted by the Victorian Government is its SmartFreight Initiatives concept which is designed to create a seamless freight and logistics system for the State. The system will promote integrated Information and Communication Technology based solutions to improve effectiveness and efficiency, particularly with the movement of containers in and out of the Port of Melbourne. The industry is being involved through pilot programs.

The major benefit of these initiatives will be that they will help contribute to effective, timely and transparent information flows between parties in the container logistics chain, thus improving operational performance.

Other opportunities exist with respect to the real time tracking of hazardous cargos in the port supply chain (which will maximise the effectiveness of emergency response in the Port), and there is potential for optimisation of transport efficiencies through increased truck/train utilisation from greater levels of back loading.

7. The role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

The *Port Services Act 1995*, under which the Corporation operates requires the Corporation to ensure, in co-operation with other relevant responsible bodies, that the Port of Melbourne is effectively integrated with other systems of infrastructure in the State.

As noted in the above responses, the interconnection of the port with the regional transport network is of major importance as is the maintenance and improvements to this system to ensure that the movement of cargo to and from the port is efficient and timely.

The Corporation acknowledges the importance of all three levels of government and the private sector in maintaining the regional transport network.

There are obvious benefits to be gained from a national approach to issues such as setting uniform standards for road and rail axle loads, funding of projects deemed to be of national importance, national regulatory environments and their impact on investment, co-ordinating the establishment and regulation of interstate road and rail freight corridors.

State Governments are responsible for managing the bulk of freight infrastructure including the following:

- providing state based policy frameworks which take account of national frameworks
- provide state planning frameworks for development activities
- providing appropriate state regulatory environments (access and pricing)

- invest in new infrastructure and improve existing infrastructure
- seek and promote opportunities for private/public partnerships for major logistics projects
- co-ordinating industry wide initiatives to improve supply chain efficiencies

Local councils also are important in terms of their own planning policies (which sit under the state planning framework). They have an involvement in creating a planning environment which supports port related industries and activities, and the protection of freight corridors.

Private sector involvement in, ownership and operation of the regional transport network, particularly that of rail, has grown significantly in recent years and it is likely that this will continue. The Corporation believes that the future development of the regional transport network will require major private sector investment, which may need to be supported by government initiatives.

Conclusion

The observations made by the Corporation on the broad concepts identified by the Inquiry's terms of reference in this submission relate ostensibly to the impact and relevance of these issues to the Port of Melbourne.

The Corporation sees the interface between the port and the nation's road and rail transport infrastructure as a major component of planning for the long term development and operation of the port. To this end the Corporation is developing a long term port development plan and associated financial strategy. This will take a strategic approach to addressing the transport interface issues that fall within its legislative boundary, and that impact on the port's ability to handle future trade growth.

As noted in this submission, there are a number of initiatives that will be undertaken by the Corporation, or in conjunction with government and/or the private sector, to ensure that the required investment in infrastructure will occur, and efficiencies gains made, to maintain and grow the port's capacity to handle future growth.