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12 May 2005

The Secretary
Transport and Regional Services Committee
House of Representatives
Parliament House
Canberra ACT 2600

By email: trs.reps@aph.gov.au

Dear Sir/Madam

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

We refer to the Committee's inquiry that aims to find ways of achieving greater efficiency in Australia's transport networks, and to examine in particular:

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

Introduction to P&O

The primary business of P&O is the development, management and operation of container terminals. P&O operates 27 container terminals has logistics operations in over 100 ports and a presence in 19 countries. In 2004, a total of 13.8m TEUs (twenty foot equivalent units) were handled at P&O container terminals worldwide.

In Australia, P&O operates in over 30 ports providing container and automotive and general stevedoring in all States and we have container terminals in Sydney, Melbourne, Brisbane and Fremantle. P&O also operates a landside logistics business supporting its container terminal operations. Recognising the increasing importance of rail for the movement of containers to and from the ports, P&O expects to be an increasingly active participant in the development of intermodal operations.

The capacity and operation of major ports and Land transport access to ports

We understand that the principle concerns relate to resource exports. However, we have a concern that issues at certain bulk ports are being taken as representative of the situation at the container ports in which we operate. We have therefore provided a submission to the Exports and Infrastructure Taskforce, which we repeat below.

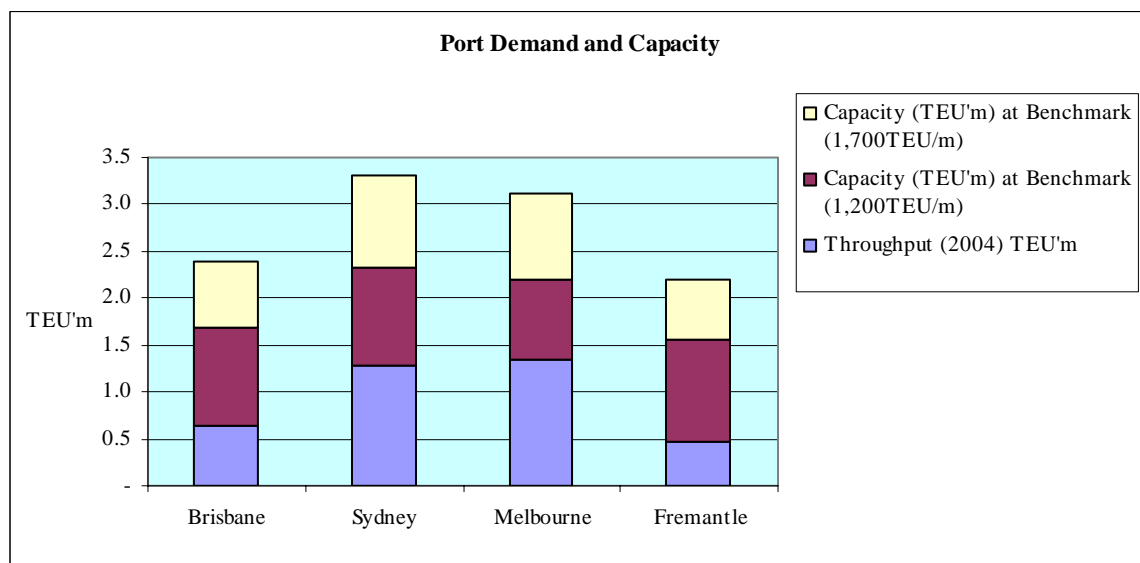
At a national level, Australian container trade is import dominated (i.e. export containers are more often empty than full) although clearly efficient access for container exports and imports is an important element in Australia's overall economic success. Container terminal capacity (including its supporting infrastructure) is a function of:

- Navigation channels and berth access
- Available quayline (or berths)
- Available terminal yard (for the transit storage of containers)
- Equipment levels (and of course manning and systems)
- Container terminal road and rail interfaces
- Road and rail infrastructure and associated container freight station and intermodal facilities

While there are differences between each of the four principal container ports, in no port could the availability of container terminal facilities be currently considered a bottleneck. The Commission of Inquiry into Sydney Ports Corporation's proposed expansion of container handling facilities at Port Botany in Sydney has provided the opportunity for a public debate on the issues of container terminal capacity, which has application at a national level. We understand that the Commission expects to report its findings towards the middle of this year.

At the Commission, P&O presented its views on the issue of capacity of a container terminal supported by a report from Drewry Shipping Consultants, internationally recognized as an expert in this area. Critically, the limiting factor of container terminal capacity is berth length for which a simple metric of berth productivity of TEU per metre of quayline is generally adopted. Supported by Drewry's benchmark study of container terminals worldwide, P&O believes that the capacity of a container terminal in Australia under current methods of operation and in normal market conditions is about 1,200 TEU per metre of quayline. Based upon its experience worldwide and on the anticipated introduction of existing automated technologies to Australia, P&O also believes that a potential capacity of about 1,700 TEU per metre of quayline can realistically be achieved with sustainable performance levels. This capacity development will also be supported by the increasing introduction of larger container ships which can offer significant economies of scale to the stevedore.

Adopting these benchmarks, the less than full utilisation of existing port container facilities is demonstrated in the chart below.



We note that the capacities of Brisbane and Fremantle in the above table are potentially overstated in the context of national shipping line services where the same ships often call at each terminal but exchange less cargo than in Sydney and/or Melbourne. Planning at these smaller container ports needs to reflect these realities. It may also be the case the road and

rail access to each port becomes the limiting factor before capacities of 1,700 TEU per metre of quayline or more are reached.

Average growth in container volumes over the last ten years in each port has averaged 11% in Brisbane, 8% in Sydney, 7% in Melbourne and 11% in Fremantle. Thus the need for expansion of facilities is not pressing but given lead times planning processes are necessarily in place in each port.

It is important to recognize the importance of ship scheduling in the capacity debate. Worldwide, Shipping Lines seek to operate regular, weekly, services and container terminals provide fixed berthing time slots in line with these service schedules. For various reasons ship schedules are currently often not met and from time to time the clashing of ship arrivals can lead to apparent port congestion. It is important to differentiate between these scheduling issues, which can be resolved commercially, and actual capacity.

There are a number of ways in which to manage yard capacity (so as to match berth capacity): through the management of dwell-time (being the time that containers are stored in transit); through alternative container stacking modes of operation (essentially stacking containers more densely and higher); and using off-wharf and intermodal facilities.

The delivery of the quayline productivity and yard capacity increases as indicated above requires substantial investment (in the form of cranes, yard civil works and terminal handling equipment, and rail terminals and truck access and loading areas) from the stevedore. Over the last decade P&O has invested over \$500m in the four capital city ports. While recent growth levels may have been abnormally high, even with more normal levels of growth, this level of investment will be required to be sustained well into the future. This investment will also need to be complemented by substantial investment from the port corporations (varying from port to port) in the navigation channels, berths and supporting port road and rail access.

Critical to supporting such investment, is a clear port planning framework.

In Brisbane, we continue to work closely with the Port of Brisbane Corporation on optimizing the efficient development of Fisherman Islands to realize the full potential of an excellent location. This includes the relocation of cars and general stevedoring activities from Hamilton Island in the near future. We are pleased to see a focus on mid to long term road and rail infrastructure development issues in the South East Queensland Regional Plan.

In Sydney, we look forward to the outcome of the Commission of Inquiry. We continue to support expansion including that in the form proposed by DIPNR ('Option 8'), which is consistent with our views in a number of key areas, as we have represented to the Commission. We also look forward to the outcome of the Freight Infrastructure Advisory Board's review of intermodal options for Sydney and will be making submission to the FIAB in due course. The development of an effective network of intermodal terminals is required to enable the achievement of the NSW Government identified target of 40% of container movements by rail by 2011.

In Melbourne, the delay in a decision on the proposed Channel Deepening is a disappointment, preventing the full economies of scale from the use of larger container ships from being achieved, potentially impacting all of the major container ports in Australia. While the Channel Deepening uncertainty is unhelpful, we understand that the Victorian Government remains fully committed to the project in line with its policy of making full and effective use of the existing less than fully utilised port facilities and infrastructure at Swanson Dock. We consider that this statement of policy echoed by the new Port of Melbourne Corporation now provides a clearer basis to develop appropriate plans and make the investments necessary to deliver the economies of scale that will come from achieving full and effective use of our existing facilities at Swanson Dock. We are also aware that plans are in place to improve rail access to Swanson Dock, the delivery of which is of course required to enable the target rail mode share of 30% to be achieved.

In WA, the WA Government is committed to developing new container handling facilities for Fremantle Ports in the Kwinana Outer Harbour by 2015 notwithstanding the considerable latent capacity of the inner harbour. Draft Strategic Assessment Guidelines were issued in March 2005 and we will be providing comment thereon in due course.

In summary, we do not believe that currently any significant container port infrastructure bottlenecks exist and in each port mid to long term port planning processes are now in place. We are progressing our own expansion plans with three new cranes recently delivered and a further order for up to 14 more cranes delivered over the next five years is currently in preparation. We are presently finalising a significant expansion of West Swanson Terminal in Melbourne and expect to submit a plan for a significant expansion of our Port Botany terminal in Sydney within the very near future. We also expect to further develop our Brisbane facility as part of the Fisherman Islands development plan.

P&O is not generally involved in the stevedoring of bulk minerals such as iron ore and coal. General Stevedoring activities include the export of agricultural products such as cotton and rice the volumes of which have suffered in recent years during the drought. In no general stevedoring port do we currently face infrastructure bottlenecks nor, based on our experience prior to the drought, would we expect to in the near future. In part this reflects the fact that general stevedoring volumes have been in decline for many years following the advent and success of containerization of many cargoes.

P&O is also an automotive stevedore, predominantly handling imported cars in Brisbane, Sydney, Melbourne, Adelaide and Fremantle. We are not currently experiencing infrastructure bottlenecks and planning processes are again in progress with regard to the mid to long term development of the necessary facilities.

The movement of bulk export commodities, such as grain and coal

This is not an area in which P&O is active and we therefore do not provide comment.

The role of regional freight hubs in regional areas

The role of regional freight hubs has been subject to study by a number of shipper bodies. A comprehensive report was published by the Sea Freight Council of NSW in 2004, which examined in detail the role of regional intermodal terminals, the factors that determine whether regional terminals will be viable and the key risks to viability these facilities face. We do not intend to reproduce that report within this document, but instead offer comment to endorse those aspects of the report we believe are relevant to integration with ports.

The report identified six key drivers of viability, three of which are particularly relevant to regional transport and their integration with ports – namely Volume, Distance and Seasonality. For regional intermodal terminals to be viable, the report identified that they need a minimum volume of 10,000 TEU (and ideally up to 20,000 TEU) per annum, be located at least 250 km from the port and, where handling seasonal products, have complementary cargoes to help cover the fixed costs during the off-season. These three viability elements also give rise to the main areas of risk – namely volume dilution through too many terminals in the same catchment area, time sensitivity for perishable and fast-moving consumer goods, and volume seasonality.

In an ideal environment, development of freight hubs should encourage a ‘hub & spoke’ approach to cargo distribution - with rail used to carry cargo between ports and the freight hubs, and road transport used to carry cargo between the freight hub and the local point of origin or destination. Regional freight hubs have the economy of distance to this approach, however, this principle may also apply to metropolitan freight hubs, where economy of volume can overcome the shorter distance.

The key to making either model work is the availability of rail paths between the freight hubs and the ports, so that rail freight is not restricted for pathway access due to conflict with the passenger network. The benefits of adopting the hub & spoke approach are through reduced road congestion in port areas and reduced truck numbers on long distance routes, with corresponding benefits in terms of reduced fuel emissions, road safety, etc. To achieve this outcome will require dedicated freight rail infrastructure so that the conflict with passenger networks for freight trains is reduced, especially within the metropolitan areas on those routes required for port rail access.

Opportunities to use existing infrastructure more efficiently

Making full and effective use of existing infrastructure is a fundamental argument in relation to container terminal development. We believe that the market will be provided with more efficient and lower cost services through the increasing utilisation of the potential capacity of the existing container terminals rather than through the development of additional facilities that will only likely lead to a deferral in the introduction of progressive (automated) technology.

The possible advantages to be gained from the use of intelligent tracking technology

P&O has recently adopted the use of global positioning system (GPS) technology for managing the deployment of its truck fleet. The advantages are mainly in improved productivity and truck utilization, through real time tracking and locating of trucks. This provides real time management information of truck performance, driver working hours, site delays and proof of delivery. Though only recently installed, our intention is to use this technology to optimize container delivery planning and reducing the overall cost of transport for the benefit of our customers.

We thank you for this opportunity to make a submission and hope that the above has provided useful background. Should you wish for further clarification or discussion, please do not hesitate to contact us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tim Blood', written in a cursive style.

TIM BLOOD
Managing Director
P&O, Australia and New Zealand