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By submission portal

Shipping Australia submission: NSW Draft Freight and Ports Plan

1. Role of Shipping Australia Limited (SAL)

Shipping Australia Limited (SAL) is a peak shipowner association with 30 member lines and shipping agents and 50 corporate associate members, which generally provide services to the maritime industry in Australia. Our member lines are involved with over 80 per cent of Australia's international container trade and car trade as well as over 70 per cent of our break bulk and bulk trade. A number of our members are also actively engaged in the provision of coastal cargo services to Australian consignors and consignees.

2. SAL focus – Efficient and effective maritime trade

A major focus of SAL is to promote efficient and effective maritime trade for Australia whilst advancing the interests of shipowners and shipping agents. SAL also provides secretariat services to liner companies and agencies who are members of discussion agreements, consortia and joint services that have their agreements registered under Part X of the Australian Competition and Consumer Act 2012.

3. Introduction

The very first Freight and Ports Plan resulted in the creation of port cities on natural harbours connecting regional population centres to the maritime industry and the world. Today Australia's 'two speed economy', which describes the mining and non-mining sectors of the nation's productive industries, is clearly demonstrated in NSW by the bulk cargo ships leaving the ports of Newcastle and Port Kembla fully laden with raw materials while more than 60% of the over one million TEU of containers exported from Port Botany are empty.

While the bulk sector of the NSW economy continues to progress with increasingly efficient maritime connectivity to regional ports, general goods movement in Australia has been less

efficient, and generally dispersed onto the national highway and intracontinental railway networks whose layout has been generally the same for the last 60 years. The connections to the port of Botany (formerly Sydney) suffer from freight bottlenecks which suffer from car/truck competition and freight/passenger rail prioritisation. In 2017 the quality of Australia's road and railroads infrastructure was ranked 35th in the world by the World Economic Forum.

Containerisation has revolutionised the global trade of general goods over the last 50 years. But the changes required to optimise the use and movement of containerised freight have not been incorporated in the domestic supply chains of the non-mining sector of the NSW economy. As a result, logistical barriers such as non-standardised pallets and inefficient port connections now exist which make it difficult for domestic suppliers to access shipping and to expand into export markets. NSW requires a long-term Freight and Ports Plan that recognises and supports containerisation and utilises the available capacity to support higher value jobs and the state's balance of trade.

By incorporating a focus on containerisation, the six outcomes identified in NSW's Future Transport Strategy 2056 would be addressed:

Future Transport State-wide Outcomes	Containerised goods transport customer outcomes
Customer Focus	Container tracking and monitoring technology is harnessed to provide door-to-door transparency to customers.
Successful Places	Containerisation can maximise the consolidation of the freight task, enabling goods to move more efficiently through dedicated networks to ensure more space for local and vibrant places.
Growing the Economy	<p>Greater utilisation of the container supply chain will integrate the domestic and international supply chains to reduce supply chain costs for productive industries and reduce the construction and maintenance costs of transport infrastructure for the community.</p> <p>Integrating domestic and international supply chains will also strengthen links to export markets.</p>
Safety and Performance	<p>Greater separation of major container pathways will support higher performance and safety with freight bypassing passenger networks.</p> <p>Containerisation can improve the physical separation of transport modes and remove interactions that raise both unnecessary safety risks and negative impacts upon efficiency.</p>
Accessible Services	<p>Incorporating the use of containers in the supply chains of domestic market suppliers provides these producers the best opportunity to become exporters. The increased utilisation of international pathway also fortifies these vital freight corridors.</p> <p>The 2016 Australian Industry Report by the Office of the Chief Economist found that, compared to</p>

	non-exporters within the same industry and jurisdiction, Australian firms that export are larger in measures of employment, value-adding and capital expenditure.
Sustainability	<p>More than 60% of the over one million containers exported from Port Botany annually are empty. Integration of the domestic and international supply chains will maximise the use of port infrastructure assets and the lowest energy intensive transport resource, namely, shipping.</p> <p>The shipping supply chain is resilient to flooding disasters as port connectivity does not require goods to be transported over river catchments.</p>

4. Connectivity of the Port Hinterlands

The port's hinterland is defined by the size of the market area which accesses the port's services. The market area for port services can be widened by investing in infrastructure connections to the port and improving facilities for road and rail to develop intermodal services and systems to support freight and port connectivity. With greater connectivity to ports more freight would be carried by sea reducing the load on some of NSW's interstate networks.

Greater connectivity is provided by dedicated connections that separate heavy freight movements. Better separation of freight and passenger trains is a key focus of the Freight and Ports Plan and SAL considers this would be further improved by giving higher priority to the completion of the Maldon to Dombarton railway line. Without completion of this rail link the increased demand for commuter services on the southern line, which will be given priority above freight, will force more freight movements between Port Kembla and southern Sydney onto the road network.

Port connectivity is also improved by optimising the existing capacity. The container rail interface at Brotherson Dock is currently operated on the basis of dedicated service windows for individual stevedores. The opportunity to implement a cooperative service model like the Hunter Valley Coal Chain Coordinator might enable optimisation of the rail line for the benefit of all parties.

5. Integration of Domestic and International Supply Chains

On average, three container ships call at Port Botany every day and almost all of these are destined to another Australian port. As over 600,000 TEU of the containers loaded onto these vessels annually are empty, SAL contends that the opportunity for the NSW Freight and Ports Plan to achieve the outcomes of the Future Transport Strategy 2056 lies in the utilisation of these empty containers in coastal shipping.

This utilisation will require a new focus for integration not just between transport modes, but of the domestic and international supply chains. A forty-year Freight and Ports Plan would challenge the present-day perception that the coastal shipping services provided by international vessels are uncompetitive with rail due to the service risks of:

- a. less reliability,
- b. lower service availability,
- c. longer pick-up and delivery times.

The six outcomes sought in the Future Transport Strategy 2056 are readily achievable by actions that will facilitate greater integration of the domestic and international supply chains and address the perceived service risks of coastal shipping.

a. The service risk of ‘less reliability’ than rail can be addressed by focusing on the Strategy’s commitment to:

- Managing a resilient transport system

Shipping supply chains are largely immune to disaster events such as flooding. Investment in port connectivity to maintain this network is a much less expensive option than infrastructure investments to maintain landside connections across flooded catchment areas.

b. The service risk of ‘lower service availability’ can be addressed by focusing on the Strategy’s commitment to:

- Optimising the network and better using existing infrastructure

The lower service availability of shipping is partly a regulatory problem as an average of 3 container vessels call Port Botany daily. The current cabotage laws for shipping do not fit the multi-consignment nature of container liner shipping and the Freight and Ports Plan should anticipate this will be corrected in the future. This change together with the recent changes to competition law will dramatically increase the availability of services based on network capacity and infrastructure which already exists.

c. The service risk of ‘longer pick-up and delivery times’ can be addressed by focusing on the Strategy’s commitment to:

- Developing the digital network

Within the digital network the pick-up and delivery times of containers will be reduced as shipping containers are monitored in real-time and intermodal transitions are increasingly coordinated.

6. Port competitiveness

Although cost is not a service risk where rail purports to be more competitive with shipping (“on the East West corridor, sea rates are already around 40% cheaper than their rail competitor”¹), it is necessary for ship port call costs (fixed costs) to be decreased in order for ports in NSW to attract shipping services.

Legislative reform is required to reduce the fixed costs of ship port calls, and in turn to ensure the competitiveness of port services and enable the incorporation of emergent technologies. An example is in Victoria, where pilotage is open to competition leading to the entry of a new innovative pilotage service. In another example, the Finnish Government is in the process of amending the Pilotage Act to allow for data sharing that will enable remote pilotage.

Container ships are attracted to Port Botany because the fixed costs are recoverable from the large volume of containers being exchanged which is a function of the size of the population and the extent of the Port’s hinterland. The benefits of this economy of scale and the fact that

¹ Freight on Rail Group, Coastal Shipping Reforms: Discussion Paper - May 2017
www.forg.com.au/LiteratureRetrieve.aspx?ID=171876

almost all international liner shipping services call at Port Botany provide it the opportunity to operate as Australia's central container port hub. According to the Regional NSW Services and Infrastructure Plan, however, Port Botany has a connectivity risk that threatens such an aspiration: "Freight operators will look to more efficient ways to move to alternate global gateways, be they in NSW or interstate, to avoid the complex Sydney transport network".

Redirecting exports to other states is not an option that the Freight and Ports Plan should contemplate. Such an action would reduce the competitiveness of the state's ports, shirk the responsibility of sustaining the population and forego the economic benefits of connectivity to global markets. The complexity of the Sydney transport network should be addressed by increased port connectivity enabled by investment in east-west rail capacity from the inland regions to the ports.

Inter-port competition gives customers more choice; therefore, lease arrangements which restrict competition between private NSW ports should not be supported and should be reviewed by national regulators. The current arrangements have eroded the competitive landscape by leasing Port Botany and Port Kembla to a single interest and the imposition of a cap on the number of containers which can be throughput at the Port Newcastle before compensation is payable is such that it is probably not viable for the port to develop a container terminal.

The most expensive component of a shipment from the NSW hinterland to a destination in China is the transit from the packing shed to onboard the vessel at the NSW berth, demonstrating how uncompetitive and difficult it has become to develop new markets. This point is further emphasised by the fact that the cost of moving a container onto a vessel at a New Zealand wharf is half the cost of doing it at Port Botany.

7. Area to Investigate

In 2005 the Standing Committee on State Development considered the possibility of using barges to transport containers between NSW ports and concluded that, while the initiative had merit, the higher priority for ports was the connectivity to the hinterland. SAL considers an investigation into the utilisation of barges to carry containers on inland waterways or short coastal hops would be in accordance with the Priority Action Areas 4 and 6 to *facilitate introduction of technologies that reduce freight costs and impacts and ensure safe, efficient and sustainable freight access to places* respectively. A successful example is in the Netherlands where the Heineken Brewery transports 45,000 containers of beer annually on barges from its brewery in Zoeterwoude to the Port of Rotterdam to be exported worldwide.²

8. Draft Freight and Ports Plan Critique

The Draft Freight and Ports Plan lacks definitive metrics to determine how and when the priority actions would be achieved. A new efficiency and productivity measurement which SAL would suggest to the NSW Freight and Ports Plan is to aim to bring the number of empty containers exported on vessels destined for another Australian port to zero by 2056.

The six priority action areas of the Plan also appear to diverge from the six outcomes identified in the Future Transport Strategy 2056. The six priority action areas make no reference to the

² <http://www.theheinekencompany.com/sustainability/case-studies/green-corridor>

current Federal Inquiry into National Freight and Supply Chain Priorities and pre-empting the release of the national strategy appears contrary to a national and integrated approach to freight and ports. Priority Action Area 2 reflects options to expand the road and rail networks in order to improve connectivity but does not expound options for port connectivity and integrating the domestic and international supply chains.

If the Plan does not clearly define and fully address the identified strategic outcomes, or if it limits how the identified strategic outcomes will be achieved, it will be a missed opportunity to increase supply chain efficiencies and lower freight compliance costs to in turn decrease the competitiveness of exports and increase the cost of living for the people of NSW. A sound plan will provide the necessary confidence required by business for investment and will give the guidance required by employees in the service of the public to use their initiative to work towards the identified strategic outcomes for the next 40 years.

8. Conclusion

NSW is uniquely positioned to be Australia's central hub for shipping containers and the Draft Freight and Ports Plan must ensure businesses and freight customers are able to leverage this natural competitive advantage.

Connectivity of the port hinterlands is crucial to provide access to global markets for the continued improvement of the standard of living enjoyed by the people of NSW. The opportunity to improve the port connectivity of the container supply chain will enable the concentration of freight infrastructure resources, further enabling an increase in the efficiency of trade; free-up resources to diversify the development of infrastructure; increase of the domestic supply chain's resilience to natural disasters and shift the transporting of freight to a more sustainable footing by lowering its energy and emissions intensity.

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