

The Parliament of the Commonwealth of Australia

Efficiency of the Interface between Seaports and Land Transport

Report from the House of Representatives Standing Committee on
Transport, Communications and Infrastructure

April 1992

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CONTENTS

	Page
Abbreviations	ix
Preface	xi
Conclusions and Recommendations	xv
1: INTRODUCTION	1
Terms of Reference and Conduct of the Inquiry	1
The Discussion Paper	2
Studies Undertaken for the Committee	4
Scope of the Inquiry	4
Structure of the Report	6
2: THE IMPORTANCE OF THE INTERFACE	9
Introduction	9
Earlier Reviews and Inquiries	9
Role of the Commonwealth	11
Economic Significance of the Waterfront	11
Significance of Shore Based Shipping Costs	13
Reform in the Stevedoring Sector	16
3: PARTICIPANTS IN THE TRANSPORT CHAIN	19
Introduction	19
Industry Participants	20
Shipping Companies	20
Stevedores/Container Terminal Operations	23
Container Depots	24
Freight Forwarders	25
Customs Brokers	26
The Banks	27
Road Transport Operators	27
Railways	30

	Federal Regulatory Agencies	31
	Port Authorities	33
	Importers and Exporters	34
4:	THE ISSUES	51
	Introduction	51
	Attitudinal Change	53
	Improved Coordination and Interaction	56
	Documentation	62
	Electronic Data Interchange	64
	EDI - Tradegate	68
	The Money Trail	69
	Infrastructure Development	74
	Port Authorities	76
	Conclusion	78
	Attitudinal Change	78
	Coordination/Interaction	78
	Documentation	79
	The Money Trail	79
	EDI	80
	Infrastructure Development	80
5:	IMPROVING INTERFACE PERFORMANCE	81
	Introduction	81
	Improved Coordination and Interaction	83
	The Model for an IEC	86
	Electronic Data Interchange	88
	Infrastructure Development/ Operational Procedures	94
	Documentation/Financial Arrangements	95
	Port Performance Indicator	99

FIGURES

3.1	Letter of Credit Document Flow	28
3.2	Letter of Credit Funds Flow	29
3.3	Import Chain	36
3.4	Export Chain	37
3.5	Contractual Links	38

TABLES

2.1	Shore Based Shipping Costs - Exports	14
2.2	Shore Based Shipping Costs - Imports	15
3.1	Administrative, Regulatory and Financial Activities of Participants on the Waterfront	39

APPENDICES

1.	Conduct of the Inquiry, Evidence and Witnesses	105
	The Inquiry	105
	Evidence	106
	Witnesses	115
	Exhibits	131
2.	Bulk Cargoes	133
	Coal Transport in New South Wales	133
	Grain Transport	134
3.	Alternative Sea/Land Transport Arrangements	137
	Landbridging	137
	Hub Ports	138
4.	Imports - Regulatory Bodies	141
5.	BTCE advice on Port Performance Indicators	143

ABBREVIATIONS

ABA	Australian Bankers Association
ACS	Australian Customs Service
AOTC	Australian Overseas Telecommunications Corporation
AQIS	Australian Quarantine Inspection Service
BTCE	Bureau of Transport and Communications Economics
CBA	Commonwealth Bank of Australia
cif	cost, insurance, freight
CMI	Committee Maritime International
EDI	Electronic Data Interchange
EDICA	EDI Council of Australia
EDIFACT	EDI For Administration, Commerce and Trade
FCL	Full Container Load
fis	free into store
fob	free on board
GEIS	General Electric Information Services
IEC	Interface Efficiency Council
INCOTERMS	International Chamber of Commerce agreed terms of trade
IPA	In Principle Agreement
ISC	Inter State Commission

LCL	Less than Container Load
NRC	National Rail Corporation
NVOCC	Non Vessel Operating Container Carrier
PLO	Port Liaison Officer
PPI	Ports Performance Indicator
PSA	Prices Surveillance Authority
PWCS	Port Waratah Coal Services Ltd
PMA	Port of Melbourne Authority
RMD	Release on Minimum Documentation
teu	twenty-foot equivalent unit

PREFACE

This report deals mainly with the movement of containerised cargo through Australia's major ports.

It follows over 10 years of widespread criticism of the performance of the waterfront. Criticism that has concentrated on the movement of goods across the waterfront to the exclusion of the remainder of the landside journey to the warehouse of origin or destination.

The performance of the waterfront had to be improved and action to achieve that improvement is underway.

However, almost eight years after the extravagances and inefficiencies of the transport chain from the warehouse to the wharf began to be exposed little has been done to remove them.

Responsibility for this failure rests squarely on the shoulders of importers, exporters, transport chain participants and their respective industry organisations.

The course of the Inquiry revealed an appalling apathy, ignorance and inertia on the part of users of waterfront services.

Participants along the chain have each operated within their own discrete worlds without regard to the impact of their actions on the overall efficiency of the chain.

Much of the evidence presented to the Committee had been heard before by either the Webber Committee on Shore Based Shipping Costs in 1984/6 or the Interstate Commission during 1986/9.

One reason for the apathy could be a lack of awareness of the individual costs of each service utilised. This arises from the absence of a direct commercial relationship between importers/exporters and the service providers.

Alternatively it may be that despite all the rhetoric from some industry organisations individual firms did not see waterfront costs as a priority.

The Australian Shipping Users Group in its response to a question relating to the 'ignorance displayed by the importers/exporters community' said:

It is not a case of ignorance/disinterest as much as a question of priorities. Individual firms do not see the waterfront as a key issue compared with other more pressing problems (maintaining sales, avoiding industrial disputes) and so do not accord it, or its problems, a high priority.

This may also explain why in many firms people responsible for transport decisions are well down the totem pole.

Whilst improved efficiency, reliability and lower transport costs may not be a priority for individual firms, taken collectively, they are major issues in helping Australia become more competitive in domestic and international markets.

The federal government does not have legislative power to make the changes required to improve the efficiency of the interface.

State governments have some power through control of ports and land transport.

However, the onus of ensuring the efficiency of the interface improves falls very much on the users of waterfront related services.

Given the major improvements in waterfront performance since the Inquiry began it is important to see that the resulting benefits go to making Australian products more competitive overseas.

The same goes for interface improvements.

Shippers and Importers will need to be vigilant to ensure that the benefits do not go to the pockets of the shipping companies and port authorities.

Port pricing will be of considerable importance and there will be a temptation to push up the rate of return on Port assets, to in effect, use Port authorities as a de facto tax gatherers.

Ideally, the primary role of port authorities should be to facilitate trade and commerce.

The Inquiry has been broad ranging and well supported by the States, port authorities, industry and unions, albeit belatedly in some cases.

It has been demanding of Committee Members time. I thank them for their support especially members of the subcommittee.

Hopefully the work of the subcommittee and the contents of this report will generate actions to substantially improve the efficiency of operations of the interface between seaports and land transport.

The result will depend on the attitudes adopted by the participants along the chain from the warehouse to the wharf.

Later this year the Committee will conduct a public seminar on the recommendations of the report and provide a further report to the Parliament.

I thank officers of the Department of Transport and Communications for their cooperation in responding to the subcommittee's numerous requests for additional information and I especially thank Mr John Jenkins and Mr Martin Cotton for their professional assistance throughout the inquiry.

Completion of the report would not have been possible without the dedication and persistence of Committee staff, Chris Paterson, Les Dunn and June Murphy.

PETER MORRIS MHR
Chairman

CONCLUSIONS AND RECOMMENDATIONS

The Issues

The Committee concluded that the major issues to be addressed to improve the efficiency and performance of the sea/land transport interface are:

Attitudinal Change

- . the need for interface participants to examine how their operations could be adapted to increase overall interface efficiency.

Coordination/Interaction

- . absence of effective communication and flexibility within transport chain operations resulting in a lack of reliability.
- . participants claims that the responsibility for inefficient operations always lies elsewhere.
- . the lack of participation by importers and exporters in the decision making process.

Documentation

- . the need to streamline, simplify and standardise documentary formats (some of which has already been done).
- . that the manner of use of documentation by industry participants is as much to blame as the documents themselves.
- . the introduction of EDI should be accelerated and documentary redesign should be completed prior to conversion to EDI.

The Money Trail

- . requirement to sight the original bill of lading hinders cargo release.
- . failure of the banking and the shipping industries to effectively promote alternatives to the bill of lading and letters of credit, such as the sea way bill.
- . the need to simplify the international trade financial transaction process.

EDI

- . ensuring compatibility and connectivity between EDI systems.
- . creation of domestic and international standard message formats.
- . small business concerns with access to and cost of EDI systems.

Infrastructure Development

- . the requirement for examination of all measures to improve efficiency prior to infrastructure development.
- . a lack of overall planning in infrastructure development.

paragraph 4.89

Recommendations

Improved Coordination and Interaction

The Committee recommends that:

Interface Efficiency Councils be established, initially in the ports of Sydney and Melbourne, to facilitate the efficient movement of cargo to and from those ports and to formulate policy in relation to the port interface.

paragraph 5.18

Electronic Data Interchange

The Committee recommends that:

- (a) the Minister for Shipping and Aviation establish a working party comprising the Department of Transport and Communications, the Department of Industry, Technology and Commerce, Austrade, Tradegate, EDI Council of Australia, Australian Customs Service and Australian Quarantine Inspection Service to coordinate the introduction of Electronic Data Interchange;
- (b) the Minister for Shipping and Aviation report to the Parliament on progress of the working party in twelve months;
- (c) Interface Efficiency Councils in association with Tradegate and the EDI Council of Australia undertake to educate industry participants of the benefits of electronic messaging;
- (d) the Australian Quarantine Inspection Service and other government and regulatory bodies information exchange systems be aligned as a matter of priority with the Electronic Data Interchange systems being developed by the Australian Customs Service; and

- (e) Electronic Data Interchange systems be introduced into rail networks, and that these systems be compatible with current sea/road Electronic Data Interchange systems.

paragraph 5.34

Documentation/Financial Arrangements

The Committee recommends that:

- (a) The shipping and banking industries should accept a formal responsibility for promoting the greater use of seaway bills and simpler alternative documentation;
- (b) the Australian Government should take a more internationally proactive role in initiating necessary alteration to international trade and finance documentation; and
- (c) standard import and export documentation be introduced for all ports.

paragraph 5.51

Port Performance Indicator

The Committee recommends that:

The Bureau of Transport and Communications Economics produce a six monthly Port Performance Indicator on sea/land transport interface efficiency.

paragraph 5.58

1: INTRODUCTION

1.1 Few segments of the Australian economy have been subject to as many inquiries and as much attention from governments over the years as the Australian waterfront. Major improvements in stevedoring efficiency rates are now being achieved after the recent reform efforts. The stevedoring sector itself is but one short segment of the transport chain involved in moving goods from the ship to the importer and from the exporter to the ship.

1.2 Links to and from the waterfront - the interfaces with other means of transport - are equally important to the overall efficiency of Australian freight transport. Yet these links have not been subjected to the exhaustive inquiry process that the stevedoring industry has endured. Without an efficient network of linkages between the waterfront and other means of transport, the benefits arising from the waterfront reform process may be dissipated.

Terms of Reference and Conduct of the Inquiry

1.3 On 27 June 1990 the Chairman wrote to the then Minister for Transport and Communications, the Hon Kim C Beazley MP, seeking a reference on the efficiency of the interface between seaports and land transport. The following reference was received from the Minister for Shipping and Aviation Support, Senator the Hon Bob Collins, on the 24 July 1990:

to inquire into and report on the appropriateness, efficiency and performance of the interface between seaports and land transport.

1.4 The inquiry was advertised in metropolitan daily newspapers on 28 July 1990. A subcommittee of five members was appointed to conduct the inquiry. The Committee received 87 submissions and took evidence at 14 public hearings - in Melbourne, Sydney, Wollongong, Canberra, Perth, Newcastle, Adelaide and Brisbane. The subcommittee also inspected the ports of Melbourne, Botany Bay, Port Kembla, Fremantle, Newcastle, Adelaide, Brisbane and Yamba.

1.5 Details of the conduct of the inquiry are at Appendix 1.

The Discussion Paper

1.6 The Committee released a Discussion Paper in August 1991. The Paper, *'Inquiry into Land Transport Interfaces with Sea Ports - A Discussion Paper - Issues and Options (From Warehouse to Wharf)'*, covered issues and posed questions designed to obtain considered responses from the industry and other interested parties to those issues. The Paper was designed to focus the industry on the problems which had been identified by the Committee during the inquiry. Issues canvassed in the paper were based principally on the submissions received and information gained through the lines of questioning pursued by Members at public hearings.

1.7 In particular, the Paper examined the activities of transport chain participants, focusing on their roles, individually and collectively. Views were also sought on:

- . the need for more effective coordination of the transport chain and the best means of achieving this;
- . Electronic Data Interchange (EDI) issues and the question of improved documentation procedures;
- . the need for infrastructure investment, and methods by which this might be funded;
- . bulk cargoes;
- . alternative port/land transport arrangements, including the prospects for land bridging; and
- . procedures for international financial transactions.

1.8 The importance of considering the entire transport chain to and from the waterfront has now been recognised by industry participants. The Discussion Paper prompted considerable discussion and debate within the media and the transport chain community (Australian Financial Review; 3 March 1992; Daily Commercial News; 12 February 1992:6). This discussion

and debate has been positive. It has resulted in a heightened awareness of problems along the transport chain among participants and helped create the environment necessary for change to occur.

1.9 Responses to the Discussion Paper have been an important input into the drafting of the final report.

Studies Undertaken for the Committee

1.10 The Committee sought information from the Bureau of Transport and Communications Economics on cost factors associated with the sea/land interface. The Bureau has produced two papers - '*Shore Based Shipping Costs, a 1991 Update*' and '*The Costs of Uneven Flows of Containers Through Container Terminals*'. The first of these updates information in the then Bureau of Transport Economics' Occasional Paper Number 80, *Shore-based Shipping Costs, Non-bulk Cargo*, of 1986 (Submission 85).

Scope of the Inquiry

1.11 The Committee interpreted the terms of reference widely. The Committee saw scope for an examination of all types of cargo, all ports, the efficiency of both land transport systems and the waterfront in moving goods to and from the ports. The financial, documentary and regulatory processes associated with these movements were also investigated.

1.12 In approaching its task, the Committee has not attempted an in-depth examination of aspects of the interface already receiving priority attention elsewhere. Rather it has sought to shed some light on those areas that may not have been subject to such scrutiny in the reform processes to date.

1.13 Keeping in mind the importance of examining the efficiency of the transport chain as a whole, the Committee has taken the view that the interface between seaports and land transport extends from the wharf to the importer, and from the exporter to the wharf. On the basis of the evidence received, the Committee decided that the key focus of the inquiry should be on containerised, or similarly packed, general liner cargoes. Two other areas received substantive comment in evidence, namely, issues relating to bulk commodities, and possible alternatives to the present port/land transport arrangements for handling cargo. These matters are examined in Appendices 2 and 3 respectively.

1.14 The terms of reference required the Committee to report on 'the appropriateness, efficiency and performance' of the interface. To achieve consistency in applying the terms of reference, the Committee felt it would be desirable to adopt the criteria for efficiency used by the Industry Task Force on Shore Based Shipping Costs, (the Webber Report). The Task Force considered the term 'efficiency' placed emphasis on reduced costs, increased reliability and shorter transit times (Webber Report;1986:11,12).

Structure of the Report

1.15 In the next chapter we outline the rationale for the inquiry. The Committee has drawn on information and conclusions from earlier inquiries on related issues, as well as on its own conclusions on the importance of the waterfront and associated transport modes to the Australian economy as a whole.

1.16 Chapter 3 discusses the role and functions of the large number of players in the sea/land transport interface, describing 'the waterfront in action'.

1.17 Chapter 4 focuses on the major issues raised in the course of the inquiry including:

- . the need for attitudinal change within the total transport chain i.e. among stevedores, land transport operators, freight forwarders, customs brokers, shipping companies and importers and exporters;
- . the need for waterfront users, individually and collectively, to identify and exert their influence or purchasing power to obtain the levels of service that they require from the transport chain;
- . the need for more effective coordination and interaction between transport chain participants;
- . a cumbersome documentary system;

- . perceived problems with the financial arrangements for international trade;
- . confusion over the introduction of EDI throughout the transport chain;
- . infrastructure development; and
- . the need to ensure that there is the environment for ongoing reform.

1.18 Chapter 5 outlines the Committee's conclusions and recommendations.

2: THE IMPORTANCE OF THE INTERFACE

Introduction

2.1 Examination of the appropriateness, efficiency and performance of the sea/land transport interface is a complex task. Before proceeding there is merit in discussing several basic issues. This will provide the context against which problems can be analysed.

Earlier Reviews and Inquiries

2.2 The first major public examination of shore-based shipping costs was the 1984 seminar on Shore Based Shipping Costs organised at the initiative of the then Minister for Transport, the Hon Peter Morris MHR. Following the seminar's identification of serious deficiencies in shore based services, a task force of industry leaders was established to report on ways to improve the situation.

2.3 Reporting in June 1986, the Task Force on Shore Based Shipping Costs (The Webber Report) described the state of shore based services as 'a chaotic situation' (Webber Report;1986:1). Several impediments to an improved sea/land transport interface were identified by the Task Force. It saw a lack of communication among industry participants in the shore based shipping sector as a central problem. The Task Force argued that truck queues were the most visible manifestation of this lack of communication. It also referred to the disparity between the modes of operation of the container terminals and the road transport system (1986:35,43).

2.4 The Task Force also highlighted the absence of a contractual relationship between industry participants (for example between stevedores and road transport operators) as an impediment to improved efficiency (see Table 3.1).

2.5 Sea/land transport interface issues also came under scrutiny as part of the Inter-State Commission (ISC) Waterfront Investigation report of March 1989. Although the bulk of the report centred on stevedoring, the ISC also said that the waterfront needed a land access infrastructure that facilitated efficient operations. Inefficiencies in the provision of land transport to and from waterfront facilities had to be addressed. Modern communications technology needed to be applied to the information flow on cargo movements, and improved cargo documentation procedures were needed (ISC, Waterfront Investigation, Conclusions and Recommendations Vol.1;1989:314,318,321,346,347).

2.6 The ISC also drew attention to the need to strengthen the influence and representation of exporters and importers in waterfront issues (ISC, Waterfront Investigation, Conclusions and Recommendations Vol.1;1989:299). As the Importer/Exporter Panel suggested in its report to the ISC:

Importers and exporters can, in significant areas of their activity, improve their performance in the industry, thus assisting the improvement of the shore-based system to their ultimate benefit (1987:17).

2.7 There is a significant similarity between the issues identified in the ISC and Task Force reports. Both inquiries were concerned with a lack of communication between industry participants, road and rail access to ports, truck queues, port authority functions, improved documentation procedures, industrial relations, terminal operations and an enhanced role for importers and exporters in the management of waterfront operations.

2.8 There has been evidence that some obvious manifestations of the problems identified in earlier inquiries have been alleviated in recent times. The most obvious is the dramatic reduction of truck queues at some ports. It became apparent in the course of this inquiry that many of the underlying problems still exist, and could re-emerge as trade volumes grow if remedial action is not taken.

Role of the Commonwealth

2.9 The Committee acknowledges that State governments have constitutional responsibility for land transport and the operations of port authorities and ports. However, the significance of the sea/land transport interface contribution to national economic performance is such that a national perspective is required.

Economic Significance of the Waterfront

2.10 In its 1988 information paper, *Economic Significance of the Waterfront*, the Bureau of Transport and Communications Economics (BTCE) points out that the waterfront is a medium to large Australian industry that makes a considerable contribution to the Australian economy

(1988:20). Australian Bureau of Statistics figures for 1990 indicate that over 95% of imports and exports crossed Australia's wharves. This represented 74% of the value of imports and 82% of the value of exports (ABS;1991:3).

2.11 Land transport to and from the port was excluded from the BTCE figures, as it was generally not possible to isolate the specific data required for such a study from the total operations of the relevant land transport establishments. If the road and rail transport components of the sea/land interface were added, the sector under inquiry would assume a substantial economic significance in its own right. In this Report, the term waterfront has been used in a broad sense to cover stevedoring, other port related activities as well as the interface with land transport.

2.12 More importantly, however, the waterfront has a fundamental impact on the competitiveness of the other industries that use and rely upon the services provided, and indeed on the Australian economy as a whole.

2.13 The current emphasis on export and import replacement industries highlights the importance of imports in the production process. The waterfront's role as a link in the transport chain for imports and exports is vital to both exporting industries and industries dependent on imported inputs to their production processes. Three quarters of Australian imports are purchased by firms for use as inputs in the production process (BTCE;1988:220). The impact of the waterfront on these industries extends beyond the direct costs associated with the movement of cargo.

2.14 Substantial indirect costs stem from waterfront unreliability, such as disruption to production caused by late delivery of goods and the need to hold larger inventories. The ISC Importer/Exporter Panel pointed out:

The costs of unreliability and uncertainty affect importers and exporters in financial terms at least as much as direct charges. The insidiousness of unreliability is that its impact is largely open ended and outside user control (1987:3).

2.15 With the continued internationalisation of the economy, improvement in land/sea transport interface efficiency is central to Australia maintaining and improving its global trading position.

Significance of Shore Based Shipping Costs

2.16 There are significant potential benefits in improving the sea/land interface. Tables 2.1 and 2.2, based on information in a BTCE paper of January 1992, *Shore Based Shipping Costs - a 1991 Update*, prepared at the Committee's request, shows the components of shore based shipping costs for import and export containers in 1990-91 (Submission 85). While stevedoring is a large part of this cost, other costs associated with the sea/land interface also represent a significant component of the total cost of shipping a container. The cost of transport to and from the wharf has increased significantly in real terms since 1985, despite the fact that the real total shore based shipping cost of handling containers had decreased substantially since 1985 (Submission 85).

TABLE 2.1: SHORE BASED SHIPPING COSTS (\$/TEU¹)
 (Shown in 1991 prices)

COST CATEGORY ⁴	EXPORTS			
	FCL ²		LCL ³	
	1985	1991	1985	1991
Port and related charges	177	157	177	157
Stevedoring	339	209	339	209
Customs brokers	59	80	325	360
Transport to/from wharf	177	214	89	107
Packing/unpacking	221	178	886	650
Transport to/from depot	n.a.	n.a.	576	489
TOTAL	973	838	2392	1972

Source: Submission 85 - BTCE.

1. Twenty-foot-equivalent unit.
2. Full container load.
3. Less-than-container load.
4. Statistical methodology outlined in Submission 85.

TABLE 2.2: SHORE BASED SHIPPING COSTS (\$/TEU¹)

(Shown in 1991 prices)

IMPORTS

COST CATEGORY ⁴	FCL ²		LCL ³	
	1985	1991	1985	1991
Port and related charges	260	194	260	194
Stevedoring	339	209	339	209
Customs brokers	118	133	443	560
Transport to/from wharf	177	192	89	96
Packing/unpacking	221	178	886	650
Transport to/from depot	n.a.	n.a.	576	489
TOTAL	1115	906	2593	2198

Source: Submission 85 - BTCE.

1. Twenty-foot-equivalent unit.
2. Full container load.
3. Less-than-container load.
4. Statistical methodology outlined in Submission 85.

2.17 However, these figures do not take into account the benefits which may arise from increased reliability along the transport chain. Reliable delivery times would allow warehouses to reduce stock levels and increase their efficiencies. The Bureau, however, noted that its estimates understate the savings that would be achievable under improved trading conditions (that is as cargo volumes increase so does the potential to increase efficiency).

2.18 In its second study for the Committee, the BTCE found that, based on 1991 conditions, some direct savings (albeit relatively small) could be available from smoothing out cargo flows to and from container terminals. Potential savings were estimated at \$10.3m (\$7.8m from truck management and \$2.5m from reduced variance in ship arrival time distributions).

2.19 Significant cost savings are possible through the introduction of EDI. Tradegate estimates that direct cost savings of between \$2.50 and \$4 per transaction resulting in a total saving of between \$125 to \$200m per annum is attainable. Additionally, Tradegate estimate indirect cost savings of \$95 to \$165m per annum. A total saving of between \$220m and \$415m (Submission 87).

Reform in the Stevedoring Sector

2.20 The stevedoring industry has long been one of the more intractable problem areas facing governments seeking to modernise the structure of the Australian economy.

2.21 Reform of the stevedoring sector is now ahead of the timetable set down in the In-Principle Agreement (IPA). To date 43 enterprise-based agreements, approved by the Waterfront Industry Reform Authority, have been implemented. As a result, the stevedoring workforce has fallen by 40 per cent since 1989 with over 3800 employees leaving the industry. Early reports from both stevedores and port users indicate that significant productivity improvements are being achieved following the introduction of enterprise employment. Stevedoring charges have fallen by as much as 20-25% over the last eighteen months as competition between stevedoring operators has intensified. Most of this reduction is reflected in Tables 2.1 and 2.2.

2.22 Notwithstanding this improved stevedoring performance, a number of challenges remain, including, completing the reform of employment arrangements in the regional ports and the continuing reform of the State government controlled port authorities. But just as importantly, the links between the waterfront and other transport modes need to be as efficient as possible in order that benefits flowing from stevedoring reform can be capitalised upon. Improvements to the efficiency of the sea/land transport interface in line with the gains already evident in the stevedoring sector will maximise the efficiency of moving goods along the entire transport chain.

2.23 Importers and exporters as the users of the transport chain must bear the costs associated with the movement of goods along that chain. As such, they have an obvious interest in these costs being minimised. But their interests are not confined to minimising the price of the transport services provided. Users have a right to expect value for money out of the

waterfront. They should be able to expect quality of service (for instance for their goods to be transported with minimal levels of damage). Above all, users need to be certain that services will be provided on a consistent and reliable basis.

2.24 Whilst users have the right to expect a certain level of service from the sea/land transport interface they also have a responsibility to ensure they monitor the level of service and react accordingly if service levels drop. Users of the sea/land transport interface cannot divorce themselves from some responsibility for the state of interface service. They need to look at means of encouraging cost competitiveness and vary them to gain best advantage of improvements in transport chain efficiency. They need also to review their hours of operation.

2.25 Given its importance to Australia's trade and international competitiveness, all sectors of the waterfront need to be efficient to ensure that the benefits of ongoing reform are maximised and passed on to all.

3: PARTICIPANTS IN THE TRANSPORT CHAIN

Introduction

3.1 There are a large number of individual participants in the transport chain which moves general cargo (containerised) goods to and from the wharf. This Chapter of the report examines the operations of those parties with the aim of outlining the functions and responsibilities of each industry participant within the transport chain.

3.2 Of special interest is the extent of contractual and administrative linkages between each of the participants. The strength and form of these linkages, including the type of communications systems being used, will shape the structure and efficiency of the interface.

3.3 Parties directly involved in moving cargo across the interface include:

- . shipping companies;
- . stevedoring companies and container terminals;
- . container depots;
- . freight forwarders;
- . customs brokers;

- . banks;
- . road transport operators;
- . railways;
- . federal regulatory agencies; and
- . port authorities.
- . importers and exporters;

Industry Participants

Shipping Companies

3.4 Shipping companies are primarily responsible for the sea transport of cargo. The contractual arrangements with the cargo owner vary with the terms of shipment.

3.5 Contracts are usually organised according to prearranged INCOTERMS conditions. There are several INCOTERMS conditions, the most commonly used are:

- . 'free on board' (fob), seller is responsible for transport to and loading of cargo at the port of origin, the buyer is responsible for arranging all other transport and insurance;

- . 'cost, insurance and freight' (cif), the seller is responsible for the transportation and insurance of cargo up to the port of discharge; and
- . 'free into store' (fis), seller is responsible for the transportation and insurance of cargo to its ultimate destination.

3.6 Exporters generally deal with shipping companies. In the case of importers this arrangement is not as frequent, as sea transport is usually arranged by the exporter.

3.7 In most cases shipping companies have a direct contractual link with the stevedore or container terminal operator who loads or unloads the cargo from the ship.

3.8 The shipping company will pass the costs of stevedoring services on to the shipper through the ocean freight rate, the costs of stevedoring not usually being separately identified within the charge.

3.9 Shipping companies, especially the conference lines, offer door-to-door services. This includes accepting complete responsibility for the movement of cargo from origin to destination. Provision of this type of service potentially brings shipping companies into contact with all participants in the transport chain.

3.10 Many shipowners operate within conferences, and some also operate within consortia. Those who operate within conferences charge standard freight rates negotiated with established shipper bodies, and are bound by certain requirements of Part X of the *Trade Practices Act 1974*. The conference members market their services separately, and make their own arrangements for stevedoring and terminal operations. Currently, 60% of liner services to Australia are operated by conference lines (ABS, *Shipping and Air Cargo Commodity Statistics; various issues*).

3.11 Those who operate within consortia generally do so to provide a level of service and frequency which would not otherwise be possible. This is achieved through 'slot exchange', a process which allows consortium members to access space on each others ships. This influences the negotiations for terminal services, which are usually conducted by the owner/operator of each ship for each port. Thus the ships in a consortium may go to different terminals, even in the same port.

3.12 A number of conferences/consortia also operate centralisation arrangements. Under these arrangements cargo to/from places which were served by direct shipping services prior to containerisation, such as Adelaide Brisbane, Newcastle and Tasmania, is moved to/from Melbourne or Sydney, usually by rail (or coastal shipping in the case of Tasmania), under arrangements negotiated as part of the shipping contract.

3.13 The practice of shipping companies charging pan Australian freight rates was brought to the Committee's notice, it was suggested that these rates are a disincentive to efficiency (Transcript:207-211). The term pan Australian freight rates describes the practice of charging the same

ocean freight rate to or from any Australian port. Progressive removal of the 'centralisation services' from secondary ports has decreased the use of pan Australian rates. The practice is still the norm for the main trades in the mainland capital city ports.

3.14 The Committee found it difficult to obtain precise information concerning the use of pan Australian rates. However, the Committee understands that the use of a pan Australian rate is declining and that it is used at the discretion and commercial negotiation of the shipper and ocean carrier.

Stevedores/Container Terminal Operations

3.15 Stevedores and container terminal operators are responsible for loading and unloading ships under direct contractual relationships with the shipping companies. They are also responsible for the loading and unloading the freight of land transport operators servicing the wharf.

3.16 Container terminal operators usually operate on land which they have leased on a long term basis from the local port authority. In such cases a substantial proportion of the capital expenditure on improvements such as cranes, paving, etc is funded directly by the terminal operator.

3.17 Conventional stevedores tend to operate on common user berths under berth hire arrangements which reflect the amount of time cargo and ships are worked at the berth.

3.18 Stevedoring and container terminal operators do not usually have a direct contractual arrangement with either the exporter or the importer or with the land transport operator (rail or road) who carries the goods to and from the wharf. Stevedoring and container terminal operators generally only have a contractual arrangement with the shipping company; however, they often have to liaise with land transport operators and cargo owners to ensure efficient handling of cargo.

3.19 An example of the means employed by container terminals to improve the movement of cargo off the wharf is the use of a 'Bulk Run'. A 'Bulk Run' is the term given to arrangements which are made with land transport operators and cargo owners, to move a number of containers that are run consecutively, to the same destination in conjunction with one or more carriers simultaneously. Ideally the containers will have been block stacked in the same location within the terminal in preparation for such an operation.

Container Depots

3.20 Container depots are used for the consolidation of small quantities of cargo which is to be exported or has been imported in a LCL container. It is in the container depot that LCL containers are packed or unpacked. Cargo to be exported in an LCL container is consolidated within a container depot, packed into a container and delivered to a terminal for loading onto a vessel.

3.21 Cargo imported in an LCL container will be delivered to a container depot and unpacked. The importer will then arrange to have the cargo picked up. Container depots off the wharf are operated mainly by Transport Workers Union labour, while those on the wharf are operated by the Waterside Workers Federation.

Freight Forwarders

3.22 Freight forwarders are responsible for arranging the movement of goods using one or more transport modes according to the wishes of importers and exporters with whom they have a contractual relationship.

3.23 Freight forwarders may be contracted by the importer/exporter to move goods from door to door or may organise only one part of that journey. Freight forwarders arrange the movement of freight anywhere in the world. This service allows firms the opportunity to concentrate on the production and marketing of their product, leaving the complex task of transport coordination to the freight forwarder.

3.24 In providing a door to door service freight forwarders may have direct contractual links with all relevant transport operators involved in the movement of cargo - the road transport operator and shipping line being essentially sub-contractors. This characteristic places the freight forwarder in a position to potentially influence all links in the transport chain.

Customs Brokers

3.25 Customs brokers are engaged by importers and exporters to arrange the clearance and payment of customs duty on cargo. With the introduction of revised procedures for export clearances, they are also becoming increasingly involved in the export area. This activity requires a detailed knowledge of the Customs Act and procedures, and brokers are licensed by the Australian Customs Service.

3.26 Customs brokers also provide services such as:

- . clearing cargo through all other regulatory bodies;
- . arranging or providing road, rail sea or air transport to the final destination;
- . arranging or providing storage or under-bond storage, and subsequent retail deliveries; and
- . dealing with the necessary financial transactions.

3.27 Some large importers have their own customs clearance departments, often using an outside agency for more complex transactions. International freight forwarders will also frequently have a customs agency arm, although it is usually operated independently.

The Banks

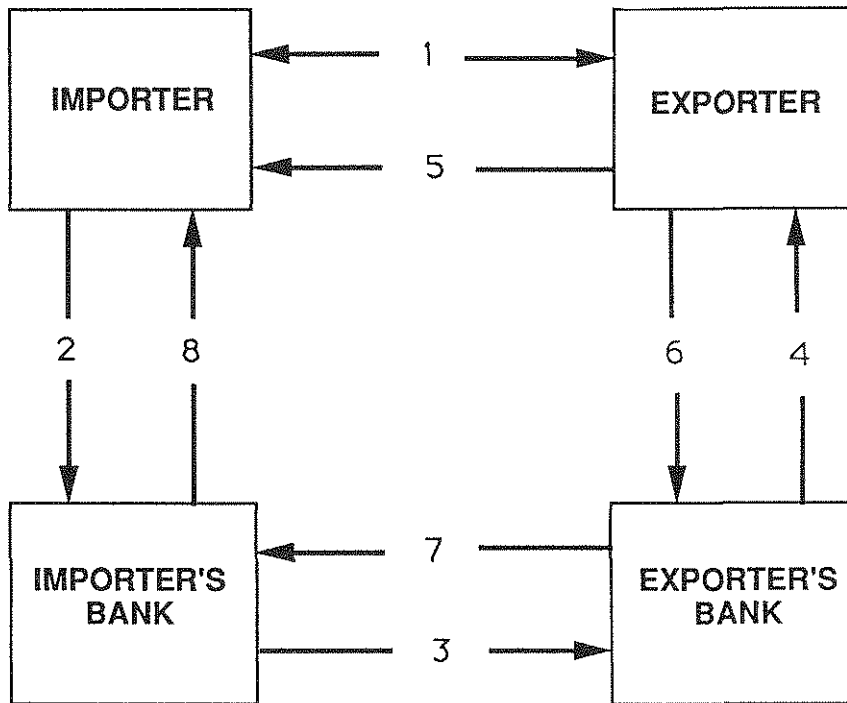
3.28 Banks provide financial services for international trade to both importers and exporters. There are many means of organising financial arrangements for international trade, however, letters of credit were those most often raised with the Inquiry. The most common of these appears to be the documentary credit.

3.29 Under the documentary credit system a bank undertakes to meet the cost, in the required currency, of cargo imported by a trader, dependent on the provision of certain documents by the exporter. The system substitutes the bank's creditworthiness for that of the importer, which may be unacceptable to the exporter. Credit arrangements are negotiated between the bank and the importer, with usual terms being up to 180 days. Figures 3.1 and 3.2 outline documentary and funds flow involved in a documentary credit.

Road Transport Operators

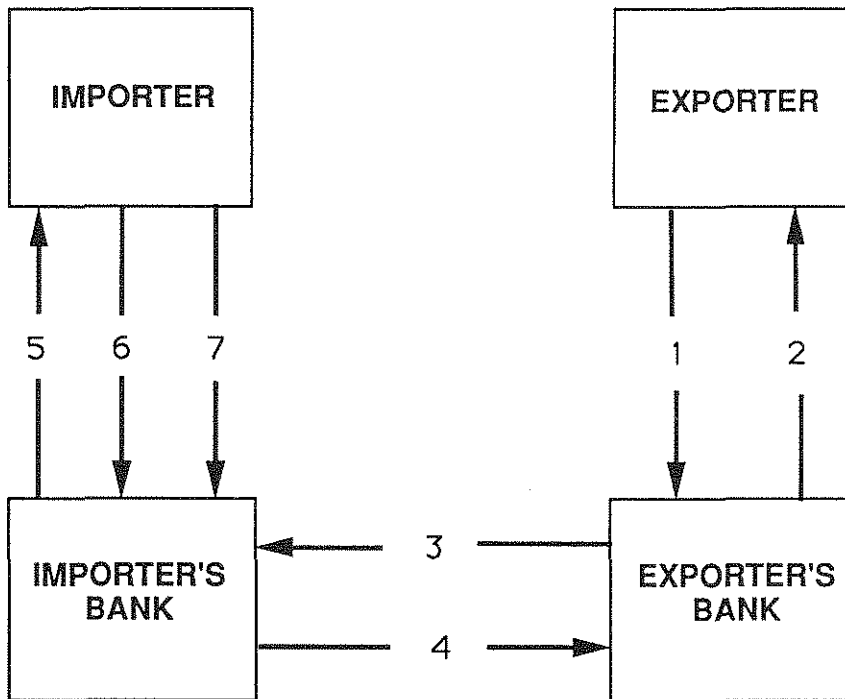
3.30 Usually, the road transport operator is hired by the importer/exporter or their agents. Many users have special requirements, such as truck configuration or delivery times, over which they have come to some agreement with a particular transport operator.

Figure 3.1 : Letter of Credit Document Flow



1. Commercial contract established.
2. Importer requests bank to establish Letter of Credit.
3. Importer's bank forwards Letter of Credit to Exporter's bank.
4. Exporter's bank advises exporter of receipt of Letter of Credit.
5. Goods shipped.
6. Exporter forwards documents to bank.
7. Exporter's bank forwards documents to Importer's bank.
8. Importer's bank releases documents to Importer.

Figure 3.2 : Letter of Credit Funds Flow



1. Documents in terms of credit presented.
2. Exporter's bank pays exporter on negotiation of documents.
3. Exporter's bank requests reimbursement from Importer's bank.
4. Importer's bank pays amount due.
5. Importer's bank informs importer it has paid.
6. Importer pays bank immediately (sight credit), or
7. Importer pays bank after agreed term.

3.31 In the major capital city ports 80-85% of containers are moved by road to and from the wharf. Even where containers eventually move by rail there may be a road movement to the rail terminal from the container terminal. The Port of Melbourne Authority has estimated that on any one day some 2000 truck movements in Melbourne will be involved in wharf work. Australia wide the figure would be three times that.

3.32 Road transport in Australia is an intensely competitive industry with a high proportion of owner-drivers and operators with small numbers of trucks. Owner drivers and small operators, of course, may be acting as subcontractors for the larger transport operators. There are more small operators in Sydney than in Melbourne (Transcript:440).

Railways

3.33 Around 15 to 20% of containers in Melbourne and Sydney are moved by rail to and from container terminals. This low percentage reflects a number of factors:

- . the short distances involved - most cargo originates from or is destined for locations in the metropolitan area; and
- . to a lesser extent, dissatisfaction with the rail system, both in regard to its performance and infrastructure.

3.34 Rail has a relatively high market penetration in interstate movement of containers - although on the basis of evidence presented to the Committee the rail system is not regarded as meeting market expectations. For example, rail holds 90% of the interstate container market to and from Botany Bay on the Melbourne/Sydney/Brisbane transport corridor (Transcript:311). Those containers which do move by rail are usually centralised in a marshalling yard prior to incorporation into an interstate freight train.

Federal Regulatory Agencies

3.35 The Committee is aware of eight federal regulatory agencies which may have to clear cargo prior to its delivery within Australia (the roles of these agencies are outlined at Appendix 4). These agencies being:

- . Australian Customs Service;
- . Australian Quarantine Inspection Service;
- . Australian Nuclear Science and Technology Organisation;
- . Attorney General's Department;
- . Department of Health, Housing and Community Services;
- . Department of Foreign Affairs and Trade

- . Department of Transport and Communications; and
- . Australian Federal Police.

3.36 There are two Federal regulatory agencies which have key roles in the import/export process, namely the Australian Customs Service (ACS) and the Australian Quarantine Inspection Service (AQIS).

3.37 The function of both of these organisations in simple terms is to prevent the entry into Australia of illegal imports such as drugs and noxious plants and insects, to ensure that appropriate taxes and duties are paid, and to control exports. The ACS generally acts as an agent for other government organisations.

3.38 Ships are required to provide the ACS with a cargo manifest 48 hours prior to arrival in order that risk assessment procedures can be completed prior to cargo being cleared. Cargo must be cleared and customs duty must be paid before the cargo can be collected from the container terminal, conventional terminal or the container depot.

3.39 A system of bond stores, licensed depots and arrangements for the under-bond movement of cargoes exists to meet requirements relevant to the import of cargoes.

3.40 The ACS has done a good deal in recent years to streamline procedures and is a prime mover in the introduction of EDI into the shipping/waterfront area. The ACS indicated that in developing these systems it has looked critically at its data requirements and consulted closely with industry participants.

3.41 AQIS is responsible for maintaining the barrier to undesirable animal, vegetable or bacterial imports. AQIS is also responsible for providing inspection certificates for Australian exports which need them to meet Australian and international requirements, in addition to ensuring the safe consumption of domestically produced meat and other food products.

3.42 As it is a requirement that AQIS and ACS inspect certain cargo there are bound to be delays in the clearing of some cargo. The challenge for AQIS is to draw a reasonable line between facilitating trade and maintaining an effective barrier to undesirable imports and ensuring that exports are of a high quality.

Port Authorities

3.43 With limited exceptions, port authorities in Australia have little direct role in the movement of cargo on to or off ships. Traditionally they have been construction authorities, responsible for dredging harbours, constructing wharves, leasing berths on a short or long term basis to private sector operators, and responsible for navigation and maritime safety within the port. Port Authorities are the landlords of large areas of waterfront land.

Importers and Exporters

3.44 In theory, the whole of the transport chain should be designed and function to best meet the needs of importers and exporters. It is they that ultimately pay the costs of the movement of goods, either through shipping freight rates, road transport charges, the price of goods or the costs of additional inventories.

3.45 Importers and exporters range in size from the very large, such as the large retail stores or statutory marketing boards, to the very small. It is valuable to make the distinction between the size of users as the ability of a user to influence the level of service provided increases with size. Consequently, the size and the related ability of the user to gain service conditions will effect which transport modes are chosen by a particular user.

3.46 Importers and exporters have a choice of options as to how to organise their transport arrangements. Traders can arrange transport according to INCOTERMS (see para 3.5).

3.47 Shipping by fob means that the exporter owns the goods and is responsible for the transport of goods up to the port of origin. From there on the importer becomes the owner and is responsible for transport. Shipping cif means that ownership changes at the port of origin but the exporter remains responsible for the transport and insurance of the goods up to the port of discharge (Submission;75:8).

3.48 Once transport arrangements have been agreed upon an importer or exporter may elect to have a shipping company or freight forwarder manage the entire move, or sections of the move. Conversely, the importer or exporter may choose to arrange transport themselves or have a customs broker arrange certain sections for them.

3.49 An outline of the import and export chain is outlined in figures 3.3 and 3.4. An outline of the contractual arrangements is outlined in figure 3.5. A summary of the function and responsibilities of transport chain participants is in Table 3.1.

Figure 3.3 : Import Chain

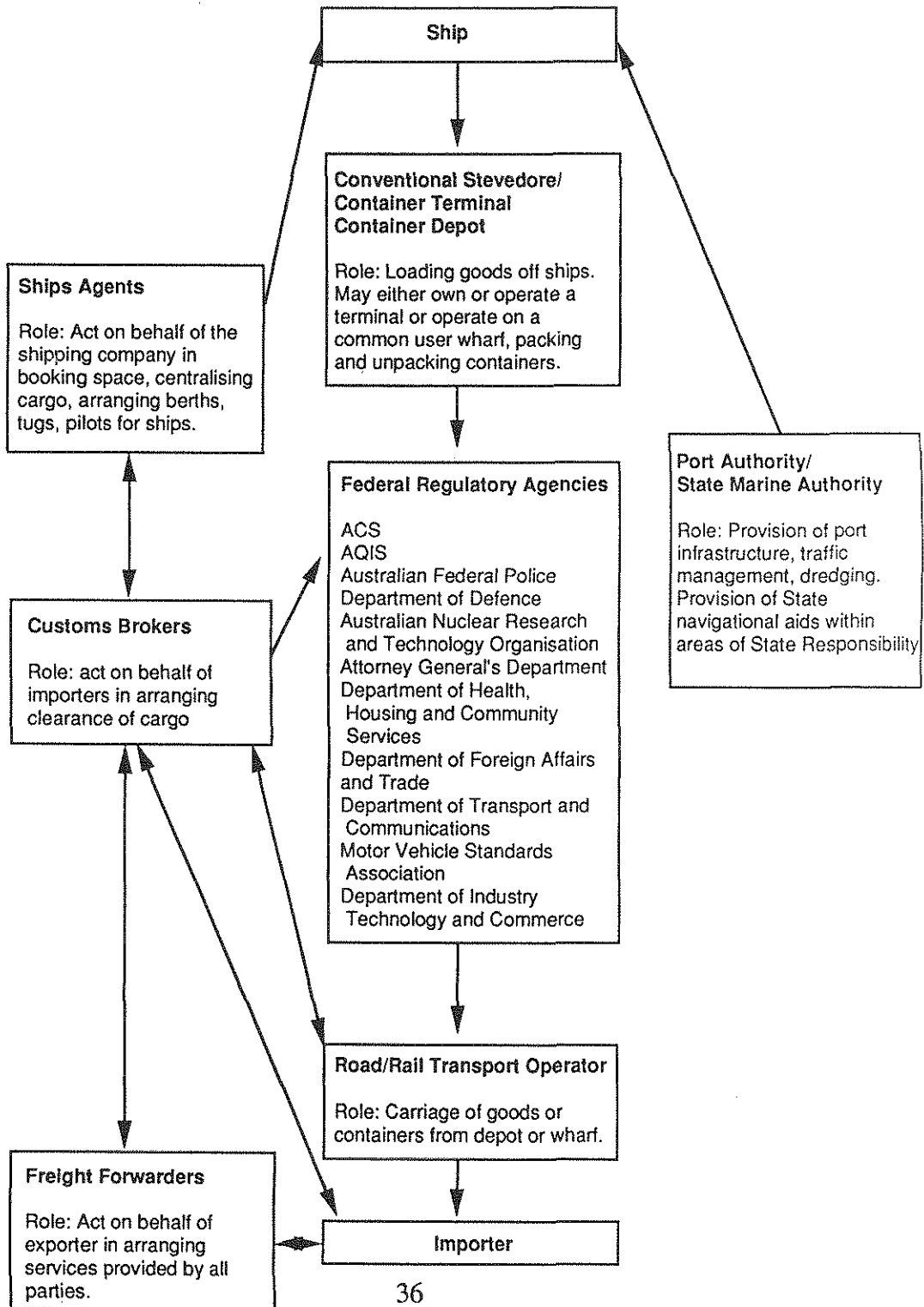


Figure 3.4 : Export Chain

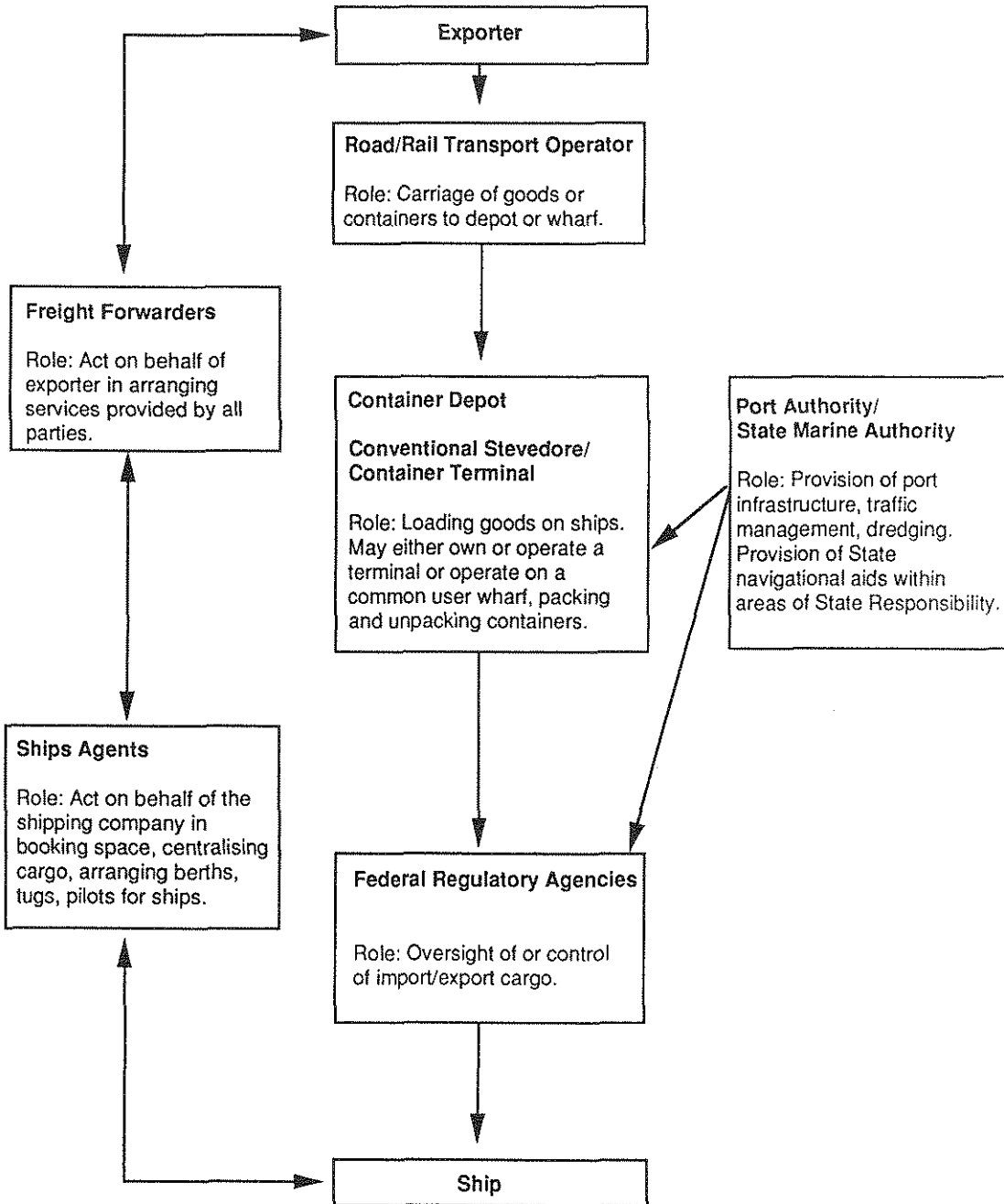
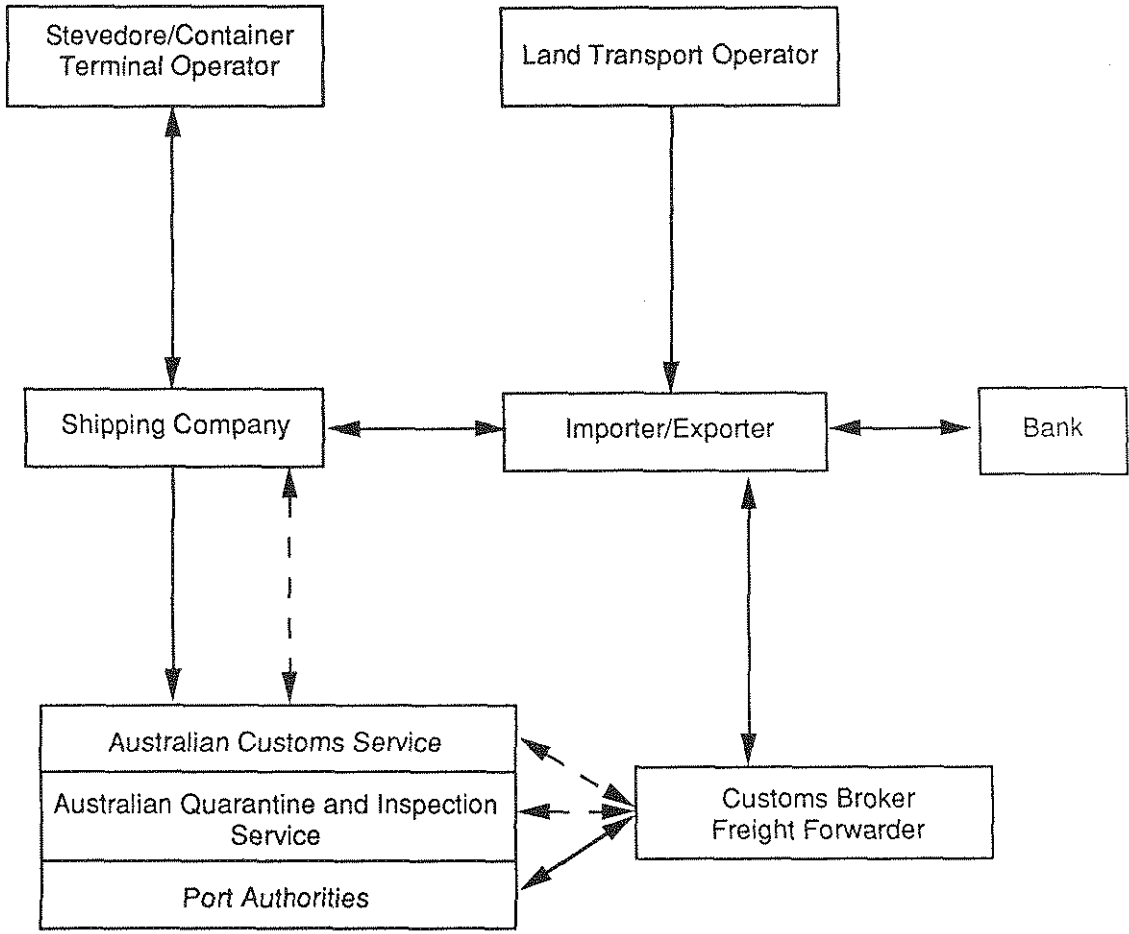


Figure 3.5 : Contractual Links



————— represents contractual relationship
 - - - - - represents relationship resulting from Statutory requirements

TABLE 3.1 ADMINISTRATIVE, REGULATORY AND FINANCIAL ACTIVITIES OF PARTICIPANTS ON THE WATERFRONT

ORGANISATION	ACTIVITIES UNDERTAKEN	DOCUMENTS RELATED TO
Shipping Co or their Agent	<p>Arrange for ship services - berth, pilots, tugs, telephones, water, electricity, repairs, victualling, etc.</p> <p>Order in export cargo and plan daily receipt rate.</p> <p>Notify importers of ship arrival and berth.</p> <p>Enter ship with customs and clear crew and passengers.</p> <p>Provide relevant manifest details to:</p> <ul style="list-style-type: none"> . ACS and AQIS (always) . other regulatory bodies as required (11 in all); . port authorities (always). 	<p>Manifests</p> <p>Crew lists</p> <p>Passenger lists</p> <p>Hazardous cargo details</p> <p>Cargo stowage plans or bay plans</p> <p>Ship's clearance papers;</p> <p>Ship's registration and safety certificate</p>

ORGANISATION

ACTIVITIES UNDERTAKEN

DOCUMENTS RELATED TO

Shipping Co or their
Agent continued

Notify details of hazardous cargoes, and arrange for handling.

Delivery orders*

Provide consolidated details of the cargo to be handled (generally not manifests) to the stevedores.

Interim receipts*

(* Or electronic equivalent)

Clear ship with customs on departure, also crew and passengers.

Consignee notifications

Meet all disbursements:

Equipment hand-over forms

40

- . ship and cargo related authority charges;
- . collect wharfage from cargo interests on behalf of port authority, reconcile and pay port authority;
- . all ship services costs (see above)
- . local crew costs and services (hospital, etc).

**Shippers
(Exporters)**

Establish terms of trade.

Obtain or create invoices.

Arrange finance with banks.

Either directly or through other organisations (ie freight forwarders or customs brokers) arrange for the movement of the goods.

If acting directly those functions listed under customs brokers and freight forwarders (qqv).

Lodge invoice and establish letters of credit.

Obtain survey certificates.

Comply with regulatory controls of exporting country, include customs, quarantine, export licensing etc.

Comply with regulatory controls of destination country, including quarantine and other statutory bodies.

Bills-of-lading, freight invoices and payment.

Equipment hand-over agreements.
Fumigation certificates (if required).
(See freight forwarders and customs brokers).

ORGANISATION

Consignees/
Importers

ACTIVITIES UNDERTAKEN

Deal with financial arrangements (letter of credit).

Meet freight and local charges not met under the shipper instituted arrangements.

Either directly or through other organisations (customs brokers or freight forwarders) arrange organisations and clearance of the cargo, and comply with regulatory authorities, including customs, quarantine, port authorities.

If acting directly, those functions listed under customs brokers and freight forwarders (qqv).

DOCUMENTS RELATED TO

Letters of credit

Bills-of-lading

Comply with regulatory requirements of importing country, particularly customs, quarantine and import regulations.

Customs duty and taxes where applicable.

Wharfage.

Fumigation certificates.

Equipment hand-over clearance.

Surveys.

(See freight forwarders and customs brokers).

Freight Forwarders

43

Engaged by exporters (or importers) to undertake the arrangements for moving goods, generally internationally. Usually this is on the basis of a door-to-door service, and therefore more than one transport mode is used. The freight forwarder can undertake the total organisation including all clearances, permits, and documentation, also including all functions of actual delivery of cargo to the shipping company/stevedore and collecting it from the shipping company/stevedore.

According to the service offered or required this may include dealing with all regulatory requirements for export and import permission, customs, quarantine, port authorities, and other statutory authorities, and meeting the costs and charges on behalf of the client. The services may also include packing and unpacking, and the arranging of free or bond storage.

Services may include 'Groupage' - the aggregation of less-than-container-lots into container-lots for the same broad destination. This activity may occur as needed, or may be offered as a regular service (see NVOCCs).

All sea documentation, including bills-of-lading, freight and other charges invoices, and consignee notifications.

All required road, rail (and sometime air) documentation.

Port authority requirements and wharfage payments.

Customs, quarantine, and other regulatory authority requirements and documentation, including export and import permits, duty and taxes (where applicable).

Fumigation certificates.

Surveys.

Equipment hand-over agreements.

ORGANISATION

ACTIVITIES UNDERTAKEN

DOCUMENTS RELATED TO

Freight Forwarders continued

The size and scope of the freight forwarder concerned will influence whether all these services are undertaken in-house, or some contracted out (for instance to customs brokers or depot operators).

In certain instances financial services may also be offered.

(See also customs brokers).

44

Customs Brokers

Principally arrange the clearance of inward cargoes through customs, quarantine and other regulatory bodies, including the responsibility, where required, of collecting (or having collected) the cargo from the shipping company/stevedore.

However, with the introduction of revised procedures for export clearance, customs brokers are increasing their involvement in export cargoes.

All sea documentation, including bills-of-lading, freight and other charges invoices, and consignee notification.

All required road, rail (and sometimes air) documentation.

Port authority requirements and wharfage payments.

**Customs Brokers
continued**

Meet costs incurred, including freight and local charges outstanding, Customs duty and taxes (if applicable), and wharfage.

Frequently undertake or arrange transport, and arrange free or bond-storage.

According to size and scope customs brokers may also undertake certain of the activities listed under freight forwarders.

Customs, quarantine, and other regulatory authority requirements and documentation, including import permit duty and taxes (where applicable).

Equipment hand-over agreements.

Invoices.

Surveys.

Fumigation certificates.

ORGANISATION

ACTIVITIES UNDERTAKEN

DOCUMENTS RELATED TO

Stevedores and
Container Terminal
Operators

Receiving export cargoes.

Cargo stowage plans or bay plans.

Discharging and loading the ship.

Customs May-be-Delivered notification

Controlling both import and export cargoes under the direction of the ACS and AQIS.

Quarantine impediment notifications.

Acquitting imports and exports to the ACS.

Shipping company May-be-Delivered notifications.

46

Complying with hazardous cargoes safety requirements and the requirements of the authorities responsible.

Delivery orders.*

Meeting the requirements of the Customs Act.

Interim receipts.*

Delivering inwards cargoes to road, rail or sea, transport.

(* Or electronic systems replacing these).

Either directly, or on behalf of the ship operator, providing cargo security within the meaning of the Customs Act.

Road and Rail Transport

All transport operates on behalf of the shipper or consignee, or their representatives in the form of the freight forwarder or customs broker.

Road transport presents the necessary documentation to establish authority for receipt by the stevedore of export cargo, or delivery to the transport operator by the stevedore of inward cargo. (Much of this documentary process is now being electronically automated.)

(With rail transport, prior arrangements are made by those requiring the movement of the containers concerned, and documentation is dealt with separately to the point of transfer.)

Road transport:

Exports; picks up the empty container from a container storage park, proceeds to the export facility to load the container, and delivers the container to the stevedore (container terminal).

Transport company internal instruction (pick-up/delivery destinations etc).

Hazardous cargoes/wide load permits

Documentation (or electronic systems indicating instructions from cargo owner to deliver cargo to, or pick up from, terminals).

(Clearance of cargo, either import or export, by shipping company, customs, quarantine, and other regulator bodies is dealt with directly with the terminal - see stevedores and container terminals).

ORGANISATION

ACTIVITIES UNDERTAKEN

DOCUMENTS RELATED TO

Road and Rail Transport continued

Imports; picks up the container at the container terminal, proceeds to the importer's warehouse where the container is unpacked, and then returns the empty container to a nominated container storage park.

Port Authority

Ensure maritime areas are available to cater for the development of marine related facilities now and in the foreseeable future.

Provide, or enable to be provided, marine facilities to meet the requirements of the community and its trading catchment areas.

The required marine facilities and services include:

- . safe access and a safe haven for the ships expected to service the port's trade;
- . navigation facilities; lights, moorings, dredging, fairways, pilots, traffic control;
- . shore facilities to support the operation of those ships; cargo working, passenger, dry bulk, tanker;

Cargo manifests.

Passenger manifests.

Security documentation.

Port utilisation and tonnage records.

Cargo type records and forecasts.

Wharfage and other financial returns

**Port Authority
Continued**

- . support facilities, road and rail access, shore safety, fire fighting, telephone, water, electricity, fuel, etc;
- . berth control and allocation, safety, security, waterway and property policing;
- . provide for the needs of related industries; ship building and repairing, lighterage, tugs;
- . provide for the needs of other marine related industries; fishing, local transport, toursim, recreation;
- . community responsibilities; foreshore care, recreational access and services;
- . responsibility for the environment and its proper treatment by all who use the port and its area;
- . environmental, and other disaster, damage control; and
- . ensuring proper payment for the facilities and services used.

ORGANISATION

ACTIVITIES UNDERTAKEN

DOCUMENTS RELATED TO

NVOCCs

Organisations can operate as 'Non Vessel Operating Container Carriers' -NVOCCs.

These organisations provide a shipping service by chartering slots, either on an ad hoc or contract committed basis, on ships operated by others.

This chartered capacity is then used to move cargo solicited by the NVOCC.

4: THE ISSUES

Introduction

4.1 The Inter-State Commission (ISC) Waterfront Investigation in 1989 (ISC Vol.1 Conclusions and Recommendations;1989:xv) listed the following as problems with the waterfront:

- . endemic unreliability;
- . ineffective management;
- . poor response to user needs;
- . poor information flows to users and between links in the transport chain; and
- . lack of demand and supply balance, often reflected in congestion and queues or under utilisation of expensive facilities.

4.2 While these comments by the ISC were principally directed at the stevedoring industry, the Committee considers that these problems continue to impede the efficient operation of the interface.

4.3 There are indications that sea/land transport interface operating procedures are organised to accommodate existing industry structures and are not aimed at achieving the optimum operating performance. As a

cargo is delivered. More documents are used than are really necessary, and road transport operators have a greater number of vehicles than they would otherwise need.

4.4 The Committee is concerned at the continuing tendency for industry participants to lay the blame for inefficiencies at the feet of others and to paying little attention to their own performance. It is the Committee's view that this is counterproductive and indicative of the historical attitudinal problem which hinders efforts for change. Further, the Committee is concerned that there is a general lack of appreciation that all parties must accept responsibility and must work together to improve overall efficiency of the transport chain.

4.5 The central issues to emerge during the inquiry were:

- . the need for attitudinal change within the total transport chain, including the stevedores, land transport operators, freight forwarders, customs brokers, shipping companies, trade unions and importers and exporters;
- . the need for waterfront users, individually and collectively, to identify opportunities and exercise their influence and purchasing power to obtain the levels of service that they require from the transport chain;
- . the need for more effective coordination and interaction between transport chain participants;

- . a cumbersome documentary system;
- . perceived problems with the financial arrangements for international trade;
- . confusion over the introduction of EDI throughout the transport chain;
- . infrastructure development; and
- . the need to ensure that there is the environment for ongoing reform.

Attitudinal Change

4.6 As noted earlier, the Committee is particularly concerned about the continuing tendency for industry participants to point the finger at others as the main culprits responsible for particular problems. There is little agreement on specific measures to improve the operation of the interface. In many respects, this disagreement appears to stem from the deeply ingrained adversarial nature of the relationships between industry participants and the traditional disregard or lack of concern for the interests of others.

4.7 Of equal concern is the lack of involvement by some major interface participants, such as importers and exporters, in the discussion of possible options and solutions. During the inquiry the lack of participation by importers and exporters, particularly in the early stages, was noticeable.

The Committee found this surprising as in the usual market situation, the provision of services and their price are strongly influenced by buyers. The clear message coming from the evidence is that this does not hold true for the total transport chain.

4.8 Obviously, importers and exporters have experienced difficulties getting their message across to service providers. The response from a disgruntled exporter to the Committee's Discussion Paper typifies an apparent prevailing attitude:

There is a level of ignorance and disinterest. The disinterest is caused by years of frustration of being ripped-off by the shipping industry which is a 'club' of ship owners, port authorities, stevedores and agents, all work to protect their patch helped by customs and unions in a six to one fight. How does the importer or exporter win? (Submission 56:2)

4.9 A substantial change in attitude is required within the transport chain to allow meaningful improvement to occur. There appears to be a general lack of appreciation that all parties must share responsibility for underlying problems and must come together to solve them.

4.10 Importers and exporters have not had it easy in the past, but there is much they can do to improve their situation. The climate along the transport chain has never been more receptive to their needs.

4.11 It has been suggested that the current attitudes stem from the perception that the stevedoring industry is ship driven and that there is a lack of concern for landside operations. Users need to be more active in

putting their demands and using their commercial influence, if the priorities for working the ship are to be shared with the landside operations. Importers and exporters need to pressure land transport operators and stevedoring and terminal operators into giving their concerns greater priority. Other participants in the transport chain also need to be given direction from the users of the system.

4.12 However, for this to take place importers and exporters will need to significantly improve their own organisation and coordination. Interface issues are capable of being resolved, but it will require importers and exporters to review their own operations so that these issues do not continue to be considered a minor aspect of the overall transport process.

4.13 The Committee considers that the organisation of importers and exporters is uncoordinated and inadequate; for instance importers have no effective group organisation. Too often interface issues are ignored by importers and exporters' associations, except when there is an inquiry in progress. Many of Australia's industries that rely heavily on imported inputs and produce much of Australia's value added exports were seriously under-represented and poorly served during the Inquiry. Importers and exporters need to be more organised on interface issues and to approach and devise solutions as one, rather than alone or as disparate groups.

4.14 Container terminal operators could do more to encourage timely arrival and collection of cargo by sea and land. A system of financial incentives and disincentives should be considered.

Improved Coordination and Interaction

4.15 The issue which dominated the inquiry has been the lack of effective coordination of the entire transport chain, particularly in the general cargo area, especially regarding containers.

4.16 As previously discussed, at present each party in the chain is primarily concerned with maximising their internal efficiency paying scant regard to the efficiency of the transport chain as a whole.

4.17 Significant efficiency and cost savings can be generated by improved coordination and interaction within the transport chain (Submission 21:20). Major attractions of this approach are the tangible benefits available by achieving improved efficiency and effectiveness through operational improvements. These improvements do not require expensive infrastructure development.

4.18 The lack of coordination and cooperation within the transport chain has manifested itself in several ways, the most prominent of which are, truck queues, a mismatch of working hours, and delayed delivery of cargo, all of which contribute to the transport chain's unreliability.

4.19 Compounding this is the lack of a direct commercial relationship between the terminal operators on the one hand and the land transport operators and the importers and exporters on the other. As a result, there is little basis upon which a participant can directly influence the behaviour of the other parties.

4.20 The Committee notes that suggestions have been made in regard to the contractual relationships that should, or should not, exist with container terminal operators. It was submitted to the Inter-State Commission during the Waterfront Investigation that there should be contractual relationships between the stevedores and the importers/exporters and their carriers. It was not made clear how contractual obligations could be made to work commercially.

4.21 However, it is noted that:

- . the stevedores are the servants of the shipping companies;
- . the importers/exporters are the clients of the shipping companies; and
- . the shipping companies have an obligation to, for instance, make the inward cargo available to the consignees.

4.22 Shipping companies have a specific responsibility to ensure that service to their clients extends to the point of delivery and receipt. The Committee has seen no evidence that shipping companies have exerted contractual influence to ensure a satisfactory standard of service at the interface. The Committee believes that shipping companies should exercise influence to ensure a satisfactory level of service for importers/exporters.

4.23 Truck queues are the most common and well publicised of sea/land interface problems. Truck queues have formed, apparently at random, outside container terminals mainly in Sydney and Melbourne. They may represent a quite significant cost to the importer/exporter through demurrage charges, lost time, overtime and inventory problems.

4.24 During the course of the Inquiry the frequency of truck queues has reduced. In evidence to the Committee a major container terminal operator has claimed that truck turnaround times are now less than thirty minutes which is a considerable reduction in comparison to the several hours truck turnaround may have taken in the past (Transcript:1129).

4.25 A portion of the blame for truck queues must be accepted by the importers and exporters. In many cases during evidence terminal operators in particular have blamed the late pick up of import and late delivery to the terminal of export containers as a major reason for the presence of truck queues. The availability of free storage days for import containers within terminals appears to act as an incentive to importers/exports to delay picking up cargo until necessary (Submission 23,31; Transcript:840-844). Importers can gain a benefit as they will not need to pay for cargo or import duties until the cargo is collected. The Committee views the late pick up of import and delivery of export cargo as prime examples of the seeming inability or lack of interest of some importers and exporters in improving the efficiency of the transport chain (Transcript:40,41,361,431,432,442,841,842,843).

4.26 On the other hand, a lack of reliability in stevedoring or transport services may result in users of port services reducing risk by delivering cargo at the last possible moment, for example, in the delivery of perishable cargo for export, such as chilled meat, fruit or vegetables. Consequently, the system becomes self perpetuating.

4.27 Claims by importers and exporters concerning the inefficiency of the sea/land transport interface need to be assessed in the light of what action they have undertaken to improve the efficiency of the transport chain. Industry participants are quick to apportion blame to other areas in preference to assessing the effectiveness of their own operations - clearly improvements would result if they talked less about each other and more to each other.

4.28 The Committee is of the opinion that truck queues, where they occur, are the result of a lack of flexibility on behalf of importers/exporters, providers of transport services and terminal operators. A more flexible approach by these groups would result in the solution to many co-ordination problems.

4.29 Truck queues and the mismatch of working hours are closely related. A major contributing factor to truck queues is the mismatch of operating hours between terminal and transport operators and importers/exporters (Transcript:390,391).

4.30 Terminal operators maintain that they are a 24 hour operation for ship operations and generally cargo can be collected or delivered during the morning and afternoon shifts during the working week (Transcript:391,839).

4.31 Transport operators are required to operate according to terminal and warehouse opening times, which effectively makes them the meat in the sandwich between terminal operators and importers and exporters.

4.32 The major cause of the problem lies with the warehouse operators as it is warehouse opening times which have received most blame for causing problems (Submission 17:9, Submission 41:4,5, Transcript:739, 807). There are two major reasons for this mismatch.

4.33 First, warehouse operators are motivated by cost. If extending operating hours to facilitate the improved clearance of containers from the waterfront is not cost effective then it will not happen (Transcript:44). Obviously, it is not cost effective for warehouse operators to extend operating hours under the existing scheme of transport services.

4.34 In some respects the mismatch appears to be an example of participants shifting their problems (such as inflexible warehouse labour arrangements) to someone else - for example, by requiring the transport operator to undertake cargo storage en route to or from a warehouse. This may indicate a lack of planning given to overall interface logistics management issues by importers and exporters.

4.35 Second and closely related with the first consideration as it may represent a significant cost to warehouse operators, are the work practices industrial awards will allow (Transcript:44). For example, industrial awards may be so restrictive as to render extension of opening hours inappropriate or excessively expensive. At the very least refusing to open outside normal working hours passes the resultant costs back into hidden areas. The import/export industries and Australia are paying the cost of these decisions, which the individual warehouse operator escapes.

4.36 This mismatch of working hours creates a funnel effect, channelling the majority of requirements for the transportation of containers into a few hours of the day. The Committee has been told of incidents where restrictive working hours and inadequate dock facilities have significantly reduced available delivery time. This funnelling effect results in the inefficient use of resources at both the sea/land transport interface and in warehouses.

4.37 It is clear to the Committee that much of the lack of coordination and interaction at the sea/land transport interface is a result of an absence of communication between industry participants. Progress has been made in improving levels of communications between industry participants through the development of vehicle booking systems and the increased use of cellular phones. However, levels of both day-to-day communication and genuine interaction between the parties need to be further increased if the efficiency of the land/sea transport interface is to continue to improve.

4.38 The actions of regulatory agencies can also effect the efficiency of the interface. The Committee received evidence that actions of AQIS had added cost to and slowed down the movement of export and import cargoes (Transcript:1183-1189). The Committee accepts that some delays are inevitable where the inspection of certain cargoes is unavoidable. However, the Committee believes that agencies such as AQIS need to orientate their activities to achieve a balance between facilitating cargo, regulatory duties and achieving cost recovery requirements.

Documentation

4.39 Considerable evidence has been presented concerning the difficulties flowing from excessive and cumbersome documentation requirements. Inaccurate and incomplete documentation is also a problem. (Submissions:16,17,21,23,32,41; Transcript:366,367,371,786-790).

4.40 As shown in the Port of Melbourne (PMA) cargo flow diagram, the system can become extremely complicated. The PMA diagram is a worst case scenario and in the majority of cases the import/export process is relatively straight forward. Most transactions would take up to a dozen pieces of paper at the most, well short of the one hundred or so that have been mentioned in the media (Australian Financial Review; 24 October 1991 :12). However, the Committee considers that the process remains much too complicated for the efficient movement of cargo across the sea/land transport interface.

4.41 The incorrect use of documents and errors in the compilation of documents is the cause of many documentary problems (Submission 23:10). Delays occur when cargo can not be released for import delivery or received for export as a result of documentary requirements not being met, for example, lack of a signature, container or berth number, or a failure to meet ACS and AQIS or other regulatory requirements. This slows down the loading and unloading process and may result, in the worst instance, in a truck being sent away to procure the correct documentation and information.

4.42 What is often overlooked is that under traditional trade arrangements, the interface (or more precisely the ship's rail) is the point where responsibility for, or ownership of, cargo changes. It is understandable, therefore, that certain documentation associated with the transfer of goods assumes critical importance. It is of paramount importance that documentation is accurate.

4.43 It is clear from the evidence that problems with documentary requirements are being felt in all ports. It is a national issue, rather than a local issue and needs to be considered on national basis.

4.44 Recent progress has been made in several areas toward improving the amount and type of documentation required. These include;

- the introduction of a standard Receival Advice at most ports in Australia. It is understood that up to 90% of trucks arriving at container terminals at Melbourne are now using a single document;

- . the introduction of a standard Import Delivery Order, reducing the need for complex checks of eligibility for delivery to be undertaken at the terminal gate; and
- . the progressive introduction of Electronic Data Interchange (EDI) based systems designed to replace paper with electronic messages, an area in which the ACS has been particularly active.

4.45 The bill of lading is a transport document which is often used. It has three features which make it useful. First, it is evidence of a contract of carriage. Second, it is a receipt for goods and third, it is a document of title (CBA, Financing International Trade;1991:25). As a bill of lading is often used in conjunction with a letter of credit, it will be discussed in detail later in the report (see para 4.70-72).

EDI

4.46 Many submissions discussed the issues surrounding the introduction of EDI. The submission from Tradegate Australia limited (a non-profit company of industry participants) says that the application of new information technology can achieve two objectives, first, improved efficiency in the movement of cargo, and second, an increased ability of customers to exercise market power (Submission 16:1).

4.47 By arguing that EDI will allow customers to exercise increased market power, Tradegate suggests that the system will supply users with information they have not had access to in the past. An efficient and effective EDI system will enable users to monitor the performance of particular links, providing them with the ability to adjust the conduct of their business accordingly. Additionally, transport chain participants will be able to react to new developments more rapidly and will benefit from enhanced communications between transport chain participants.

4.48 The use of EDI puts pressure on firms to act quickly. Unlike paper systems, EDI carries an imperative for messages to be responded to promptly. The transparency of EDI systems enables delays and inefficiencies to be readily identified and exposed. This increase in responsibility translates into an increase in the speed of information flows.

4.49 The introduction of EDI into the trading community has been considerably slower than could have been expected given the potential benefits of the system. The slow rate of introduction of EDI can be attributed to the following factors:

- . confusion over the ultimate direction of the EDI process;
- . a lack of compatibility between EDI systems;
- . installation costs; and

an absence of commercial incentive for traders to utilise EDI. (Transcript:1124).

4.50 Confusion over the direction of EDI development is understandable when the number of 'coordinating' bodies within the industry, such as the EDI Council of Australia (EDICA), Tradegate and the Shipping Lines EDI Club are taken into account. It has been the Committee's experience that these peak organisations have not presented a common outlook in regard to the possible uses and development of EDI.

4.51 Tradegate Australia, the South Australian Government and the Road Transport Association of NSW all outline potential problems with the development of incompatible EDI systems (Submissions 16:3,21:23,42:5). The central concern being that lack of a national system will undermine the effectiveness of EDI and highlights the need for interconnection of EDI systems across the waterfront, road and rail.

4.52 The move towards system compatibility, interconnection and the requirement for standard messages has also caused confusion. Many messages have an EDIFACT¹ standard, which is the international standard. However, there is some argument within Australia as to whether it is necessary for domestic messages, which may be cheaper, to be sent

¹ A United Nations Commission for Europe agreed international message format. EDIFACT stands for EDI for Administration, Commerce and Trade.

EDIFACT format and certainly there is not an automatic necessity that any development has to be delayed awaiting an EDIFACT format. The present high degree of confusion surrounding the potential uses, costs and benefits of EDI is slowing the pace of its introduction into the trading community.

4.53 It is important for traders to understand that the introduction of EDI will entail an overhaul of their operating procedures, not just the purchase of computer hardware or software. The introduction of EDI into an operation should be looked at in a business sense not as a technical development. Firms will need to reassess how their activities are managed, organised and operated in conjunction with the introduction of EDI. They should not rely on EDI as the sole means of improving performance.

4.54 There is little doubt that the electronic transfer of business data offers significant potential for improvement in productivity and efficiency. However, it is insufficient just to install EDI as a solution to business communication problems. It is how EDI is used as an effective business tool that is of prime concern.

4.55 There is a hesitancy among certain groups, particularly shipping companies and terminal operators to fully commit themselves to full interworking systems because of commercial considerations. These fears stem from a perceived lack of commercial security within EDI interconnectivity, and also from the concern that full interconnectivity may not eventuate (Transcript:1089,1090,1121). The Committee has received no evidence that a lack of security is a problem with properly established EDI systems.

4.56 Concern has been expressed that difficulty in interconnection may result in users requiring multiple software products which immediately puts EDI out of the reach of small business (Transcript:1073). An associated problem is that if small business has to pay connection fees to several service providers it may act as an impediment to the speedy introduction of EDI. Considering the large number of small road transport operators which are engaged in the sea/land transport chain this issue is of some importance.

4.57 EDI is an opportunity to reduce the amount of documentation required to import or export cargo. For EDI to provide a useful contribution to efficiency improvements there needs to be streamlining and simplification of the documentation involved in the import/export process, not an electronic version of the paper system. Information requirements needs to be assessed in order to allow documentary redesign to occur prior to electronic conversion to EDI.

EDI - Tradegate

4.58 A final point on EDI which attracted attention during the Inquiry is the role Tradegate is playing in the introduction of EDI. Tradegate takes on a special significance as it is the sole supplier of electronic services to the ACS through its supplier of electronic services, Paxus. Tradegate has contracted with Paxus to provide the backbone network for various ACS functions. In this role Tradegate has a special obligation to ensure that electronic access to the regulatory functions of the ACS, through the Paxus network, is available to all at reasonable cost - that is, that there is genuine network interconnectivity available at reasonable cost to users.

4.59 The Committee is not convinced that Tradegate has in any way adversely effected the introduction of EDI within the transport chain. Recently the Committee received evidence that interconnection with the Paxus network is proceeding. Currently, General Electric Information Services (GEIS) and Australian Overseas Telecommunications Corporation (AOTC) have interconnection arrangements with Paxus, while other major networks are negotiating interconnection terms.

4.60 Tradegate expressed concern over the rate at which EDI was being adopted by Australian firms. Clearly, firms need to be convinced of the potential benefits of EDI before they will invest scarce funds to convert to EDI. The Committee supports the work of Tradegate and believes that such work should continue.

The Money Trail

4.61 In addition to the complex documentary procedures involved in the import/export of cargo there is for a large proportion of cargo, an equally complex system of money transfer.

4.62 Some evidence suggests that money flows may be a significant determinant of the speed with which cargo moves through the transport chain (Transcript:483). However, the extent to which this is the case is not clear.

4.63 There are two central issues:

it has been claimed that some major industry participants do not work on credit which means that payment must be made before cargo can be cleared from the wharf; and

the status of the letter of credit and its relationship to the bill of lading, and the banking industry's procedure in respect of each.

4.64 Evidence presented to the Committee (Transcript:953) indicates that sections of the industry work on credit. For example, documentary credits issued by most banks range from sight of cargo to 180 days credit. However, it may be that free storage periods within terminals have been used by importers to delay paying for cargo, particularly where this coincides with time limits on available finance or credit. If this is the case the Committee considers it an unnecessary impediment to the efficient movement of cargo.

4.65 An area where credit is not extended is customs duty. Unlike other countries the ACS does not extend credit to the payment of customs duty (Transcript:765,766). The ACS argues that, 'A week's credit on customs duty would cost in the vicinity of \$600m on a one time basis' (Transcript:794). Whether the extension of credit for the payment of

customs would increase the speed of cargo on and off the wharf is uncertain. The Committee believes that the benefits accruing from the extension of credit for customs duty may not outweigh the costs of extending credit and that further examination of the issue is required.

4.66 The House of Representatives Standing Committee on Finance and Public Administration in its April 1991 Report 'A Tour of Duties' recommended that the Australian Customs Service move to a Release on Minimum Documentation (RMD) System to enable the collection of duty in an unpressured time frame (1991:25). Under an RMD system the two barrier functions are split. Community protection requirements have to be met at the barrier, while the payment of duty can be made later. The RMD system is a form of credit in that it offers an extension of the time allowed for customs duty payment to be paid.

4.67 The Committee notes that the Government response to the Standing Committee's report states that a number of developments are in train that have the objective of facilitating and expediting the movement of cargo and that RMD would be considered in the light of those developments and the outcomes of this inquiry.

4.68 The problems associated with the bill of lading and letter of credit systems raise the question; are they appropriate documents?

4.69 The letter of credit system provides protection to the exporter as it means that a bank, once it has issued a letter of credit, is liable for payment for cargo, not the importer. The bill of lading is closely associated with the letter of credit as it is usually a required document under a documentary credit.

4.70 The bill of lading evolved during a period of considerably longer transit times than at present, during which it was possible to sell goods several times making a document of title essential. Equally, in those days cargo was of a more general nature, little cargo was moved which was to the specific design or character of a particular importer. A bill of lading allows for the transfer of title and therefore places a greater responsibility on the carrier to ensure the security of the cargo while at the same time providing protection for traders.

4.71 As bills of lading are usually a required document under a documentary credit it is the requirement that they are sighted prior to the release of cargo which may be a significant inhibitor to efficiency (Transcript:483,484). It has been suggested during evidence that cargo may arrive prior to a bill of lading, preventing the cargo from being delivered until the bill of lading arrives (Transcript:483). Cargo does sometimes arrive before the bill of lading and it cannot be released by the shipping company or the bank until the bill is presented and properly endorsed. Problems may also arise where an exporter (who usually raises the bill) gets the cargo onto the ship and leaves the documentation until later. Combine this with weekends and short transit times and problems quickly arise.

4.72 The Australian Bankers Association (ABA) argues that it is rare for a bill of lading to be late and that they do not constitute a significant obstacle to interface efficiency (Transcript:931). In contrast to this the Customs Agents Federation of Western Australia argued that the bill of lading could act as an impediment to the efficient movement of cargo (Transcript:483,484). The ABA goes on to argue that it is the traders who select the form of financial transaction not the bank. Bills of lading, in conjunction with a letter of credit, are popular because they offer some form of protection in financial transactions to traders. The problem would appear to lie in how bills of lading are used not in the document itself.

4.73 The bank is responsible for collecting payment from the importer. As the bank is extending credit, usually irrevocable, under the letter of credit system credit assessment requirements apply. Understandably, banks are concerned with protecting their financial position. It is the conditions attaching to successfully applying for credit which appears to be the problem with the letter of credit system, not the document.

4.74 It was put to the Committee that the efficiency of the interface could be increased if the transfer of responsibility or ownership were to occur away from the interface, as would occur if a door-to-door transport contract were used or through the organisation of trade designed to facilitate multimodalism. The Committee is not convinced that traders have adequate information on alternative courses of action. Traders need to evaluate their current trade arrangements and develop alternatives to reduce the level of documentation required to transfer cargo across the interface and increase the efficiency of the overall process.

4.75 The Committee suspects that the ease and speed with which international cargo is handled at both ends of the transport chain could be increased by greater knowledge of the options available. The Committee believes that organisations offering services in this area, such as Chambers of Commerce Importer/Exporter Panels, should provide information on options available. It is incumbent upon both banking and shipping organisations to ensure that such panels have access to the full knowledge required and are encouraged to be active.

Infrastructure Development

4.76 The Committee received in evidence a number of suggestions that infrastructure at the sea/land transport interface needed to be improved. The total costs of these suggested investments is over \$1400 million. The Victorian government maintains that investment from the private sector and the State and Federal governments is essential (Submission 17:12,13). The submission from the South Australian government concludes that funding in infrastructure improvements associated with access to and from South Australian ports is a cost effective supplement to upgrading in Sydney and Melbourne (Submission 21:21). The Queensland government submission refers to a study of the standard gauge link to Fisherman Islands (Submission 37:6).

4.77 The Committee notes the Governments announcement of 26 February 1992. In the announcement support for a number of infrastructure proposals, including some which will have a significant impact upon the interface between sea ports and land transport, was outlined. Included among these were proposals to upgrade facilities at, or rail links to

the ports of Fremantle, Adelaide, Brisbane and Townsville and for a road link between the Port of Melbourne and the South Dynon rail terminal. Standardisation of the Adelaide - Melbourne railway; upgrading of the Sydney - Melbourne railway; and provision of funds to the National Rail Corporation (NRC) for the upgrading of the Dynon rail terminal in Melbourne and for the construction of a dedicated freight link from Campbelltown to Enfield in Sydney. These proposals provide the potential to make physical interface links more efficient.

4.78 Also encouraged is the investment of private sector capital in land transport and ports through the use of Infrastructure Bonds. These bonds, which will attract special tax provisions, may enable the private sector to deliver transport services on a more competitive basis.

4.79 Evidence has been presented that the problems of the sea/land transport interface could be solved through improvements to operational procedures as well as through investment (Submission 21:20).

4.80 There are a number of key factors in maximising the efficiency of infrastructure investments which should be evaluated when investment is being considered. These include:

- . which form and combination of transport will carry out the required task;
- . the need for full assessment of economic, social and environmental costs and benefits;

- . the extent to which a proposed infrastructure development will improve the efficiency of the total transport chain; and
- . the need to ensure that all opportunities to improve operational and management practices are utilised.

4.81 The recently announced projects have addressed a number of the infrastructure problems raised with the Committee affecting the sea/land transport interface.

Port Authorities

4.82 Port Authorities, with limited exceptions, have little direct involvement in the movement of cargo on or off ships or across the interface. However, as port authorities have extensive controls over the planning of and use of port lands as well as through their pricing policies, they can have a significant influence over the efficiency and effectiveness of the interface.

4.83 The application of port pricing is one way that port authorities can have a significant, often unintentional, impact on port activities. The Committee considers that the port authorities' prime objective should be to ensure that their pricing arrangements have a close relationship between costs and prices charged for services and facilities they provide. Port authorities, however, need to have regard to the impact this has on the overall operation of the port.

4.84 It has been suggested that port authorities are ideally placed to play a positive, pro-active role in encouraging greater efficiency and cost reduction among participants in the transport chain (Submission:71,29). They could use their influence to enforce discipline on those directly involved in the movement of cargo by, for example, enforcing cargo delivery cut-off times, aplying late pick-up charges and managing truck queues. Port authorities, it is claimed, can adopt this role because they are not actively involved in the commercial activities of the port (Transcript:441).

4.85 It has also been suggested that port authorities should use their leasing and licensing arrangements to encourage greater efficiency in the sea/land transport interface by introducing performance criteria into commercial arrangements with other port service providers (Submission:71,29).

4.86 Conversely, a number of submitters considered that port authorities should not have a facilitation role and should confine their activities to providing safe navigational channels and berths on long term lease arrangements (Submissions 56:6,7;67:4;68:10;74:13). In addition, it was suggested that port authorities should not interfere with the commercial operations of port users and that any measures required to adjust behaviour are primarily the responsibility of the companies involved.

4.87 The Committee does not accept this argument, the failure and inefficiencies of the interface indicates that solely market based solutions are not likely to maximise the overall efficiency of the total transport chain.

Similarly, the Committee does not believe that port authorities should totally regulate commercial activities within a port. The role of port authorities should be to assist and facilitate the efficient movement of cargo.

4.88 Port authorities are in a good position to set the environment within a port for an efficient transfer of cargo. This can take a number of forms, including the setting of charges, and will obviously vary between ports. The Committee believes that port authorities can play a facilitation role, but it has to be a supporting rather than a leading role. It is desirable that port authorities are not involved in the actual commercial arrangements between port service operators and their clients.

Conclusion

4.89 The Committee identified the major issues as:

Attitudinal Change

- . the need for interface participants to examine how their operations could be adapted to increase overall interface efficiency.

Coordination/Interaction

- . absence of effective communication and flexibility within transport chain operations resulting in a lack of reliability;

- . participants claims that the responsibility for inefficient operations always lies elsewhere; and
- . the lack of participation by importers and exporters in the decision making process.

Documentation

- . the need to streamline, simplify and standardise documentary formats (some of which has already been done);
- . that the manner of use of documentation by industry participants is as much to blame as the documents themselves; and
- . the introduction of EDI should be accelerated and documentary redesign should be completed prior to conversion to EDI.

The Money Trail

- . requirement to sight the original bill of lading hinders cargo release;
- . failure of the banking and the shipping industries to effectively promote alternatives to the bill of lading and letters of credit, such as the sea way bill; and

- . the need to simplify the international trade financial transaction process.

EDI

- . ensuring compatibility and connectivity between EDI systems;
- . creation of domestic and international standard message formats; and
- . small business concerns with access to and cost of EDI systems.

Infrastructure Development

- . the requirement for examination of all measures to improve efficiency prior to infrastructure development; and
- . a lack of overall planning in infrastructure development.

5: IMPROVING INTERFACE PERFORMANCE

Introduction

5.1 Considering the similarity between the conclusions and recommendations of previous inquiries into this area it is clear that there are no easy solutions to problems of the sea/land transport interface. Consequently, a principal aim of the Committee's conclusions and recommendations is to focus industry attention upon the problems which have been identified.

5.2 There is a common theme which runs through all of the sea/land transport interface problems which have been discussed. In all areas of the interface the view of one group is contradicted by another. There appears to be little or no consensus on any method of operation, EDI system, message standard, form of documentation or financial arrangement. Disagreement stems from the adversarial nature of the relationships between industry participants or traditional disregard for the concerns of others.

5.3 In addition to a lack of cooperation among members of the industry there is a questionable attitude held by container terminal operators and stevedores in regard to industry clients. This attitude has an historical basis in the cost-plus pricing regimes under which the industry previously operated (ISC Conclusions and Recommendations Vol.1;1989:23). During those times it was possible to pass on the costs of inefficiency. Consequently, a lack of concern for the wishes of clients became the norm. While this attitude is changing considerable room for improved service remains.

5.4 The Committee strongly believes that the solution lies with industry participants not Government. The Committee considers that a major change of attitude within the industry is a matter of priority (see paras 4.6-4.14). A more service oriented, cooperative atmosphere is required; importantly, one where each element in the chain recognises that its own welfare is largely dictated by the performance of the whole. The conclusions and recommendations in this chapter are intended to encourage the industry to improve productivity and performance.

5.5 The industry needs to move towards reducing the cost and improving the reliability and flexibility of the service it currently offers. While cost is always a consideration, most evidence received during the inquiry was concerned with the lack of reliability and flexibility associated with the operations of the interface. Accordingly, recommendations made by the Committee are principally aimed at increasing the reliability of the sea/land transport interface to improve service to customers.

5.6 Attitudinal change aside, general solutions are unlikely. Each port is unique and each has its own industry structures, industrial arrangements, commercial relationships and operating procedures. Problems arising from these, and possible remedies which may be possible are likely to be port specific. There may be generic solutions to common problems, however, it will be the adaptability of such solutions within particular ports which will determine the degree of success of the proposed reforms.

5.7 The Australian waterfront and its associated sea/land transport interface are confronted by many difficulties, the resolution of which is clouded by unrealistic expectations. Expectations built on unlike international comparisons often bear little relevance to Australian conditions and procedures. The different economies of scale, unit size, safety requirements, transport tasks, shipping technology, voyage patterns, risk and investment levels present in many overseas ports often make comparison with Australia inappropriate. Despite this the Committee believes that there is considerable scope for improvement in the performance and reliability of the sea/land transport interface. This improvement should be achieved as quickly as possible and the benefits should be passed on to users in the form of increased reliability and decreased costs.

Improved Coordination and Interaction

5.8 The salient problem with the sea/land transport interface is the lack of effective coordination and interaction between industry participants. The lack of coordination is the result of the combination of several factors:

- . intense self interest on behalf of the industry service providers. Clearly, the driving force for all enterprises is the success of their own commercial interests, however, the Committee believes that sections of the industry pursue self-interest to the detriment of the total transport chain and their own long term interests;

- . lack of participation in the policy making decision process by those using the industry, ie importers and exporters had little input into decisions which affected operational procedures and the cost, reliability and level of service provided by the industry;
- . the failure of waterfront users to seek information on alternative arrangements;
- . the failure of interface users to avail themselves of existing price and service opportunities; and
- . failure of service providers to offer innovative services and pricing options.

5.9 In considering how best to rectify these problems the Committee concluded that government regulation of the industry has not worked. Self regulation of the stevedoring industry proved ineffective following its reintroduction in 1977¹, as the self-interest of stevedores became paramount. The Committee believes that the ideal situation is where the sea/land transport interface functions to maximise the performance of importers and exporters.

¹ In 1977 the Commonwealth Government disbanded the Australian Stevedoring Industry Authority and left the industry to largely regulate itself.

5.10 The Hunter Valley Coal Chain Council is an excellent example of effective coordination between industry participants. However, there are some characteristics of the Hunter Valley coal chain which make it unsuitable as a general model for self regulation. Having a limited number of industry participants concerned with the movement of a single commodity gives the coal chain a special ability to focus on problems associated with the export of coal. Conversely, general cargo operations have a large number of industry participants moving diverse cargoes in random quantities, which makes a coordinated approach to cargo movement difficult to achieve.

5.11 An additional factor which assists the Hunter Valley Coal Chain Council in maintaining a high level of efficiency is the degree of vertical integration within the chain. Ownership of the coal loader Port Waratah Coal Services (PWCS), by the colliers mean that shared expectations, goals and aims permeate the industry. This allows for increased coordination along the chain.

5.12 Given the lack of effective leadership among the chain participants the Committee believes that an Interface Efficiency Council (IEC) should be established in each of the principal ports.

5.13 The IEC would essentially be responsible for facilitating cargo movement, fixing problems and formulating policy within a specific port. It would work in close liaison with the local Port Authority and EDI interests. The Committee believes an IEC comprising Chief Executive representation offers the best balance between the need for reform and a preference for self regulation.

5.14 Implementation of IEC policy and day to day activities within the port would be handled by a Port Liaison Officer (PLO). The PLO would have the power to refer difficult or intractable matters to the IEC for a decision. The office of the PLO would be funded by and answerable to the IEC.

The Model for an IEC

5.15 The IEC would be responsible for:

- . setting policy in regard to all matters associated with the sea/land transport interface with the port, this would include defining areas where;
 - change is desirable;
 - frustrations or inefficiencies occur;
 - there is a lack of coordination; and
 - documentation problems arise.
- . ensuring that coordinated remedial action is undertaken;
- . administer the office of a Port Liaison Officer;

- . initiate an education program to expand user awareness of chain operations and improve the relationships between links in the chain;
- . plan for the resolution of potential long term problems within the port; and
- . mediate in issues concerning industry participants.

5.16 It is essential that membership of the IEC is drawn from all links to the interface. To ensure the IEC's effectiveness it should comprise senior management personnel with the authority to commit their respective interest groups to policy decisions. It is anticipated that members of the IEC would act in a voluntary capacity.

5.17 The Committee anticipates the IECs would be funded by the Commonwealth Government for a maximum period of three years. After this time IECs would be funded by contributions from chain participants. The Department of Transport and Communications could be responsible for the establishment of IECs and initial secretariat support.

5.18 The Committee recommends that:

Interface Efficiency Councils be established, initially in the ports of Sydney and Melbourne, to facilitate the efficient movement of cargo to and from those ports and to formulate policy in relation to the port interface.

Electronic Data Interchange

5.19 The introduction of EDI within the sea/land transport interface is vital if improved efficiency and international competitiveness are to be achieved. Currently, EDI is being introduced into the industry.

5.20 The Committee does not consider introduction of EDI to be solely a technical issue (see para 4.49). The introduction of EDI must be seen as a business decision which requires a change in attitude towards the way business is done. Consequently, small businesses in particular need to be convinced that the change is worthwhile. The proponents of EDI need to demonstrate the tangible benefits of EDI, rather than talk about possible advantages. The Committee is concerned that a situation may arise where small business may not take up EDI because of cost and accessibility concerns.

5.21 The pace of introduction of EDI within the sea/land transport interface is increasing. For example, several terminals have successfully introduced truck booking systems and the ACS is currently developing EXIT 2 and Sea Cargo Automation systems, which will enhance movement of imports and exports. Whilst recognising these developments the Committee believes that the general pace of introduction of EDI throughout the transport chain should be increased and that the issues of compatibility and interconnection need to be resolved. The Committee is of the view that those directly involved in the introduction of EDI need to place greater emphasis on these aspects.

5.22 The slow pace of introduction of EDI can be traced to a lack of commercial incentive to switch to electronic trading and a lack of awareness of the benefits of EDI. The Committee considers that the onus is on importers and exporters to recognise the potential benefits of electronic trading and influence organisations within the sea/land transport interface to adopt EDI. Similarly, suppliers of EDI systems need to convince the trading community of the benefits available through EDI. The IECs could assist in increasing the level of general awareness of EDI within the interface by conducting education campaigns.

5.23 A lack of compatibility between EDI systems will seriously undermine the effectiveness of electronic trading. Currently, there appears to be little attempt to coordinate the introduction of compatible EDI systems within the sea, road and rail transport sectors. Greater effort needs to be made to ensure that EDI introduced within sectors is compatible with those introduced in other forms of transport.

5.24 An additional problem with compatibility is the relationship between the ACS and AQIS. The ACS has been the driving force behind the introduction of EDI within the transport sector. However, AQIS has not been as enthusiastic about the introduction of EDI. There is scope for *improvement in the level of service offered by AQIS*. The Committee is of the opinion that EDI services offered by AQIS should be aligned with those of the ACS. Maximum benefit from investment by ACS and the industry in EDI will not be realised unless there is a corresponding level of commitment and effort by AQIS.

5.25 Message standardisation is an issue. There is some argument over the cost and effectiveness of Australia adopting EDIFACT standard messages for domestic EDI operations, and over the very long delays that are inevitable where organisations insist that EDIFACT standard messages are available before they will adopt EDI. Several organisations have proceeded on the basis of using EDIFACT standard messages where they are available. However, they have constructed local messages where EDIFACT messages are not available. There has been progress in the standardisation of international messages with over 70 messages now being in an agreed EDIFACT standard form. The Committee agrees international messages should be in EDIFACT form and supports the push for domestic messages to be in a similar format.

5.26 It is imperative that commercially acceptable interconnectivity between EDI systems for the waterfront/transport industries be available. Full interconnectivity between systems should be available to all who wish to use a system. Presently there is some concern within the EDI industry over the exclusive contract existing between Paxus and Tradegate. While this contract is stated to allow for interconnection there is argument over the degree to which it can take place and what constitutes the commercial grounds on which they should be based.

5.27 The Committee is aware that interconnection between Paxus and other networks has increased. While interconnectivity is not the problem it first appeared, the Committee remains concerned that anything which frustrates firms obtaining network interconnectivity impedes overall efficiency.

5.28 The role of Tradegate in the introduction of EDI within the sea/land transport interface was extensively canvassed in a number of submissions. The Committee supports the concept of a facilitating organisation such as Tradegate and acknowledges Tradegate's efforts in the area. However, after considering the evidence, the Committee could not avoid concern that there were divergent views over such an important organisation. The Committee believes that it is vital that this situation is resolved and that the Government consider financial support for Tradegate.

5.29 An additional problem is the lack of interconnection between sea, land and rail transport communications systems. It is apparent that while there is an increasing amount of EDI transactions at the sea/road interface there is a lack of interaction between sea/rail transport. The sea/land transport interface will not reach maximum efficiency if the different forms of transport are not connected electronically.

5.30 A central concern with the introduction of EDI is to ensure that current documentary arrangements are not electronically duplicated. The introduction of EDI would be ineffective if the existing maze of documentation is not streamlined and simplified in association with the introduction of EDI. Real benefit lies in the redesign of not only documents but also of basic organisational fundamentals and concepts. This is required in order to ensure that the introduction of EDI avoids converting existing problems into an electronic form.

5.31 The Committee recognises that many organisations such as EDICA and other groups are currently working towards the early implementation of electronic messaging. The Committee supports this work and in no way wishes to divert attention away from their valuable contribution.

5.32 Nevertheless, there was a strong view from submitters that this work would be assisted if companies were more aware of the steps needed to maximise the benefits of EDI, and if there was better coordination of the introduction of EDI. It was suggested to the Committee that a high level committee or group of experts, that did not represent 'vested interests', should be established to facilitate the introduction of EDI (Transcript:1067-80). Also a number of submissions indicated that the Commonwealth Government could play a stronger role in the promotion of EDI.

5.33 The Committee considers that a facilitation group would be advantageous and have a useful impact. The Committee believes that the establishment of a working party consisting of the Department of Transport and Communications; Industry, Technology and Commerce; Austrade; Tradegate; EDICA; ACS and AQIS. This working party would liaise with IECs to accelerate the development of standard messaging and facilitate its use, would be beneficial.

5.34 The Committee recommends that:

- (a) the Minister for Shipping and Aviation establish a working party comprising the Department of Transport and Communications, the Department of Industry, Technology and Commerce, Austrade, Tradegate, EDI Council of Australia, Australian Customs Service and Australian Quarantine Inspection Service to coordinate the introduction of Electronic Data Interchange;
- (b) the Minister for Shipping and Aviation report to the Parliament on progress of the working party in twelve months;
- (c) Interface Efficiency Councils in association with Tradegate and the EDI Council of Australia undertake to educate industry participants of the benefits of electronic messaging;
- (d) the Australian Quarantine Inspection Service and other government and regulatory bodies information exchange systems be aligned as a matter of priority with the Electronic Data Interchange systems being developed by the Australian Customs Service; and
- (e) Electronic Data Interchange systems be introduced into rail networks, and that these systems be compatible with current sea/road Electronic Data Interchange systems.

Infrastructure Development/Operational Procedures

5.35 Infrastructure development is seen by some as a solution to sea/land transport interface inefficiencies. The Committee believes as a principle that all measures of increasing operational efficiency should be examined before recourse to future infrastructure investment.

5.36 Many opportunities to improve operational efficiency are now presenting themselves. For example, the introduction of EDI has meant that customs clearance for imports and exports is much streamlined, truck booking systems have improved transport operations, container terminal operations have improved, and ship and truck turnaround time have been reduced considerably.

5.37 Having suggested that operational improvements should be pursued prior to infrastructure development there may be cases where infrastructure development is warranted in the longer term interest. The Committee notes the recent statement by the Government concerning the construction of infrastructure which has the potential to improve interface efficiency and interport links.

5.38 Given the investment being undertaken (see para 4.77) the need to ensure that all opportunities for improvement in operational practices and arrangements are utilised is paramount. The onus is on users to fully maximise the advantages of improvements in efficiency generated by the construction of infrastructure.

Documentation/Financial Arrangements

5.39 During the inquiry problems associated with both transport and financial documentation have emerged as a contributing cause of inefficiency at the sea land transport interface.

5.40 Terminal operators suggested during evidence that on many occasions documentation is either missing, incorrectly completed or that the wrong form has been used. The Australian Banker's Association says much the same about financial documents.

5.41 This haphazard approach to detail can only be solved by users and participants paying more attention to documentary requirements. Priority needs to be given to the simple tasks of ensuring the right form is used, details are filled in correctly and the information supplied is accurate. It is difficult to penalise participants for paper mistakes as it is difficult to establish the origin of the mistake. Individual operators have to ensure that documents are correctly chosen and completed. It is apparent to the Committee that this is an area where a little effort could yield substantial reward.

5.42 The introduction of single import and export carte notes in certain ports has reduced the potential for error, effectively improving sea/land transport interface operations. The Committee believes that ports which do not have them would benefit from their introduction.

5.43 There was much discussion during the inquiry concerning the use and operation of bills of lading, letters of credit and seaway bills. It was suggested that the use of the bill of lading and letter of credit as trading documents could hinder interface efficiency.

5.44 It was suggested that the requirement of banks to sight original bills of lading may result in a delay in the delivery of cargo. The Australian Bankers Association maintained that the use of bills of lading and the associated letter of credit is a decision made by traders to protect themselves, not by banks. Consequently, delivery delays experienced by traders is a result of the need to protect their investment.

5.45 There is some concern that the stringent requirements banks place on issuing letters of credit effects the usefulness of the bill of lading as a transport document. It is evident to the Committee that problems associated with obtaining credit do not impact upon the effectiveness of the bill of loading as a transport document, but can impact upon the prompt movement of cargo off the wharf.

5.46 Regardless of why a bill of lading is used, effort needs to be made to increase the effectiveness of the documentation. Considering that the bill of lading will continue to be used as it provides security to the importer or exporter, the challenge is to make the document easier to use.

5.47 There are agreed Committee Maritime International (CMI) rules for the introduction of an electronic bill of lading. However, there is not as yet an appropriate software package to run a suitable program. The

Committee believes that the Australian government should take a higher international profile in having more efficient international trade and finance documents developed.

5.48 Some have suggested the seaway bill as a substitute for the bill of lading. The seaway bill is based along similar lines to an airway bill which is purely a transport document and carries no connotations for the transfer of title. However, there are significant differences between cargo which is sent by airway bills and bills of lading:

- . much of the airway bill cargo is in house, that is where cargo moves from a principal overseas to a subsidiary or associate in Australia;
- . banks have control over cargo sent via airway bills as the cargo in many cases is consigned to the bank;
- . the short transit times in air travel do not allow for the complicated procedures required for a bill of lading, in many cases documents travel with the cargo; and
- . most air cargo is non exploratory trade, ie it is established trade between long term traders who have established credit arrangements/relationships.

5.49 These differences suggest that a seaway bill may not be adequate for much marine cargo, however, there are cases, such as with in house trade, where a seaway bill would be sufficient. The cases where a seaway bill would be appropriate need to be made explicit by banks and shipping companies so that traders have information on which is the cheapest, most efficient and most financially appropriate use of international trade documentation.

5.50 The addition of a control clause to the seaway bills' current format would make it a more effective document. This clause gives banks control over the release of goods and may alleviate concerns about financial security. The Committee is of the opinion that the banking and shipping industries need to collaborate in ensuring that seaway bills become a more effective maritime transport document.

5.51 The Committee recommends that:

- (a) the shipping and banking industries should accept a formal responsibility for promoting the greater use of seaway bills and simpler alternative documentation;
- (b) the Australian Government should take a more internationally proactive role in initiating necessary alteration to international trade and finance documentation; and

- (c) standard import and export documentation be introduced for all ports.

Port Performance Indicator

5.52 The major thrust of the Committee's recommendations is to improve efficiency and reliability of the interface. These recommendations, together with other measures being currently acted upon, should result in considerable improvements. These improvements are capable of being measured and an appropriate recommendation will be made at the end of this section.

5.53 The Committee's recommendations are not directed at the individual cost indicators outlined in Tables 2.1 and 2.2. They should however, affect all these components and in the long term affect overall indicators as well. Tables 2.1 and 2.2 show that the efficiency gains are being passed on to the exporter/importer as lower costs. Such indicators are probably the best indication of improvements in the efficiency and reliability of the interface.

5.54 To assess the improvement in the sea/land transport interface efficiency the Committee is of the opinion the establishment of a Port Performance Indicator (PPI) would be beneficial. The Committee consulted with the BTCE over the viability and feasibility of the proposal. The BTCE has indicated that a PPI could be established (see Appendix 5).

5.55 The PPI will achieve two principal functions. First, it would assess whether change in interface efficiency is occurring. If efficiency were found not to be improving, the indicator will be used to pinpoint where inefficiencies remain. Additionally, the PPI would be a useful tool in monitoring the continuing progress in interface efficiency.

5.56 Second, the indicator would be a measure by which an assessment of whether the improvements in interface efficiency were being passed on to users in the form of lower costs. The Committee notes that the Prices Surveillance Authority (PSA) has a watching brief on the stevedoring industry. It is the Committee's opinion that the PPI will complement and supplement the PSA's investigations. A combination of the PSA findings and the PPI will give an accurate assessment of the improvement in interface efficiency.

5.57 The Committee concluded that the BTCE should be responsible for producing the PPI. The index should be published on a port basis and a national aggregate should also be published as a useful indicator of the overall progress of reform.

5.58 The Committee recommends that:

The Bureau of Transport and Communications
Economics produce a six monthly Port Performance
Indicator on sea/land transport interface
efficiency.

Peter Morris MHR
Chairman

2 April 1992

REFERENCE LIST

A Tour of Duties The Final Report on an Inquiry into Aspects of the Australian Customs Service, House of Representatives Standing Committee on Finance and Public Administration, 1991, AGPS, Canberra.

Australian Financial Review, 3 March 1992.

Australian Financial Review, 24 October 1991.

Daily Commercial News, 12 February 1992.

Economic Significance of the Waterfront, Bureau of Transport and Communications Economics; 1988.

Final Report to the Interstate Commission, Importer/Exporter Panel, 1987 December.

Inter State Commission Waterfront Investigation Conclusions and Recommendations VOL I.

Shipping and Air Cargo Commodity Statistics, Australian Bureau of Statistics, various issues, AGPS, Canberra.

Shipping and Air Cargo Commodity Statistics, Australian Bureau of Statistics, October 1991, AGPS, Canberra.

Task Force on Shore Based Shipping Costs, 1986, AGPS, Canberra.

CONDUCT OF THE INQUIRY, EVIDENCE AND WITNESSES

The Inquiry

1. The House of Representative Standing Committee on Transport, Communications and Infrastructure was appointed under Sessional Order 28B on 8 May 1990. The Committee is empowered to inquire into and report on any matter referred to it by either the House or a Minister.
2. On 27 June 1990 the Chairman wrote to the Minister for Transport and Communications, the Hon Kim C Beazley MP seeking a reference on the efficiency of the interface between seaports and land transport. The reference was received from the Minister for Shipping and Aviation Support, Senator the Hon Bob Collins on the 24 July 1990.
3. The Committee appointed a subcommittee comprising the Hon P F Morris (Chairman), Mr J Anderson, Mr C Hollis, Mr T Mack and Mr H Woods on 12 September 1990 to inquire and report on the reference.
4. The reference was advertised in the metropolitan daily newspapers on 28 July 1990. The advertisement asked for initial submissions to be lodged by 14 September 1990.
5. The subcommittee released a Discussion Paper in August 1991. The Discussion Paper contained questions to which submitters were asked to respond.

6. The subcommittee took evidence at 14 public hearings and inspected ports at Adelaide, Botany Bay, Brisbane, Fremantle, Melbourne, Newcastle, Port Kembla and Yamba.

Evidence

7. The evidence consists mostly of written submissions made to the Committee, oral evidence taken by the subcommittee at public hearings and documents received in the course of the inquiry.

8. Over 80 written submissions were received. The written submissions which have been authorised for publication along with the oral evidence will be bound and copies sent to the National Library and the Parliamentary Library. A set will be retained in the committee secretariat.

9. The submissions authorised for publication are as follows:

SUBMISSION NUMBER	ORGANISATION/PERSON
1	ASDMAR ASD Marine Pty Ltd
2	People's Law Options
3	City of Melbourne

- 4 Westinghouse Brake
and Signal Company
(Australia) Ltd
- 5 Darwin Port Authority
- 6 Maunsell Pty Ltd
- 7 Consumers' Transport
Council
- 8 Customs Agents Association
of WA
- 9 Friends of Wolli Creek
- 10 Port Kembla Harbour
Task Force
- 11 Illawarra Region of
Councils
- 12 Customs Agents Federation
of Australia
- 13 Transport Workers' Union
of Australia - South Coast
Sub-Branch

14	Tasmanian Government
15	Australian Railways Union
16	Tradegate Australia Ltd
17	Victorian Government
18	Illawarra Regional Consultative Council
19	The Australian Workers' Union - NSW Branch
20	Shire of Parkes
21	South Australian Government
22	Australian Chamber of Shipping Ltd
23	Western Australian Government
24	Port of Melbourne Authority

25	Mr Alf Critcher New South Wales
26	City of Melbourne
27	Port Kembla Task Force
28	NSW Government
29	Dr P G Laird
30	Australian Chamber of Shipping Ltd
31	ANL Limited
32	Australian Customs Service
33	R & H Transport Services Pty Ltd
34	Port Waratah Coal Services Limited
35	MSB Hunter Ports Authority

- 36 Hunter Economic
Development Council
- 37 Queensland Government
- 38 Transport Workers'
Union of Australia
- 39 Newcastle Trades Hall
Council
- 40 Waterside Workers
Federation of Australia
- Newcastle Branch
- 41 National Terminals
(Australia) Limited
- 42 NSW Road Transport
Association
- 43 Merchant Services Guild
of Australia - NSW Branch
- 44 Brisbane Gateway
Terminals Limited

45	NSW Department of Transport
46	National Terminals (Australia) Ltd
47	Tradegate Australia Ltd
48	National Terminals (Australia) Ltd
48A	National Terminals (Australia) Ltd
49	Dr M J Cameron
50	Port Waratah Coal Services Ltd
51	Illawarra Region of Councils
52	The Association of Australian Port and Marine Authorities Incorporated
53	Shipping Lines' EDI Club

54	Pasminco Metals Pty Ltd
55	NSW Coal Association
56	Australian Paper Manufacturers
57	Shipping Conferences Services Ltd
58	Interplan Pty Ltd
59	Australian Customs Service
60	Australian Bankers Ass
61	Australian Wheat Board
62	Australian Chamber of Shipping Ltd
63	Port of Melbourne Authority
64	Tradegate Australia Ltd

65	Telecom Australia - Telecom Plus
66	Customs Agents Federation of Australia
67	Australian Mining Industry Council
68	Australian Shipping User Group
69	Australian National
70	New South Wales Department of Transport
71	South Australian Ports Liaison Advisory Committee
72	Western Australia Department of Transport
73	Conaust Ltd
74	Coles Myer Ltd

75	Centre for Transport Policy Analysis - University of Wollongong
76	Australian Railways Union
77	Conaust Ltd
78	Port of Brisbane Authority
79	Dr P G Laird
80	Consumers' Transport Council
81	Grafton and District Business Development Board Ltd
82	PAXUS ComNet Ltd
83	Dr P G Laird
84	Tradegate Australia Ltd
85	Bureau of Transport and C o m m u n i c a t i o n s Economics

86

Bureau of Transport and
C o m m u n i c a t i o n s
Economics

87

Tradegate Australia Ltd

Witnesses

The following witnesses appeared before the subcommittee and were examined:

ORGANISATION/ WITNESSES

**DATES(S) OF
APPEARANCE**

Melbourne City Council

Mrs Laurinda Amy Gardner
Manager
Strategic Planning

25 October 1990

Mr John Edward Riley
Strategic Planner, Transport

Port of Melbourne Authority

Mr John Berresford King
Director-General, Transport and Chairman

25 October 1990

Captain William Scofield Gent
Director, Waterfront Reform

Victorian Government

Mr Brian John Negus
Director, Strategic Transport Projects

25 October 1990

Maunsell Pty Ltd

Mr Donald Graeme Bradshaw
Director, Maritime

25 October 1990

Master Research Australasia Pty Ltd

Dr David Wilson
Director, Master Research

25 October 1990
20 February 1991

Port Kembla Harbour Task Force

Mr Peter Gaden Morton
Chairman

22 November 1990

Professor Kenneth Alan Blakey
Executive Member

22 November 1990

Mr Tom McCabe
Executive Member

22 November 1990

Ms Glenys McLaine
Executive Officer

22 November 1990

Illawarra Transport Advisory Committee

Mr Kingston Bond
Chairman

22 November 1990

Consumers' Transport Council

Dr Robert Howard Cortis-Jones
President

22 November 1990

Dr Phillip Glencoe Laird
Vice President

22 November 1990

Illawarra Region of Councils

Mr Neville Francis Fredericks
Chairman

22 November 1990

Illawarra Regional Consultative Council

Mr Stephen Martin MP
Chairman

22 November 1990

Austalian Workers' Union

Mr Neville Francis Hilton
South Coast Organiser

22 November 1990

Transport Workers' Union

Mr Bradley Gerard Welsh
Official

22 November 1990

Australian Chamber of Shipping

Mr John Mark Bradbury
Executive Director

27 February 1991

Captain John Cecil Jenkins
Adviser

27 February 1991

NSW Government

Mr Murray Richard Fox
Managing Director
MSB, Sydney Ports Authority

27 February 1991

Mr Vince Graham
Chief Operating Officer
State Rail Authority

27 February 1991

Mr John Charles Hayes
General Manager
Corporate Strategy and Planning
Maritime Services Board

27 February 1991

Mr Gerard McCormack
Acting Strategic Development Officer
Maritime Services Board

27 February 1991

Mr Andrew St John Stephens
Director
Performance Analysis
NSW Department of Transport

27 February 1991

Mr Neil Kenneth Walker
Manager
Freight Policy, Roads and Traffic
Authority

27 February 1991

Australian Railways Union

Mr Stephen O'Neill
National Research Officer

27 February 1991

NSW Branch of the Merchant Services Guild
of Australia

Mr Kevin Lester Pinch
Secretary 27 February 1991

Mr Collin Kenneth Hills
Member 27 February 1991

Friends of Wolli Creek

Mr Colin George Taylor 27 February 1991

Tradegate Australia Ltd

Mr Andrew James Robertson 27 February 1991

ANL LTD

Mr Mike Kennedy
General Manager 13 March 1991
ANL Australasia Group

Mr Stephen George Bradford
General Manager, International 13 March 1991

Mr Neil Lindsay Barrett
Operations Manager, International

13 March 1991

National Terminals (Australia) Ltd

Mr Gregory George Hook
Manager
Industrial Relations

13 March 1991

Mr Neville Howard Maloney
Company Secretary

13 March 1991

Customs Agents Association

Mr Ronald Thomas Hewer
President

25 March 1991

Mr Ivan William Bullock
Committee Member

25 March 1991

WA Government

Mrs Kerry Gaye Sanderson
Deputy Director General
Department of Transport

26 March 1991

Mr Marck Raymond Brownell
Manager
International and Interstate Policy
Department of Transport

26 March 1991

Mr Ross David Dawson
General Sales Manager
Freight Westrail

26 March 1991

Mr John George Hackett
Director
Strategic Planning
Main Roads Department

26 March 1991

Mr Kenneth Wesley Phillips
Wharf Manager
Fremantle Port Authority

26 March 1991

Transport Workers Union
- Newcastle Sub-Branch

Mr Robert John Allan
Secretary

23 April 1991

Hunter Economic Development
Council

Mr Peter Chappelow
Manager

23 April 1991

MSB Hunter Ports Authority

Mr Geoff Connell
Managing Director

23 April 1991

Newcastle Chamber of Commerce
and Industry

Mr Barry Goldstiver
Chairman
Port and Transport Committee

23 April 1991

Hunter Regional Association of Councils

Mr Robert Hodges Horne
Deputy Chairman

23 April 1991

Port Waratah Coal Services Ltd

Mr Phillip Arthur Leslie Hughes
General Manager

23 April 1991

City of Newcastle

Alderman John McNaughton 23 April 1991
Lord Mayor

Mr Allan Morris MP 23 April 1991

Newcastle Trades Hall Council

Mr Denis Nichols 23 April 1991
President

R and H Transport Services Pty Ltd

Mr Graeme Sargent 23 April 1991
Assistant General Manager

South Australian Government

Mr Malcolm Keith Heard 30 April 1991
Principal Engineer
Network Planning
Department of Road Transport

Mr Ian Howard Lovell 30 April 1991
Principal Consultant
Transport Hub Development
Department of Industry, Trade & Technology

Mr Richard William Muncey
Manager
Strategic Planning Unit
Department of Marine and Harbours

30 April 1991

Dr Herbert Martin Peter Stock
Chief Project Officer
Strategic Planning Unit
Department of Marine and Harbors

30 April 1991

Australian Customs Service

Mr Denis O'Connor
Deputy Comptroller-General

15 May 1991

Mr Phillip Alan Sargeant
Manager
Electronic Initiatives

15 May 1991

Queensland Government

Mr Robert Graham Hartley
Executive Director
Policy and Planning
Department of Transport

3 July 1991

Mr Peter Joseph Ellerby
Senior Policy Adviser
Department of Transport

3 July 1991

Mr Kenneth John Hoggett
General Manager
Commercial Operations
Port of Brisbane Authority

3 July 1991

Mr Noel McMurtrie
Freight Sales Manager
Queensland Railways

3 July 1991

National Terminals (Australia)

Mr David William Boyd
Managing Director

21 October 1991

Mr Melvyn Barry Hindson
Planning and Research Manager

21 October 1991

Conaust Ltd

Mr Eric John Bubeer
Executive Director

14 November 1991

Mr John Charles Victor Collier
General Manager
Container Terminals Australia Ltd

14 November 1991

Mr Michael John Butcher
General Manager
Marketing

21 October 1991

Mr Roger Fredrick Dorien Davies
Director
Stevedoring Operations

21 October 1991

NSW Road Transport Association

Mr Robert Graham Cleland

21 October 1991

Mr Colin John Emery

21 October 1991

Mr Jeff Horn
Vice President
Northern Division

21 October 1991

Mr Graeme Charles Sargent
Assistant General Manager
Northern Division

21 October 1991

Mr Percival James Searant
Northern Division

21 October 1991

Waterside Workers Federation of Australia

Mr John Frederick Coombs
Assistant General Secretary

21 October 1991

Mr Gregory Ivan Combet
Industrial Officer

21 October 1991

Telecom Plus

Mr John Warner
National Business Manager

21 October 1991

Mr Robert Gunning
Consultant

21 October 1991

Australian Bankers' Association

Mr Ron Owen
Member

21 October 1991

Customs Brokers Council of Australia

Mr Desmond James Williams
National Business Operations Director

21 October 1991

EDI Council of Australia

Ms Janice Gessin
Executive Officer

14 November 1991

Australian National

Mr Kym Thomas Norley
Director
Freight Development

14 November 1991

**International Forwarders Association
of Australia**

Mr Arthur Philippe Beamish
Secretary

28 November 1991

Mr Graham Arthur Murphy
Chairman

28 November 1991

**Australian Quarantine and Inspection
Service**

Mr John Francis Landos
Director
Quarantine Imports and Exports Division

28 November 1991

Mr Jon David Christian
Principal Executive Officer
Technical and Regulatory Services

28 November 1991

Mr Brian Higginson
Senior Information Technology Officer

28 November 1991

Australian Shipping Users Group

Mr Geoffrey John Christopherson
Consultant
Federal Chamber of Automotive Industry

28 November 1991

Mr Brian Hawley
Australian Wool Corporation

28 November 1991

Mr Alan Leslie Hore
Senior Trade Counsellor
Australian Chamber of Manufacturers

28 November 1991

Exhibits

EXHIBIT NO

DOCUMENT

1

Waterside Workers
Federation Progress
of Waterfront
Reform - as at
October 1991

2

National Terminals
Presentation to
Standing Committee

BULK CARGOES

1. The subcommittee inspected coal handling facilities in Port Kembla and Newcastle, grain handling facilities at Port Kembla, has been briefed on bulk handling facilities at a number of other ports and has received a number of submissions which raised issues associated with the movement of bulk cargo.

2. Two principal areas of concern in the handling of bulk cargoes arose, these being the movement of coal in NSW and grain in Western Australia and South Australia.

3. In both cases the central concern has been the question as to the costs and benefits of road versus rail in handling bulk commodities and in particular the impact of heavy road transport in terms of road damage, vehicle accidents and environmental impact.

Coal Transport in New South Wales

4. The main issue raised in relation to the carriage of coal in NSW was the high percentage of coal carried to the Port Kembla coal loader by road (50% is carried by road compared to 5% at Newcastle).

5. Several submissions advocated the need to reduce the amount of heavy coal traffic on regional roads (Submissions 7,25,27). Solutions suggested included the completion of the Maldon-Dombarton rail link and under and above ground conveyor belts.

6. Issues involved in making a judgement on whether, or to the extent which, action should be taken are complex. There is a need in such cases to *carefully consider and balance all social, economic and environmental factors.*

7. It is beyond the scope of an inquiry of this nature to make detailed recommendations on how matters which fall directly within State Government jurisdiction, such as the transport of coal to Port Kembla, should be addressed.

8. Accordingly the subcommittee is only in a position to recommend that this sort of detailed evaluation be undertaken. In this regard the Committee notes that the Bureau of Transport and Communications Economics has completed a study on coal transport in the Illawarra Region entitled, 'Coal Transport in NSW: a programming analysis of road and rail options'. Additionally, a study on the Cooloola by-pass will be released in the near future.

Grain Transport

9. The possible effect of the deregulation of grain transport was raised as a matter of concern in submissions and hearings in Western Australia (Submission;23:30,31). It was suggested that the deregulation of grain

transport as a result of Federal Government decisions, will result in a increased proportion of grain being transported by road. Concern was raised because of the impact this could have on existing roads and grain receival facilities and the implications for increased costs in the provision and maintenance of roads that will have to be met by the State.

10. Similar concerns about the impact of grain trucks on rural roads were raised in submissions and hearings in South Australia. In this case the changes in relation to the flow of truck movements do not relate to the impact of deregulation. Rather they relate to changes and potential changes in port structure, with possible redirection of grain to deep-water ports rather than traditional loading points (Submission 21:12).

11. The Committee acknowledges that policy in regard to the provision of land transport infrastructure is a State Government concern.

12. However, the Committee does not recommend that Governments regulate to restrict modal choice. State Governments need to ensure that road and rail pricing arrangements are structured to ensure that modal choice based on efficiency and real cost criteria is not distorted.

13. The Commonwealth Government needs to ensure that road funding arrangements take account of increased road construction and maintenance costs flowing from any modal shift as a result of de-regulation.

ALTERNATIVE SEA/LAND TRANSPORT ARRANGEMENTS

1. The major suggestions for alternative sea/land transport arrangements have been landbridging and the hub port concept. Understandably, most suggestions for landbridging and the hub port concept have come from those areas geographically isolated from the east coast. There are two major issues which need to be examined:

- . whether landbridging is more efficient and cost effective than the current sea transport arrangements; and
- . is a hub port concept commercially viable.

Landbridging

2. An east-west landbridging proposal envisaged that Fremantle would be the only port of call for east borne European cargo and for shuttle services to Singapore linking with round the world schedules. Potential for north/south landbridging has been raised in relation to the standard guage rail link from Acacia Ridge to Fisherman Islands. To be viable the raiiling of cargo must offer commercial advantage over sea transport.

3. Arguments for landbridging are based on operations in the United States. However, there are major differences between Australia and the United States which need to be taken into account when assessing the prospects for landbridging in Australia.

4. The Australian market is substantially less than the US market which benefits from more effective economies of scale. Landbridging in the US offers considerable time and cost savings over the alternative sea journey through the Panama canal. Associated with this is the geographic location of American markets. While landbridging moves from coast to coast there are also large markets in central USA to be served. The synchronisation of shipping and rail services is essential to a successful landbridging operation. In the USA services are coordinated whereas Australia has had problems with the scheduling of ship arrivals.

5. The Committee understands that there is an improving prospect for firm ship arrival times in Australia. The Committee expects interstate rail freight operations to improve with the establishment of the National Rail Corporation. Despite recent improvement in Australia, the differences outlined above suggest that proposed landbridging operations in Australia will need to be carefully assessed.

Hub Ports

6. The South Australian Department of Marine and Harbors strongly argued the viability of Adelaide becoming a hub port (Submission:71).

7. The hub port concept suggests that a large proportion of time sensitive cargo be handled through one port. Cargo is then dispatched to its mainland destination by land transport, principally rail.

8. Adelaide does not have the geographic advantages available to hub ports such as Singapore, Rotterdam and San Francisco. In these circumstances Adelaide could face considerable challenge in attracting freight from other ports and pan Australia freight rates would be an impediment to hub port concepts. Whilst recognising the various proposals for hub ports and landbridging the Committee believes that they will only succeed where they offer commercial advantage over alternative services.

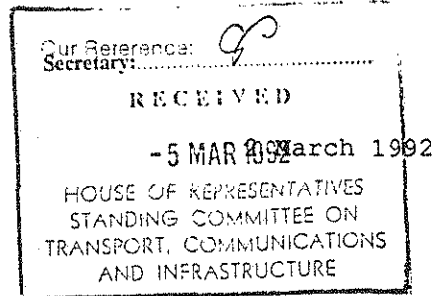
IMPORTS - REGULATORY BODIES

1. **The Australian Customs Service (ACS)** - takes the front line responsibility for all aspects of import/export control, particularly drugs, and the payment of duties and taxes.
2. **The Australian Quarantine Inspection Service (AQIS)** - all health and food standards import and export whether human, animal or plant.
3. **Australian Nuclear Science and Technology Organisation** - nuclear materials and related safety and health issues.
4. **Attorney General's Department** - censorship issues.
5. **Department of Health** - the control of regulated medications.
6. **Department of Foreign Affairs and Trade** - trade, trade relationships, bilateral undertakings, embargoes.
7. **Department of Transport and Communications (DOTC) (Motor Vehicles Standards Association)** - the importation of vehicles and safety compliance.
8. **Australian Federal Police** - firearms, ammunition and explosives.

9. So far as the import and export of cargoes are concerned the above requirements are effectively administered through the ACS (and where applicable the AQIS), hence the distribution of responsibilities does not impose any additional clearance problems.



bureau of
transport and communications
economics



Mr M Aldons
Secretary
House of Representatives Standing Committee
on Transport, Communications and Infrastructure
Parliament House
Canberra ACT 2600

Dear Mr Aldons

INQUIRY INTO THE EFFICIENCY OF THE INTERFACE
BETWEEN SEAPORTS AND LAND TRANSPORT

I refer to your letter of 20 February in which you requested advice on the feasibility of an index of shore-based shipping costs.

Such an index would be useful for keeping pressure on participants in the waterfront and related industries to maintain the impetus of reform. The work performed so far by the Bureau has highlighted that the progress of reform has not been uniform and has been mostly felt in those parts of the industry where the pressure has been greatest. The publication of an index measuring movements in costs to users of waterfront and related services would be useful, but would be best seen as one of a set of measures designed to keep pressure on the industry.

Construction of the index could follow the process the Bureau adopted in its work for the Inquiry. That is, stevedoring and port and related charges could be estimated for a standard representative ship transferring an average number of containers. Similarly, land transport and customs agent's charges could be estimated for a representative transport distance for land transport and a representative consignment or consignments for customs agents charges.

The cost items to be included in the index could be those included in the information previously supplied to the Inquiry with two exceptions. The first exception is that electricity and water charges for ships could be deleted from the port and related charges. These charges are so small in relation to

total costs that their omission would have little or no effect. The second exception is that overtime storage charges could also be deleted. These charges have a large element of choice by importers and therefore they may have little relationship to the efficiency of the waterfront. It may be preferable to publish distributions of container dwell times for exports and imports. These distributions would give a better indication of terminal operations than the cost of overtime storage.

The cost components that should be included in the index are:

- . port and related charges (including towage, pilotage, mooring/unmooring but excluding electricity and water charges);
- . stevedoring charges;
- . marine navigation levy;
- . oil pollution levy;
- . land transport charges to and from the wharf and to and from container depots for LCL consignments;
- . unpacking charges; and
- . customs agents charges.

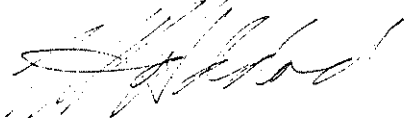
The PSA is setting up a system for monitoring stevedoring charges and expects to report upon these at six monthly intervals. It would be efficient to publish the index of shore-based shipping costs at the same time intervals.

The index would be most useful if published on a port basis but a national aggregation of the separate port indexes would be useful as a measure of overall progress of reform.

There are three bodies that could produce the index. They are the PSA, AAPMA and the BTCE. The PSA would be an appropriate body as it has an established reputation in the monitoring of prices and is already committed to the monitoring of stevedoring prices and costs. The AAPMA has access to port statistics and port authority expertise. The BTCE is willing to undertake the development and publication of the index as part of its regular transport indicator work. The BTCE is also in a good position to promote the index and its implications for waterfront reform.

If you would like to discuss these matters further please contact either Neil Gentle (Tel 2746735) or Mike Cronin (Tel 2746806).

Your sincerely

A handwritten signature in black ink, appearing to read 'M. Haddad', written over a faint, dotted grid background.

M Haddad
Director

