



P&O Ports Limited
A.B.N. 52 000 049 301
160 Sussex Street
Sydney NSW 2000
GPO Box 4084
Sydney NSW 2001
Telephone: +61 02 9364 8450
Facsimile: +61 02 9364 8469

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

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

Dear Sir/Madam

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

Further to our appearance before the Committee in Sydney on 21 November 2005 and as requested by the Committee we provide the further information contained herein.

The Committee has a particular interest in the issues surrounding potential efficiency improvements in road transport to and from ports and in the challenges facing the further development of rail. We were also asked to provide our vision for the future in this regard, and we do so to provide a framework to our further response. We were also asked to comment specifically on the issue of rail development from Port Kembla to Sydney which we do separately below.

In the context of demonstrating the success achieved on the now reformed Waterfront we also attach a graph, based on data from the independent ACCC and Waterline reports, which clearly shows continuing increases in ship productivity coupled with declining real prices.

Our vision is to shift the focus from the current obsession with levels of competition to one of efficiency, cost effectiveness, timeliness and from the Importer and Exporter's perspective not from the perspective of the participants in the transport chain. It is our view that the overall goal of the total supply chain should be:-

Lowest Cost of Import and Export
Just in Time, all of the time

Each time you add another prime facility into the supply chain you create another interface which may impede the prospects of achieving the benefits of scale. Cooperation between players in the supply chain may be just as effective an approach as vertical integration (ownership of each part of the supply chain by a dominant party can certainly achieve cost savings but also alienate those who seek choice).

Progressively increasing the capacity of existing facilities and maximising the return on existing investments (both State and privately owned assets) is by far the most cost effective way forward prior to developing new high fixed cost facilities, where the start up capital is initially prohibitive.

The level of truck backloading (i.e. any combination of boxes in/out of Terminals within the same round trip) is very low - typically less than 10%. The carrying ratio of boxes (TEU) to truck is also very low - typically 1.3. Unladen trucks are generally noisier than laden. It is essential to find ways to increase backloading and to increase box to truck ratios as well as encouraging greater use of rail, or port volume growth will translate into increased community disruption. Cooperation along the supply chain is essential and should be encouraged and yet the Stevedores are continually unfairly criticised by the ACCC to the point where any cooperation is given an insidious tone and discouraged. Stevedores for example will subcontract vessels to each other if a late arriving vessel cannot be handled in a time frame acceptable to the Shipping Line. We do this as requested by the industry but the ACCC criticism is increasingly causing us to reconsider whether there should be any cooperation at all regardless of community benefit.

Despite that criticism we believe we need a collective determination to achieve high levels of truck backloading, higher box-truck ratios and optimum use of rail through longer trains into the least number of 600 metre sidings. This can only be achieved through a cooperative business environment, potentially in stark conflict with the competition zealots. We need a genuine commitment to 24/7 operation as first sought in the Warehouse to Wharf Federal Government Study of 1995. This point is well demonstrated by the fact that there are two Container Terminal Stevedores interfacing with over 200 Trucking Companies. The two Stevedores where competition is regulated by Port Corporations have significantly lifted vessel productivity, lowered costs over the past 10 years and provided 24/7 operations. In the same period little has changed in the trucking part of the supply chain where competition is rampant and unregulated, and operations are generally still 0700 – 1600 Monday to Friday.

The centre of cargo distribution in Sydney is indeed moving towards Port Kembla. The intended transfer of car and general stevedoring to Port Kembla also presents opportunities, through a Greenfield development, to ensure at the outset that truck trips are optimised and rail is maximised. The Multi Purpose Cargo facility will be served with rail and we understand that the use of rail for cars and containers is being explored. However, increased use of rail faces the challenges of relatively low volumes, gaining sufficient access to rail paths, given the priority afforded to passenger services, to ensure a reliable and timely service and the availability suitable intermodal facilities within Sydney. In addition, in our view a better overall outcome would be achieved if Port Kembla were to be served by fewer road carriers as this would promote greater levels of backloading and improved overall efficiency while at the same time reducing the number of trucks on the road.

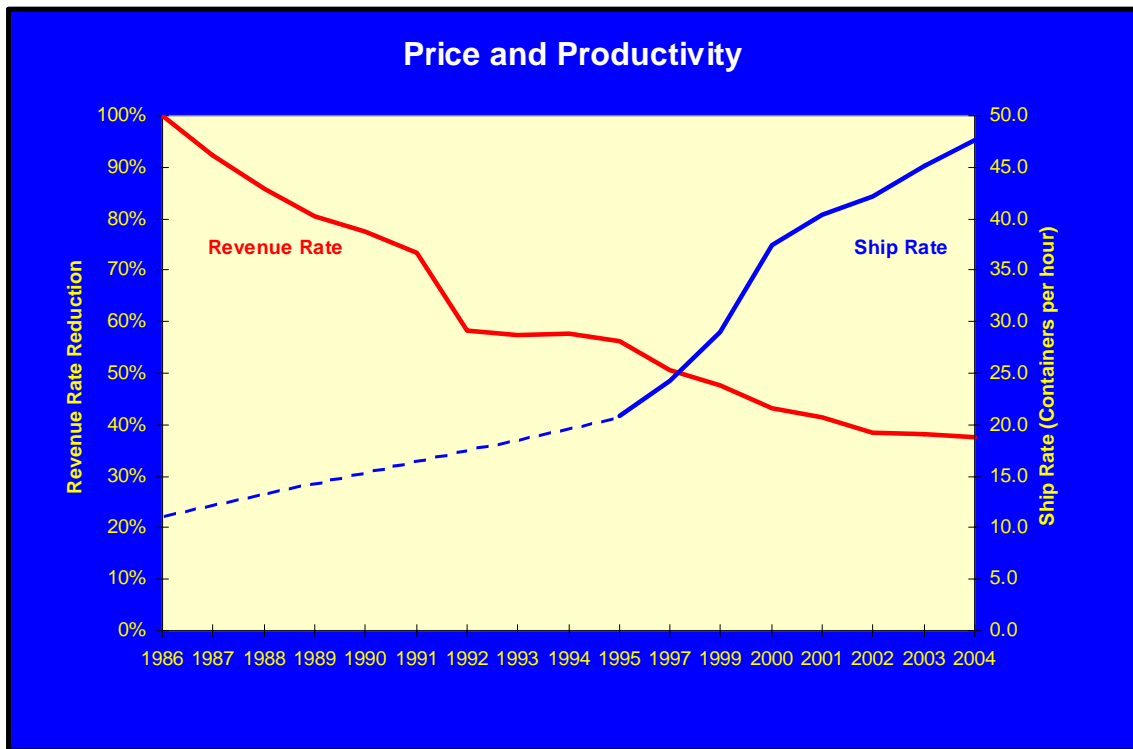
We hope that this further submission has addressed those issues of most interest to the Committee. Should you wish for further clarification or discussion, please do not hesitate to contact us.

Yours sincerely

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

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

Price and Productivity



Source: ACCC and Waterline Reports