



Gilead Logistic Services Pty Ltd

ACN 123 204 544

14 December, 2018

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Gilead Logistics is an Australian transportation and logistics consulting business established in 2006. Our submission follows:

In 2015 at Gilead we produced a 6 part series of articles that featured emergent market trends & possibilities for a restoration of a vibrant market in regional and coastal shipping.¹ The series of articles remains well featured in our web blog statistics for daily page reads to this day and many of the predictions on arising issues have already come to pass.

Later in 2017 we made a submission to the Department of Infrastructure and Regional Development's Freight and Supply Chain Inquiry that in part developed the same strategy recommendations.²

We will follow with a direct extract from that DIRD submission inclusive of references, but before we do so we will summarise our contentions:

Summary Points:

1. Developing smaller automated ships and ports offers the opportunity of increasing transport productivity in the same manner that we have seen achieved since the 1960's in the owner-driver controlled sector of the trucking industry globally.
2. Spending an infrastructure dollar on a small automated port has the possibility of offering far higher payback than spending on new high cost coastal rail alignments, coastal heavy axle road upgrades, and large/mega port feeder & development projects of any description where capacity requirements are downgraded after service displacement by more economically efficient direct services.
3. Small coastal port style infrastructure placed into re-emergent city port environments has high potential payback in the E-commerce age in

comparison to operating one way flow transport into congested areas in small vehicles from warehousing located at distant city fringes.

Smaller Automated Geared Ships & Coastal Ports

Gilead believes the above opens a pathway for the future return to the employ in Australia of more diverse container vessels and sailing loops (especially in regional international shipping – including the Indonesian archipelago and to/from other smaller ports in SE Asia). These same vessels may serve our coastal shipping by means of cabotage.

Australia is likely not equipped to lead in the construction of a class of smaller geared container carrying ship that may change the shape of international shipping networks. Yet this particular style of highly efficient and more automated small container ship will need to emerge in global trade in order for extant port hub and spoke networks dominance to be challenged. To be successful, this class of ship will need to be built in scale at the larger & most efficient shipyards in the world. That doesn't mean, however, that Australia cannot be active in exploring their design and potential employ (following our early-adopter heritage).

In the immediate South-East Asian theatre, the more that lightly crewed ships proliferate, those same that might employ minimal port-based infrastructure, the more Australian trade potential may be served. Those same independent entrepreneurial characteristics that have made trailer-load trucking a success globally may, in future, serve as a part of the growth fabric of regional shipping. Hence, we have in the past referred to this potential class of ship as the Liberty Ship after the US WWII supply ship of the same name.³

Given the lower capital nature of the envisioned smaller port infrastructure, Australia may be able to position itself wisely in advance. Moreover, we can continue the trend already established in Australia in leading in the deployment of port automation suitable for small ports (such as that based on the automated straddle carrier).⁴ We can make further efforts to use technology to depopulate port precincts and increase the bias toward the employ of remote security. These features will be directly transferable to future smaller regional ports, or even re-emergent city port terminals (the latter form part of Gilead's E-commerce urban distribution model covered later).

More significantly, we should take a far harsher view of the future efficacy of high cost new near-coast rail corridors in respect of freight. These same intermediate regions are often found to be already served by overnight transit road services to capitals and hub ports. In terms of a modal future for heavy weight cargoes from these regions, they are early candidates for revived coastal & regional trade served through redeveloped historical local ports.

Gilead has cited evidence in our earlier reports of Asia Pacific "feeder" trades now emerging in Asia⁵. Some are now referring to a significant sector of these trades as emergent under a "One-to-more" label (one recent study covered trade between smaller regional Chinese & Japanese ports)⁵. Another recently emergent label speaks directly to the "go smaller" trend, and it is called "reverse cascading"⁶. This term

refers to smaller ships from regional/feeder trades displacing bigger ships in more primary trades. This reverses the 30 year trend that saw the largest ships of a generation entering the world's busiest trade lanes, which in turn set off a process of "cascading" where larger vessels were subsequently displacing smaller vessels in each and every lower volume trade.

Despite illustrating our own case with past reports on intra-regional trade growth statistics (these references are visible within Gilead articles directly referenced here), we still rely on anecdotal evidence when observing trends because the precise nature of trades is hardly ever easily discerned by from port and regional trade figures. More visible, however, is the attention regional authorities are paying to smaller port developments such as we now often see mentioned in Indonesia and across Asia major.⁷

Yours Faithfully
GILEAD LOGISTIC SERVICES PTY LTD

Ross Delaney
Director

www.gileadlogistic.com

[Click here to track my professional network on LinkedIn.com](#)

References:

¹ Improving Supply Chain Networks Series

Sailing Toward A Future

What might a commercial cargo ship of the future look like?

<https://www.gileadlogistic.com/blog/improving-supply-chain-networks-part-1>

Ports & Ships – is the Lesser to be the Greater?

<https://www.gileadlogistic.com/blog/improving-supply-chain-networks-part-2>

The Rise of the North-South & South-South Trades

<https://www.gileadlogistic.com/blog/improving-supply-chain-networks-part-3>

Interests to Serve

<https://www.gileadlogistic.com/blog/improving-supply-chain-networks-part-4>

Ports & Ships that Serve

<https://www.gileadlogistic.com/blog/improving-supply-chain-networks-part-5>

Smaller Efficiencies

<https://www.gileadlogistic.com/blog/improving-supply-chain-networks-part-6>

² <https://infrastructure.gov.au/transport/freight/freight-supply-chain-submissions/Gilead-Logistics-Services.pdf>

³ https://en.wikipedia.org/wiki/Liberty_ship

⁴ Australia - Automated Straddle Carrier
<https://www.youtube.com/watch?v=t8l-oOInbeA>

⁵ China–Japan Port Networks Suitable for Short Sea Shipping (p305/341)

<https://trid.trb.org/view.aspx?id=1419113>

⁶ <https://theloadstar.co.uk/reverse-cascading-carriers-benefit-owners-smaller-containerships/>

⁷ <http://www.maritime-executive.com/article/indonesia-starts-five-port-projects>