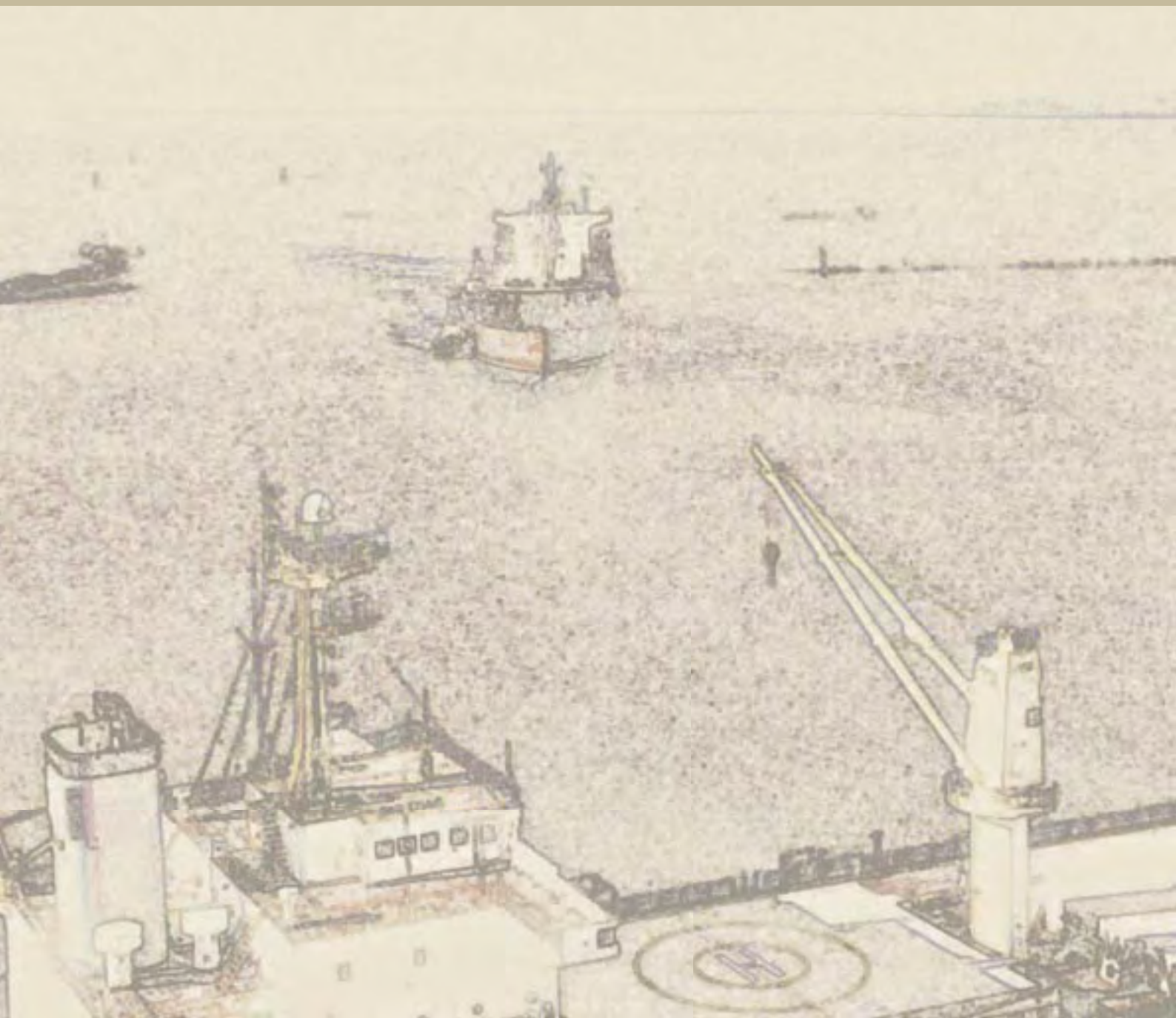




SEA FREIGHT COUNCIL OF WESTERN AUSTRALIA

ANNUAL REPORT 2003-04







SEA FREIGHT COUNCIL OF WESTERN AUSTRALIA

The role of the Sea Freight Council of Western Australia is to recognise issues impacting on the State's sea freight movements as raised by Industry and Government, exchange views as to the means of progressing those issues and then derive a position on them which can form the basis of advice given in an objective and unbiased manner to Industry and the Government of the day.

Role Statement

Contents

Introduction from the Chairman	3
Membership List June 2004	4
1. Overview	5
Business Plan 2003-04	6
2. Leadership	9
2.1 Security	
2.2 Marine Pests	
3. Infrastructure	11
3.1 Salvage	
3.2 Fremantle Inner Harbour Draft	
4. People	14
4.1 Pilotage	
5. Sustainability	16
5.1 Fremantle Port Container Movement Study	
5.2 Fremantle Port Freight Logistics	
5.3 Australian Shipping	
6. Outlook	22
7. Conclusion	23
8. Appendix	24

Introduction from the Chairman

At the end of my second year as Chairman of the Sea Freight Council of Western Australia, it gives me great pleasure to present the group's Annual Report for 2003-04.

Recently turned eight years of age, a venerable life in terms of such groups, the Council continues to serve an important function for both Government and industry. It provides an ongoing forum for debate and exchange on current issues impacting on the movement of sea freight through Western Australian ports. The result is enhanced Government policy and improved industry practice.



So long as these joint goals are being met, the Government will continue to support the workings of the Council. It does this in funding and in kind. The Council's support staff and relevant Departmental officers should be acknowledged in that respect.

In addition, there are several other fundamental providers of support, without whom the Council would lose its effectiveness. Primary among these is, of course, the membership. Senior people from both Government and industry put aside their valuable time to contribute to Council proceedings. A strong note of appreciation needs to be registered in that respect.

Thanks should also go to the Commonwealth Government, which again has made funds available to the Council as part of a national program for some of the important research described in this Annual Report.

Reflecting on the year under review, it is apparent that traditional blue water activities – coastal shipping, pilotage, salvage and the like – continue to have an important focus within the work of the Council. We are also finding, however, that freight logistics issues, where the emphasis is more on the outcome than the mode, are gaining equal attention.

This no doubt reflects the ongoing trend within industry, a trend that Government policy-makers are only now starting to recognise. The work of the Council in raising the profile of freight logistics is both timely and significant. It also directs us to another opportunity.

As issues cross modal boundaries, it may be that input from beyond the Council membership is appropriate. The same could be said of our colleague land freight councils. During the year under review, there was a one-off meeting of a combined group reflecting all modes. This was a successful event and it may be that such an approach could become a regular contributor to developing freight logistics issues locally.

Having said that, however, there is no doubt that the Sea Freight Council will continue to be the primary body for the progression of issues impacting on the efficiency of Western Australian ports, shipping and related activities.

I hope that having read this Annual Report, you will agree that it is uniquely placed to do so.

A handwritten signature in black ink, which appears to read 'Greg Martin'. The signature is stylized and written in a cursive script.

Greg Martin
Chairman
November 2004

Membership June 2004

Note that current membership and contact details are included on the final page of this Report.

Chairman

Greg Martin Director General, Department for Planning and Infrastructure

Members

Chris Cain	Maritime Unions
Len Della	Road Transport Industry
Dom Figliomeni	WA Port Authorities' Association
Anthony Gesmundo	Grain Pool Pty Ltd
Anthony Kelly	Liner Trades Shipping Industry
Trevor Lovelle	Chamber of Commerce and Industry
Peter Mackie	Hay Exporters' Association
Peter Murphy	Department of Industry and Resources
John Oliver	WA Shippers' Council and Chamber of Minerals & Energy
Adrian Parks	National Bulk Commodities Group
Bob Pearce	Forest Industries Federation (WA) Inc
Bob Rylands	Importers' Association of WA
Kerry Sanderson	Fremantle Ports
Dick Taylor	Department of Agriculture
Graeme Wilson	Shipping Australia

Executive Officer

David Marshall

Administrative Officer

Jean Hendry

Department for Planning and Infrastructure Contacts

Mark Brownell
Mike Williams

1. Overview

The Council's Business Plan for 2003-04 appears on the following page. This shows in summary what the group set itself to do in the year and what was actually achieved. This planning approach has now become a formal and ongoing part of Council proceedings.

The issues on the Business Plan are classified in terms of the five priority areas identified by the Australian Logistics Industry Strategy. These are infrastructure, leadership, sustainability, innovation and people.

The reporting of freight council activities under these priority areas and against a set of related Key Performance Indicators is a prerequisite for receiving the Commonwealth funding acknowledged in the Chairman's introduction to this Annual Report. It has proven to be a useful device for classifying the diverse range of issues on freight council agendas and comparing their activities nationally.

The following pages describe a selection of issues with which the Council has had involvement during the year in this format.

It should be noted that while a Business Plan is established at the outset of the year, new issues arise and the importance of established ones diminish. This is not regarded as a static document, so much as an attempt to give the workings of the Council some broad structure and context.

Reflecting this dynamic approach, a number of issues discussed in this Annual Report do not appear on the Business Plan. It may be that they will do so in subsequent years should they develop. Similarly, some issues on the Business Plan are not covered here because they have been previously.

The discussion in this Annual Report attempts to identify the real significance of issues that have arisen and the broad thrust of the Council's reaction to them. It does not simply list off all the meetings that occurred and the minutiae of the group's daily functioning. Meeting notes are available for readers with an interest in that level of detail.



Business Plan 2003-04

Project	Action Agenda Priority Item	General Objective	Goals For 2003-04	Outcome For 2003-04
1. Heritage Legislation	<ul style="list-style-type: none"> Infrastructure 	<ul style="list-style-type: none"> Ensure that the interests of ports and port users are adequately recognised in proposed heritage legislation. 	<ul style="list-style-type: none"> Acknowledgment of Council position by Government. To have legislation progressed on the basis of suggested amendments or not progress at all. 	<ul style="list-style-type: none"> Council position acknowledged by Government. Legislation not progressed.
2. Fremantle Port Heavy Vehicle Impacts	<ul style="list-style-type: none"> Sustainability 	<ul style="list-style-type: none"> Allow Fremantle Port container trade to grow unconstrained by concerns regarding heavy vehicle impacts. 	<ul style="list-style-type: none"> Target set for containing heavy vehicle impacts. Initiatives developed to achieve targets. Study defined to provide data essential to support initiatives. Study completed and data available to progress initiatives. 	<ul style="list-style-type: none"> Study completed. Data used to develop policy and further related initiatives.
3. Cool Chain Logistics	<ul style="list-style-type: none"> Leadership 	<ul style="list-style-type: none"> Improve market opportunity for WA food exporters through cool chain enhancement. 	<ul style="list-style-type: none"> Cool Chain Task Force to continue work in 2003-04. In particular, progress CA/MA research such that new systems are adopted commercially. 	<ul style="list-style-type: none"> Cool Chain Task Force continued work across range of areas. Sea freight of chilled pork progressed to point of imminent commercial approval.

- 4. Electronic Commerce
 - Innovation through technology and knowledge
 - Raise awareness of available e-commerce systems to encourage replacement of paper-based trading.
 - Progression locally of 3-4 specific electronic commerce initiatives.
 - VBS, CMR and PRA all progressed.

- 5. Regional Forums
 - Leadership
 - Assist regional exporters improve their logistics practices.
 - Council to conduct at least two workshops in regional areas.
 - Discussions in two regional centres – Albany and Geraldton – with local exporters.

- 6. Australian Shipping
 - Sustainability
 - Development of national Government Policy in support of a safe, sustainable and competitive Australian Shipping Industry.
 - Council to make a submission to the Independent Review of Australian Shipping and support the Minister's related approach to the Australian Transport Council.
 - Council submission made to Independent Review of Australian Shipping.
 - Support given to Minister's related discussions.

- 7. Pilotage
 - People
 - Establish procedures, which address current industry concerns re pilot standards and practice.
 - Define appropriate policy response to current concerns and receive endorsement for their implementation.
 - Appropriate policy response developed.
 - Accepted as input in drafting of new legislation.
 - Input into national discussion.

- 8. Salvage
 - Infrastructure
 - Develop a policy that provides for adequate salvage capacity for WA.
 - Identify exposure to risk.
 - Examine options to address.
 - Recommend policy.
 - Risk exposure completed.
 - Policy guidelines developed.
 - Representations made nationally.

Business Plan 2003-04 (continued)

Project	Action Agenda Priority Item	General Objective	Goals For 2003-04	Outcome For 2003-04
9. Working with other WA freight councils on overarching issues	<ul style="list-style-type: none"> Leadership 	<ul style="list-style-type: none"> Identify and progress issues impacting across the whole freight logistics chain (for example, grain logistics, intermodal hubs, modal split and cool chain logistics). 	<ul style="list-style-type: none"> Meet with other Councils to identify and prioritise overarching issues. Progress at least two of these issues. 	<ul style="list-style-type: none"> Joint Council meeting occurred to discuss overarching freight logistics issues. Joint work followed in areas such as improving freight logistics at Fremantle Port and developing electronic commerce.
10. National Projects	<ul style="list-style-type: none"> Leadership 	<ul style="list-style-type: none"> Ensure WA input to national freight logistics projects. 	<ul style="list-style-type: none"> Conduct case studies as to commercial impacts of Australian pallet/packaging standards going to ISO basis. Develop discussion paper on implications of consolidation in Australian freight industry. 	<ul style="list-style-type: none"> Case studies progressing, including in WA. Draft discussion paper developed including WA material.

2. Leadership

2.1 Security

Objective: Assist the implementation of new national regulatory requirements to improve security in the maritime transport sector.

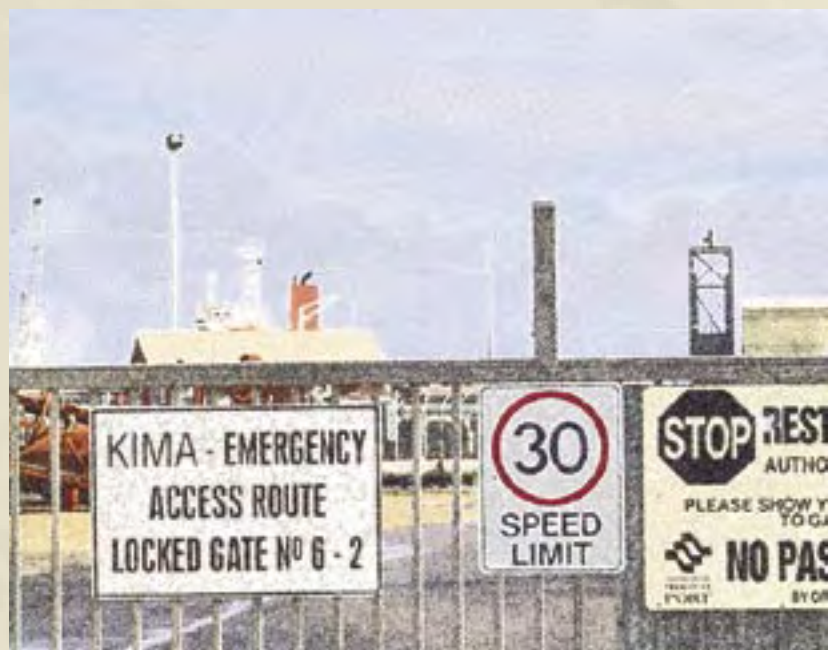
As a result of the terrorist acts of 11 September 2001, the International Maritime Organisation commenced the development of security measures to be included as a new chapter in the International Convention for the Safety of Life at Sea (SOLAS). The detailed security measures would be contained in the International Ship and Port Facility Security Code (ISPS Code).

The Federal Government decided to introduce Commonwealth legislation to facilitate the implementation of new security measures under the SOLAS convention. The Maritime Transport Security Act was accordingly passed into legislation in December 2003.

Security has now become one of the most challenging issues for the trading community of recent years. Considerations range from the preparation and implementation of plans, capital and ongoing costs, operational impacts on clients and the community, together with ensuring compatibility with other security plans across ports and other areas of the freight chain.

The Council has taken an ongoing interest in the security debate from the outset, particularly in terms of its impacts on industry.

Local port operators, facility managers and service providers observed all relevant legislative and regulatory requirements to be fully compliant by the due date of July 2004. This indicated world's best practice for the State's port system.



However, the implementation of the plans in the form of operational procedures is proving a more complex task than first envisaged. The plethora of consultants, software packages and emerging technologies makes the achievement of conformity between parties within a port a difficult task, made more challenging by the 24/7 nature of port operations and the range of port users classified as Maritime Industry Participants. Identification and access, the focal point of security policy, highlights the complexity. This is mirrored across ports, where trade levels, cargo operations, port access, port infrastructure and risk levels vary significantly. Federal and State Governments, in a collaborative and consultative process, are attempting to address the issue with industry to provide a sustainable outcome.

The capital and recurring costs of security is of great concern to industry. Being cited as a cost of doing business, the ability to quantify, budget for and recover security costs is being discussed in many ways - user pays, levies, container surcharges, subsidies and Government funding. The matter is ongoing. The Council continues to discuss it and put a view at every opportunity.

As each link in the logistics chain achieves an agreed security status, so the focus will turn to the next link. This process will be more challenging than that already experienced. However, chains are only as secure as their weakest link and current efforts at the port end will count for little if procedures are not in place further back in the hinterland.

The Council will have an important ongoing role in contributing to all aspects of the security process.

Key Performance Indicators

- *The State maritime transport sector was fully security compliant by the due date.*
- *Compliance involved 37 Maritime Security Plans:*
 - 22 Port Operators
 - 13 Facility Operators
 - 2 Service Providers

2.2 Marine Pests

Objective: *Understand the issue in order to be able to lend strong industry support to development of appropriate Government policy.*

A deadly invasion by Japanese seaweed, European fan worm, Northern Pacific star fish or black-striped mussels - the latest science fiction fantasy or real life horror story? Unfortunately it is the latter.

Introduced marine pests are now a world-wide environmental threat, sitting alongside greenhouse gases, global warming, fossil fuels, land clearing and other such challenges. They affect human health, jeopardize fish stocks, cause failure in marine engineering systems and render ocean-going vessels unseaworthy.

To some extent, Australia's geographic isolation has to date insulated it from this growing international problem. This is no longer the case. There are some 250 introduced plants and animals in this country's waters at present. It is anticipated that about 10 per cent of these will become a marine pest. Southern waters in Western Australia already have these introduced species. Cockburn Sound has over ninety.

The carriers for these pests are often commercial trading vessels, be it in their ballast waters or in the form of hull fouling. This is the reason for the Council's interest.

The response to the problem is necessarily one for Government in the first instance. It alone has the capacity to establish emergency response procedures, together with early warning and prevention systems, in accord with international protocol.

These arrangements cannot, by their very nature, be rapidly established. However, having become aware of the extent of the threat, Council members are keen to support on-going Government efforts and work within their own industries to ensure that the dependence of Western Australia on healthy coastal waters is not put in jeopardy.

Key Performance Indicators

- *Encourage understanding of issue across industry*
- *Lobby in support of policies to address problem*



3. Infrastructure

3.1 Salvage

Objective: *Identify the salvage capacity available to respond to maritime incidents in Western Australia and suggest means of addressing shortcomings.*

The provision of towage services in Australian ports came under close scrutiny with the Productivity Commission investigation into pricing. The focus then turned to the role of tugs in respect of salvage.

The fundamental question is whether a tug within a port should have to perform its core business of harbour towage as well as providing a salvage capacity in adjacent waters, or whether harbour towage and salvage operations are mutually exclusive.

Adsteam, the traditional provider of both port towage and salvage services in Australian waters, has returned its corporate focus to the core business of towage arguing that maintaining a salvage capability puts several million dollars on the cost of a tug. The introduction of a major competitor in a number of capital city ports around Australia is one possible reason for the change of company policy. The other relates to evolving circumstances in respect of salvage.

Several national discussion papers on the subject of salvage were issued during the year with a request for comment from industry. The Council made submissions, arguing that there are two distinct and separate functions traditionally lumped under the heading of salvage and the difference needed to be noted in any discussion as to the role of port towage services.

Emergency response is just that, a maritime incident that threatens life and property unless addressed immediately. Harbour tugs should have a role in providing an emergency response capacity in coastal waters. However, in order to be able to fulfil that role, harbour tugs would need to have the capability for off-shore operations and be able to be released from normal port duties.

By contrast, operational salvage relates to maritime incidents where there is no immediate threat to life and property. It is essentially a commercial matter, there being attractive returns from achieving a successful salvage. Vessels involved in this function should be provided independent of the harbour towage capacity.

Moreover, the ability to undertake an emergency response should not be restricted to harbour tugs. In Western Australia, a number of supply boats servicing the offshore industry have adequate capacity to carry out the task, as demonstrated during the *Kirki* incident in 1991.

The offshore supply boat *Lady Kathleen*, which was standing by an oil rig under repair in Cockburn Sound, carried out the initial emergency response for *Kirki*. The *Lady Kathleen* performed the towage north supported by the Fremantle harbour tug *Wambiri*. The *Lady Elizabeth*, another offshore supply boat from the North West Shelf, took over the towage north of Geraldton from the *Lady Kathleen* and completed the towage task to Singapore while the *Wambiri* returned to Fremantle.

Looking to overseas examples, in both the UK and USA, the Government funds a dedicated fleet of salvage-capable vessels available to perform other duties as required. Vessels are placed strategically round the coastline, in the UK under the control of dedicated Government agency and in the USA as part of the Coast Guard.

Australia's vast coastline, multiple jurisdictions and relatively low level of commercial shipping activity make the model unsuitable for this country. Notwithstanding, there still appears to be a strong case for towage upgrading at strategic locations around the coast.

Two basic charging regimes for Australia have been discussed and have relative merits:

- "User pays" would see an increase in fees or levies through port administrations to pay for the increased tug capacity; and
- A "subsidy" paid by the Government to the company providing strategic salvage tug capacity over and above the required port capacity.



The Council's basic premise is that difference in response between emergency incidents and salvage has to be maintained, salvage being a stand-alone commercial service whose costs should not be passed on to industry. Emergency incidents are completely different in nature and require a different response.

Key Performance Indicators

- *Submission to the House of Representatives Standing Committee on Transport and Regional Services Discussion Paper on "Inquiry into Maritime Salvage in Australian Waters"*
- *Submission to the Australian Maritime Group on the Discussion Paper "Emergency Towing Vessels – Options for Australia"*

3.2 Fremantle Inner Harbour Draft

Objective: *Examine shipping trends likely to impact on the draft of the Inner Harbour at Fremantle.*

A major dredging program took place in the Fremantle Inner Harbour in 1989. This resulted in the majority of the harbour, including that adjoining the container berths, gaining a draft of 13 metres. The remainder of the harbour still has 11 metres.

The situation has served Fremantle most adequately across those years, particularly given the use of the Port's Dynamic Under Keel Clearance system. Large vessels have not been diverted from coming here.

During the year under review, however, a number of liner shipping operators flagged the possibility of larger tonnage wanting to use Fremantle in the near future. This would be made possible because the progressive introduction of ever-bigger vessels onto major east-west intercontinental routes has a dribble-down effect on the size of those available for smaller north-south routes.

Continued trade growth through Fremantle has already seen larger vessels steadily introduced over recent years. Those in the trade are speculating that this trend will continue. Vessels as large as 4,500-5,000 teu are expected to call at Fremantle within five years, draft permitting.

Against this background, it seemed timely to review the adequacy of water depths in the Inner Harbour. Drewry Shipping Consultants of London were appointed to advise.

While Drewry were working on the issue, the news came through that the Port of Melbourne had finally decided to increase its draft after long and difficult deliberations. The significance of this development lies in the fact that the lack of water depth at the country's major container port had always been seen as holding back the introduction of larger vessels into Australia.

When that barrier is lifted, industry speculation is that the introduction of larger vessels into Australian trades will hasten. Drewry has been asked to incorporate that important development into their considerations.

Some key issues emerge in this discussion. What size vessels will want to use Fremantle in the future? Will larger vessels necessarily be deeper or will they be beamier and longer? Does Inner Harbour dredging imply significant berth expenditure? Is the quantum of the outlay warranted when new Outer Harbour facilities are being planned?

These and many related questions are ones that the Council will want to have input on. The contribution of port users and service providers to such strategic discussion represents one of the great strengths of the Council. This issue will continue to be an ideal acknowledgement of that strength.

Key Performance Indicators

- *Production of a comprehensive analysis of the impact of current shipping trends on the draft of Fremantle Harbour*
- *Progression of related discussion*



4. People

4.1 Pilotage

Objective: *To establish whether pilotage safety at non-port authority ports would benefit from formal regulation.*

The Council became involved in pilotage following concern being expressed by the local shipping industry that existing pilotage arrangements at non-port authority ports failed to adequately address safety. Existing legislative arrangements for pilotage at those ports relate only to the appointment of pilots by the Governor under the Shipping and Pilotage Act 1967 (S&P Act). All other matters concerning pilotage, including safety, are left to the discretion of the pilotage service provider. The shipping industry has raised the need for Western Australia to legislate for the regulation of pilotage safety at non-port authority ports.



Responding to the concerns of the shipping industry, the Council established a pilotage working group, which then commissioned consultants to conduct a review of pilotage safety at various non-port authority ports. The review concluded that, while pilotage safety at some ports was being adequately addressed, there was a need for significant improvement at others. The review confirmed the need for formal regulation of pilotage safety at non-port authority ports.

The findings of the review were shared with the Marine Safety Directorate of the Department for Planning and Infrastructure and relevant amendments to the S&P Act have subsequently been forwarded to the Minister for approval. The amendments call up the nationally agreed standards for pilotage, define the qualifications for harbour masters and require all non-port authority ports to produce a Marine Safety Plan.

During the course of the working group's involvement in reviewing pilotage, another important related national concern arose. The concern relates to a shortage of candidates with traditional maritime training and experience to fill pilotage vacancies in the future. A study commissioned by the Australian Maritime Safety Authority confirmed a potential future shortage of appropriately skilled persons to satisfy maritime related employment demand.

Following completion of the study, the Australian Marine Pilots Association (AMPA) established a national committee to review current arrangements for the training of marine pilots. The AMPA committee concluded that existing arrangements for the selection and training of pilots did not reflect those of similar employment. Further, existing requirements for entry into marine pilotage were significantly more onerous than in other similar activities. Those features were materially inhibiting the supply of candidates for employment as marine pilots.

The Council working group dealing with pilotage established contact with the committee and has been monitoring progress.

The AMPA committee has developed new arrangements for the selection and training of future pilots in Australia. The proposed new arrangements, which will better align pilot entry and training to the requirements of pilotage, will be presented to the next meeting of the Australian Maritime Group (AMG) in early 2005 for consideration and recommendation to the Australian Transport Council (ATC) of Ministers.

Meanwhile, the Council pilotage working group will maintain active involvement during progress of the amendments to the S&P Act and the proposed new arrangements for the selection and training of future pilots to ATC.

Key Performance Indicators

- *Established that pilotage safety at some non-port authorities ports would benefit from the formal regulation of pilotage*
- *Legislative drafting instructions to amend the Shipping and Pilotage Act 1967 have been presented to the Minister for Planning and Infrastructure for approval*
- *New national arrangements for the selection and training of marine pilots have been developed*

5. Sustainability

5.1 Fremantle Port Container Movement Study

Objective: *To better understand the landside movement of containers through Fremantle Port.*

Achieving optimum operational efficiency in respect of the transport of containers to and from Fremantle has been widely recognised as a key to the long-term sustainability of the Inner Harbour container trade. It is vital that the capacity of the container terminals is not constrained by external issues associated with port-related heavy vehicles.

In order to achieve this outcome, a sound understanding of how, where, when and why containers are being moved is required. However, in attempting to develop policy and instigate change, it was discovered that little such information existed. It was to fill this information gap that the Council, along with Fremantle Ports, Main Roads Western Australia and the Department for Planning and Infrastructure commissioned the Fremantle Inner Harbour Container Movement Study, carried out by consultants Sinclair Knight Merz and completed in March 2004.

The details of the study make interesting reading. The full report can be viewed and downloaded from the Department's website, while a shorter brochure summarising the study findings is available in hard copy through the Council.

The study confirmed that a large proportion of containers were not moved directly between the port and their point of packing or unpacking, but travelled via an intermediate location. Such locations included road transport depots, rail terminals and container parks. This lack of "direct" travel is not necessarily indicative of inherent inefficiency, but rather is symptomatic of the complexity of the task and the large number of organisations involved in the transport chain. The study provided a large amount of the data about where these "interim" locations are as well as where the boxes are either loaded or unpacked, i.e. their "ultimate" origin or destination. This data is already proving valuable in helping to determine the potential for alternative container handling scenarios and the development of intermodal terminals.



A wealth of other detailed information was provided by the study in relation to how empty boxes are moved, traffic patterns both within the Rous Head area and on the surrounding road network, the relative use of various vehicle types including rail, how far export and import boxes travel and the activity levels for various stakeholders over the course of the day.

The study also highlighted many sub-optimal arrangements affecting the efficiency of landside container movements and concluded there are opportunities to improve efficiency in a range of areas including:

- warehouse/container park opening hours;
- warehouse facilities for handling containers;
- container truck utilisation and loading;
- management of empty containers;
- potential for increased use of rail;
- truck routes servicing the port;
- communication between stakeholders;
- electronic commerce; and
- land-use planning.

One of the main findings of the study was that, while each player in the chain aims to optimise their operations to ensure maximum return within the constraints of the situation in which they find themselves, no individual stakeholder has sufficient control to be able to optimise the whole of the chain. As a result, additional costs are imposed on the community through the inherent inefficiencies, with no single entity able to make a significant difference.

The Council, in working with government and stakeholders, has an important role to play in achieving system-wide improvements.

Key Performance Indicators

- *Develop understanding of the landside movement of containers through Fremantle Port*
- *Use this information as the basis for related freight logistics improvements*

5.2 Fremantle Port Freight Logistics

Objective: *To allow Fremantle Ports' container trade to grow unconstrained by concerns about heavy vehicle imports.*

A standard reaction of capital city ports in this country to tensions at their interface with the community is to set high targets for the carriage of containers by rail with the objective of taking trucks off the road. In Fremantle, for instance, the Government has set a figure of 30 per cent. Coming off a traditional base of 3-4 per cent, this represents a major challenge.

In response, major works are taking place at the Port to give direct dual gauge access into a fully developed rail terminal on North Quay. Neither of these facilities have previously existed. Their introduction should give significant impetus towards the rail target.

However, it still has to be acknowledged that rail faces various operational constraints compared to road at Fremantle. Not the least of these is the fact that the rail line between the Port and the major intermodal inland terminal at Kewdale is 45 kilometres in length, compared to the comparable road journey of 25 kilometres.

Moreover, rail operates in a very different commercial environment to the trucking industry. Fremantle Port is served by a large number of small truck operators, some of whom appear to operate at close to sub-commercial levels. Certainly, the competitive pressure in the industry is intense.



This combination of circumstances is not, however, unique to Fremantle.

A relatively small freight task carried over short distances is not where rail is best suited. Consequently we tend not to see at Australian ports, the 2-3 kilometre long trains, double stacked with containers, that move daily from ports like Los Angeles heading for the Midwest of the USA.

Can rail ever provide a truly competitive alternative for Australian ports? If not, should Governments support its operation in recognition of community objectives? Or should ports themselves integrate backwards through the supply chain in search of overall efficiencies?

These are questions with which a number of Governments around Australia are currently grappling.

But in the Fremantle case anyway, even if these challenges can be overcome, the fact remains that trade growth through the Port is such that a 30 per cent rail movement still leaves trucks growing in number.

Infrastructure solutions are not always the answer. The community does not necessarily want more roads and Governments do not have the funds to build them. Systems solutions offer more promise. Greater efficiencies in road transport can see growing trade carried by the same number, or even fewer, trucks.

This outcome is, however, best arrived at by industry itself. Commercial levers are far more effective than Government dictate. To that end, the forthcoming One Stop system holds promise. Its charging regime has the potential to encourage more containers per truck, greater levels of two-way loading and increased after-hours movements. Such steps can contain truck numbers, by providing a commercial incentive for road transport to change from the way things are done at present.

For Governments to make a constructive contribution to this issue, there needs to be a better understanding on the part of policy makers as to the complex manner in which supply chains work in practice.

The current flurry of studies around the country would indicate an acknowledgement of this point. Container origin-destinations, mismatch of working hours and inland depots are among the many aspects being examined.

An opportunity arises here.

While specific local issues are no doubt important, supply chain characteristics are fairly generic around Australia, if for no other reason than that many of the commercial players are nationally based. That state of affairs suggests an opportunity for collaboration between Governments in arriving at an understanding of the problem and how to address it.

It is pleasing to see that this is starting to happen, particularly between the various freight councils involved in this work. For example, a recent piece of work carried out by the NSW Sea Freight Council into the feasibility of regional intermodal hubs has been most helpful to those in Western Australia planning for the South West of the State.

Another opportunity for enhanced efficiencies arises from the current focus on security.

Enormous changes are occurring within ports in the name of security. These changes will extend back through the supply chain in time. Industry generally accepts these changes as part of doing business in today's world. They are accepted in a way that they would not be if the justification was other than a cold fact of life such as security.

It occurs that this state of affairs brings with it opportunities for efficiency that might otherwise be difficult to achieve. Can security be used as a Trojan Horse?

For example, Fremantle Port is served by a large number of small truck operators. It could be argued that the sort of efficiencies sought would be more achievable if this task was met by a smaller number of larger operators. Properly coordinated truck fleets able to match equipment and timing to the task through sophisticated IT systems should give better results than single owner-drivers working out of their cabs on mobile phones.

However, Governments do not like the sort of overt regulation necessary for such major industry change. Notwithstanding, if as part of new security arrangements, truck and driver accreditation systems introduced at the port encouraged higher levels of professionalism at the gate, efficiencies would lift accordingly as a useful by-product.



No doubt there are many other areas where the Trojan Horse approach may assist as security measures are introduced back through the chain.

The Council continues to take a strong and active role in this discussion. Specifically, it has established a group of senior industry and Government stakeholders, further to the container movement study described elsewhere in this Annual Report, to progress the freight logistics initiatives mentioned here.

5.3 Australian Shipping

Objective: *to encourage discussion about the value of a sustainable Australian shipping industry and policy means of achieving it.*

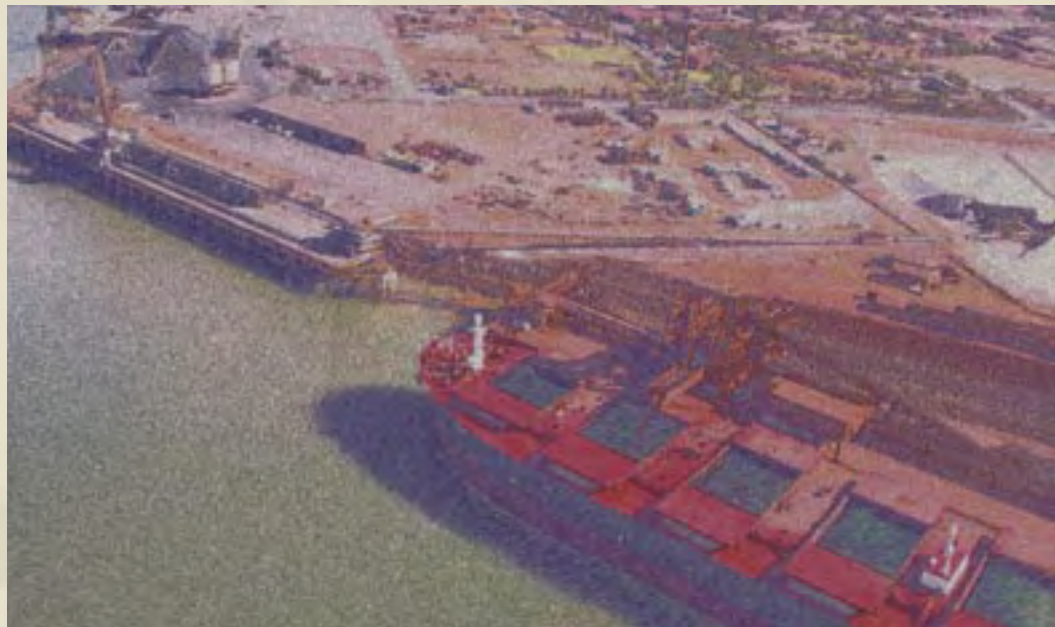
Last year's Annual Report noted the Council's support of an Australian shipping industry that is safe, sustainable and competitive, that support being based on compelling economic and strategic grounds. During 2003-04, the Council continued to argue that case. In particular, it gave strong back-up to the Western Australian Minister for Planning and Infrastructure in her endeavors to have more supportive national policy established in the area.

An important related initiative occurring during the year was the Independent Review of Australian Shipping (IRAS), a national enquiry whose objective was to identify an environment in which fresh investment in Australian shipping could be fostered. The Council made a comprehensive submission to the enquiry and that was also used to provide support for the Minister in her related approaches.

Drawing on a number of initiatives raised by IRAS for discussion, the Council developed a package of measures seen as useful in the rejuvenation of the local shipping industry. These measures were linked to desirable generic outcomes.

One outcome sought was to increase the appeal of shipping as a career alternative for young people. In last year's Annual Report, the Council drew attention to the problems caused throughout the local ports and shipping industry by the declining maritime skill base in this country.

The removal of personal tax inequities for Australian seafarers working overseas is seen as a useful stimulant to careers at sea. The introduction of a tonnage tax for local industry in place of traditional company tax is viewed similarly.



The application of this approach overseas, particularly in Europe, has contributed to the rejuvenation of domestic shipping industries through offering greater tax certainty than exists under a traditional profit/loss based system. Moreover, tonnage taxes are linked to specified training in various countries, thus providing for automatic career enhancement.

Another general outcome sought was to improve the operational viability of Australian shipping. Several initiatives in the field of labour practice are suggested, each subject to industrial acceptability.



Multi-skilling on board vessels could mean a better fit between the task at hand and the crew member completing it. While mindful of the dangers of de-skilling, it may be that fully-trained ratings are not necessary for all operational tasks. Similarly, mixed manning in the crewing of vessels in the international trades by a combination of Australian and foreign seafarers could contribute to the viability of the operation.

The removal of regulatory impediments to Australian shipping was also seen as an important general outcome.

A primary impediment is the current requirement that Australian-owned commercial vessels be placed on the local shipping register. It is noted that the link between country of operator and country of register is no longer a common feature of shipping policy overseas and that continuation of the practice in Australia is to the disadvantage of local industry. A similar cost inequity is found in the requirement for duty to be paid on some ship-board items regarded as duty-free in other countries.

The final general outcome sought was a review of the Federal Navigation Act, specifically in respect of provisions dealing with coastal shipping. Such a review would take account of current concerns with the legislation's application in respect of security, budgetary impacts and shipping's competitive position against other modes in the domestic freight market.

The Council notes that the implementation of this package of measures does not require budgetary support. Moreover, it is one that the Federal Government has partially endorsed by way of ongoing announcements.

The Council is hopeful that there will be full adoption of this package of measures in due course as an important contributor to an Australian shipping industry that is safe, sustainable and competitive.

Key Performance Indicators

- *Verification of the need for a sustainable Australian shipping industry*
- *Confirmation of the case for change from current national policy direction*
- *Promotion of the case through industry and government*

6. Outlook



This Annual Report has described the range of issues that appeared on the Council agenda during 2003-04. Many of these will continue into 2004-05. New ones will be added. Further support from the Council's funding partners in State and Federal Government is anticipated to make this happen.

At a local level, scrutiny of freight logistics practices impacting on heavy vehicle movements through Fremantle will be ongoing. Nationally, the Council will be keen to have further input into discussions on pilot training and coastal shipping.

Security will clearly be an important issue for the Council during 2004-05. Port and shipping arrangements are almost finalised. Important aspects such as cost recovery for those arrangements and making the rest of the supply chain secure remain.

Cool chain logistics and intelligent transport systems are each issues that lost impetus in 2003-04 due to other demands. The Council has to re-invigorate related discussion, given the significance of the issues to Western Australia.

Some important public policy issues also need to be addressed during the year. Modal shift drivers, lifting the profile of ports in Government decision-making and growing market power in the freight sector are all matters in need of policy definition. The Council is well placed to contribute.

Recent attention within the Department for Planning and Infrastructure to consolidating freight policy functions emphasises the need to address overarching issues straddling a number of modes. It is likely that this thinking will flow over to Council deliberations with encouragement to do more in conjunction with its land freight counterparts.

All in all, 2004-05 has the prospect of being as active and satisfactory a year as that just gone.

7. Conclusion

As with its predecessors, this Annual Report has focussed on several key issues rather than attempting to deal with all those that appeared on agendas across the year.

Prior to concluding, however, it is appropriate to mention some of the other issues, particularly for the benefit of those not party to Council meetings. The reference gives a sense of the breadth of discussion among members in fulfilling the group's central charter as confirmed at the beginning of this Annual Report.

Other issues under discussion included:

- regional port planning issues;
- National Food Industry Council;
- port authority capital borrowing arrangements;
- National Road Transport Commission;
- Darwin-Alice Springs rail line;
- oil pollution;
- US-Australia Free Trade Agreement;
- intermodal terminals;
- vehicle booking systems;
- Part X, Trade Practices Act;
- diesel fuel rebate on dredging;
- landbridge movements;
- Auslink;
- Customs Management ReEngineering;
- port charges;
- Pre-Receipt Advice; and
- boat ramps.

The value of Council discussion across all of these issues during 2003-04 was acknowledged by continued high member attendance, ongoing contribution to Government policy and industry practice, the opportunity to participate in national forums and the continued support in funding and kind by Government.

If this impetus maintains, 2004-05 should be an equally productive year for the Council and those involved with it.

8. Appendix

Membership as at November 2004

<i>Member</i>	<i>Name</i>	<i>Address</i>	<i>Phone</i>	<i>Fax</i>	<i>E-mail</i>
Independent Shipping Industry Representative	Graeme Wilson	Indian Ocean Shipping Agency PO Box 637 Fremantle 6160	9430 6266	9430 8321	g.wilson@indianoceansa.com.au
Chamber of Commerce and Industry	Trevor Lovelle	PO Box 6209 East Perth 6004	9365 7560	9365 7550	lovelle@cciwa.com
Dept of Agriculture	Dick Taylor	Locked Bag 4 Bentley Delivery Centre WA 6983	9368 3686	9367 7389	dtaylor@agric.wa.gov.au
Dept of Industry & Resources	Peter Murphy	PO Box 7234 Cloisters Square Perth 6850	9327 5555	9222 3862	peter.murphy@doir.wa.gov.au
Forest Industries Federation (WA) Inc	Bob Pearce	Home Base Expo 55 Salvado Road Subiaco 6008	9380 4510	9380 4477	b.pearce@fifwa.asn.au
Fremantle Ports	Kerry Sanderson	PO Box 95 Fremantle 6160	9430 3302	9335 1183	ksanderson@fremantleports.com.au
Hay Exporters' Association	Peter Mackie	Gilmac (WA) Pty Ltd PO Box 231 New Norcia 6509	9654 8023	9654 8081	peter.mackie@gilmac.com.au
Importers' Association of Western Australia	Bob Rylands	Global Seafoods Unit 3, 108 Welshpool Road Welshpool 6016	9258 8466	9258 8506	bob@globalseafoods.com.au
Road Transport Industry	Len Della	Sadleirs Transport PO Box 138 Cloverdale 6985	9333 2479	9353 5793	ldella@sadleirs.com.au
Liner Trades Shipping Industry	Anthony Kelly	"K" Line (Australia) Pty Ltd PO Box 653 Fremantle 6160	9336 4211	9430 4155	anthonyk@klineaus.com.au
Maritime Union of Australia	Chris Cain	2-4 Kwong Alley North Fremantle 6159	9335 0500	9335 0510	chriscain@mua.org.au
WA Port Authorities' Association (Southern Ports)	Dom Figliomeni	Bunbury Port Authority PO Box 4 Bunbury 6230	9721 2800	9721 8253	dfigliomeni@byport.com.au
Grain Pool Pty Ltd	Anthony Gesmundo	Grain Pool Pty Ltd Box L886 GPO Perth 6001	9216 6012	9481 3553	tony.gesmundo@grainpool.com.au
National Bulk Commodities Group	Adrian Parks	CBH Box L886 GPO Perth 6001	9237 9705	9327 9599	adrian.parks@cbh.com.au
WA Shippers' Council & Chamber of Minerals & Energy	John Oliver	Alcoa World Alumina - Australia PO Box 252 Applecross 6953	9316 5406	9316 5162	john.oliver@alcoa.com.au
Chairman	Greg Martin	Dept for Planning & Infrastructure 5 th Floor, Albert Facey House 469-489 Wellington Street Perth 6000	9264 7500	9264 7511	Greg.Martin@dpi.wa.gov.au
Government Liaison	Mark Brownell	Marine House 1 Essex Street Fremantle 6160	9216 8817	9216 8984	Mark.Brownell@dpi.wa.gov.au
Administrative Assistant	Jean Hendry	Marine House 1 Essex Street Fremantle 6160	9336 1818	9430 8466	Jean.Hendry@dpi.wa.gov.au
Policy Officer	Mike Williams	Marine House 1 Essex Street Fremantle 6160	9216 8816	9216 8984	Mike.Williams@dpi.wa.gov.au

Sea Freight Council of Western Australia

