victoriantransportassociation inc.

Response to the Inquiry into the long-term productivity of Australia's Maritime Logistics System

Submission on behalf of the
Victorian Transport Association

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1.0 ABOUT THE VICTORIAN TRANSPORT ASSOCIATION (VTA)

1.1 Introduction

The Victorian Transport Association (VTA) has over 800 members and is dedicated to the service of members and supporters in all sectors of the transport and logistics industry.

With over 100 years' experience and a specific business focus, we possess the industry acumen, market knowledge and industry contacts that enable members to capitalise on the current commercial and regulatory environments.

Recognised as Australia's pre-eminent multimodal prime contractor and employer organisation in transport and logistics, the association works with all levels of government, the unions, statutory authorities and the industry to achieve mutually beneficial outcomes. The VTA is committed to enhancing the image of the industry while helping to improve the commercial environment in which our members operate.

1.2 Overview

The issues confronting the logistics industry in Australia are not new or not been noted in the past. However, the trends confronting those operating within the logistics supply chain are evident in every state and with every mode of transport.

These trends fall back to a lack of planning and coordination of infrastructure development. Taking a holistic view and creating a master plan vision has been difficult as the complexities of different supply chains and the difficulty in understanding the true value of these supply chains has precipitated a short term planning perspective that caters for the demands of the day and not those of the future.

While many of the following perspectives are mirrored in other states of Australia this submission will focus on the issues illustrated through the Victorian economy and markets.

For example, the City of Melbourne was originally designed to have freight transport at its doorstep with the rail freight network focussed on the inner circle of the city precinct, roads built north/south and east/west and metropolitan and regional areas serviced through a radial plan. Ships were able, for many years, to come up the Yarra River and work within a kilometre of the city.

Much of these networks are still in place however, the demand for goods has exponentially changed with growth in population, demand and scale.

Planning for the future is becoming more difficult as community amenity and social values begin to outweigh the economic and market driven commercial forces of servicing the ever growing community of Victoria.

2.0 CONTAINERS IN THE PORT OF MELBOURNE

2.1 Background

As definition, "Landside" can be described as all transport activities relating to Import and/or Export of freight to or from the vessel, and/or to or from the end client. For Import freight it is all activities from leaving the vessel to delivery to the end customer including, where relevant, the de-hire of the shipping container. For export, it is all activities from the exporters premises to the point of loading onto a vessel, once again, this could include the hiring and collection of the shipping containers prior to packing.

The majority of these activities are completed on the road and rail networks, whereupon every operator is trying to ensure the activity is completed in the most efficient manner possible.

With international trade, and in particular, Containerised freight, expected to grow dramatically over the coming decades we see a need for consolidated approach to improving the landside link in the supply chain.

The difficulty with taking a holistic approach with supply chain improvements at the port is the imbalance in the market forces that are enacted in the port supply chain. The Victorian Government has tried to alleviate some of these issue by creating the VPPM model to the benefit of all port supply chain stakeholders.

2.2 VPPM

Supply chain productivity and efficiency improvement has been the premise for the introduction of the **Voluntary Port Performance Model** (VPPM). This entity was formed to bring the actual data being produced into a centralized data hub that would assist in identifying where there are process and structural shortfalls and then be able to discuss solutions and improvements.

The VPPM has recently released its data for the past 3 months upon which the industry has had time to digest and scrutinize.

The data does not look good. A sample summary is tabled below and represent what are very poor results.

For the 3rd quarter of 2021 (July/ August/September).

Average TEU per Vehicle	-	<2.5
Average balanced loading	-	<25%
Average slots available / day	-	<1300
Average total Containers to be moved / day	-	>3,000
Average TEU's handled / Timeslot	-	<2.0
Average Containers per Truck	-	<2.0

The above facts illustrate that road transport is constantly trying to force the systems to get the containers moved through the current infrastructure.

2.3 A Growing Problem

Balanced loading through the stevedore, mismatched empty container park opening hours, change in ship cargo availability at short notice and the inability to fully utilize the carrying capacity of the vehicle are just some of the issues that poor productivity and the inability to address the issues has created.

The road transport fleets are now very modern. The average age of port vehicles has decreased to an average age of 7 years. This equates to less damage to infrastructure, lower exhaust emissions and greater driver comfort. The ability to provide technology in commercial transactions has been led by the road transport industry and communication is instantaneous and shared.

The combined fleets that service the container ports (1) are categorized approximately as follows.

Type	Number	Capacity/vehicle	Ave $ / Hour
Single Semi trailers	>50%	2 x TEU	80.00
B/Double	<40%	3 x TEU	115.00
HPFV/A/Double	<10%	4 x TEU	135.00

These vehicles are purpose allocated and rarely work in other sectors of the industry. While not all container transporters have the commercial ability to work 24/7 the stevedores have elected to open their operations at 24/7 while the empty container parks and the customers are not.

(1) Source: VTA Industry Survey

3.0 FACTORS RESTRICTING PRODUCTIVITY AND EFFICIENCY

There are a number of factors that directly affect the transport operator's ability to deliver productive and efficient service to their customers. All of these are based upon Landside activities and include but are not limited to:

1.1 No Choice of Stevedore
1.2 Fees and Penalties
1.3 Asset Utilisation
1.4 Systems Improvements
1.5 Ships Off Window
1.6 Local Access
1.7 Container Handling Rules
1.8 Duty Payment Process
1.9 Truck Queue/Waiting Issues
1.10 Local Community Amenity
1.11 Shared Forward Planning
1.12 Pricing / Cost Redistribution

3. 1 No Choice of Stevedore

One of the factors in landside operations is the various stakeholders may not have a direct commercial relationship with each other resulting in a position whereby the road transport operator can be dictated to, operationally. Whilst it is acknowledged the ports, rail and shipping functions are not, by definition, a monopoly, the fact that road transport operators have no direct relationship with the major stakeholders in the supply chain allows for actions and directions that are monopolistic in practice and result in a "no choice" situation and a 'take it or leave it" attitude a normal practice.

3.2 Fees, Penalties and Levies

Over time, there have been the development of a series of Fees, Penalties and Levies implemented against the road transport operators. Originally created to drive the transport operator to be more efficient, they are now used as a revenue stream with little recognition of third party and other mitigating circumstances that prevent the operator from accessing the port.

As this is a no choice option, we believe there needs to be some level of oversight. An example of these charges has been demonstrated through the dramatic increase of the Infrastructure Access Charge increasing from $3.57 to more than $140.00 per TEU in 3 years. An exorbitant increase with no measurable productivity improvement.
There is a clear distinction based on 'pay the fine or get locked out' that clearly discriminates against the road transport operator with no choice or recourse.

The VTA believes the introduction of Fines, Penalties and Levies to increase efficiency is not necessarily a bad thing, what we object to is it being implemented as a one-way impost with little or no oversight, consistency or productivity gain.

3.3 Asset Utilisation

The loading of port vehicles into and out of the Stevedores facilities as balanced loading is a key indicator on the productivity of the port.

Despite approximately 50% of the vehicles now attending the Melbourne wharves are multi combinational with a carrying capacity of 6-8 TEU each the current average is 2.5 TEU (1) with vehicle backloading at 25%.

While the transport operators have been calling for higher balanced loading the system supporting this behavior is not in place. With the Stevedores safeguarding space inside their Terminals and the slot booking system inhibiting the balanced loading the transport operator is having to do additional multiple trips to meet the transport task.

(1) Dept of Transport- Voluntary Performance Monitoring Framework – Q3

Based on current results there are approximately 3million TEU pa (1) handled through Melbourne with a load factor of 2.5 TEU vehicle per trip resulting in approximately **1.2million truck trips pa**.

If we were to increase the load factor to 3 TEU per vehicle per trip we reduce truck trips by **200,000 pa** and also, to go one step further if we were to increase the load factor to 3.5 TEU per vehicle per trip the number of trips would be reduced by **342,857 pa**.

Increase the load factor to 4 TEU per vehicle per trip would reduce the number of trips by approximately **450,000 pa**.

Acknowledging that over 95% of all international shipping containers are transited via a Wharf Carriers Depot prior/post transaction with the Stevedores. This means that a majority of transport operators would take advantage of the opportunity to balance load.

The current levels of average TEU utilization of heavy vehicles is unsustainable into the future.

The financial burden of the current balanced loading inefficiency equates to an additional cost of approximately between **$69,000,000.00 and $155,250,000.00** per annum. This financial burden flows directly to the customer through the rates of the transport operator.

The financial value of emissions reduction, social license and road congestion have not been evaluated abut are intrinsic elements of the port's productivity.

Improving the load factor can be accomplished by:-

(1).When booking an import slot the Carrier automatically has the option to take up an export booking.

(2).When a Carrier applies for an Import Stack Run they have the facility to match an Export Stack Run to transport concurrently.

These recommendations can only be enacted by the Stevedores and the container booking system that is controlled by the Stevedores.

(1) Dept of Transport- Voluntary Performance Monitoring Framework – Q3

3.4 Systems Improvements

While technology is slowly being introduced, there is a requirement that data sharing, systems overviews and the introduction of forward planning and communication have been sadly left behind. Too often the slot numbers available do not match the ship and container movements. This includes the empty container de-hire processes that works to a different time table to the stevedores and ship movements.

3.5 Ships Off Window

A major function for an efficient supply chain within the port is the arrival of the ship on its published and agreed timeslot. While a ship can have many reasons for its early or delayed arrival, it is the landside operations that has traditionally had to adjust, manage and react to the sudden changes in activity and demand.

Both the Stevedore and the road transport operator is reliant on the ship meeting its agreed timeslot and the related loading and unloading activity fitting into the ships travel requirements.

When overseas ships start to bunch-up in ports there is a flow-on affect along that ships schedule. Stevedores are then having to alter their resource management within their facilities and the transport operator must also adjust their labour, vehicle availability and predetermined slots.

These adjustments are often made at the last moment and contribute to the disruption at the Stevedore's facility and is reflected in fines and penalties against the transport operator.

There are many reasons why a ship may miss its window of receival at a Stevedore including late dispatch from previous port, bad weather or mechanical breakdown, however, there is currently no early warning system that gives adequate notice to all other stakeholders tat enables a more structured reaction and compensation.

Improving the regularity of ship arrival would be achieved by applying a financial penalty against the shipping line should the ship arrive or depart outside an allotted 6 hour window either side of its schedule movement.

Any ship not giving 24 hours notice on late arrival would become entitled to be penalized for the disruption at the receiving port.

Applied in 6 hour blocks this penalty could be applied through government port operator and claimed by Stevedore and transport operators.

By applying this type of punitive action the responsibility for port efficiency would include the ship operator.

3.6 Local Access

The Port of Melbourne is unique in so far as it is so centrally located close to the CBD. Containers need to be moved to and from warehouses and industrial and regional sites. Pressure is constantly growing on the transport networks to be able to access the port from distant locations

The Port is constantly under community planning pressures that restrict the efficiency of its supply chains. Competition for land use and the need f ro the Port to expand its access has meant that productivity is constantly challenged, additional cost absorbed and difficulty in planning future investment.

The current Port Rail Shuttle project may alleviate a percentage of this issue however with a planned terminal in the west of Melbourne and no decision on the Inland rail destination once again the road operators are left to manage the outcome and change their operations.

Keeping in mind that putting additional links in the supply chain increases costs.

.Another example, is the curfew of truck access to and from the port through local communities. The curfew of roads does not enhance productivity or improve community amenity. It is important to note that controlled and disciplined local access is a goal of the road operator.

3.7 Container Handling Rules

There are specific rules for the handling of containers that the road operator must adhere to or be fined. The Stevedores operate 24 hours per day , 7 days a week, however the vast majority of delivery points are Monday to Friday between 7am and 5pm. The road operator must collect all import containers within 3 days or be fined hundreds of dollars per day.

Therefore, road operators are constantly having to incur additional cost by taking these containers back to their own yards lifting them many times then delivering to the customer,

Empty containers must also be returned within 10 days of collection or be fined hundreds of dollars a day by the shipping line. Most container parks available to receive return containers only operate 8 hours per day, Monday to Friday and require a timeslot to return the container. This makes de-hiring a container within the tight times frames difficult and results in additional trips and handling and therefore inefficient operations.

Road operators have will incur penalties and have no choice but to complete the task with multiple legs and additional miles travelled thereby incurring additional costs and loss of productivity.

3.8 Duty Payment Process

Often containers are not available to collect purely due to the fact that Duty has yet to be paid. Under the current rules an importer has up to the time of collection from the terminal to pay duties, upon which the container is released. Getting duties paid prior to discharge from the vessel would improve ability to plan and action leading to a major efficiency gain.

3.9 Truck Queue/Waiting Issues

As previously mentioned above there is unbalanced responsibility for the Stevedore to service the road within time parameters.

Despite the imposition of an Infrastructure Levy of currently up to $140.00 per container there remains no compulsion or incentive by the Stevedore to transact the vehicle in a more timely manner than what it had done before the Infrastructure levy was in place. The increase of the Infrastructure Charge from less than $3.57 per TEU three years ago to over $140.00 per TEU today has seen very little productivity improvement.

The burden of the growing capacity has fallen on the transport operator to be more flexible, increase charges to customers 3-4 times per year and to utilize their own depot facilities with no direct return on investment.

The pressure of terminal efficiency comes from the stevedore's commercial relationship with the shipping line and is competing against other stevedores for that work. Servicing the ship becomes the priority and is exacerbated should a ship arrive late and off window.

The pressure on the Stevedores'' resources to service the needs of the ship become dominant and the transport operator is then subjected to meeting the Stevedores changed operations. This injects uncertainty in the road transport operations and when planning and scheduling resources 24 hours prior comes at a direct cost to the transport operator.

The equality of the port transport system is not reflected in the fines and penalties process that is currently applied by the Stevedores in their service agreements with all transport operators. The system of service failure travels in both directions and has not been acknowledged in Melbourne.

In Sydney, the PIBLIS format has been in place for over 10 years. It ensures system failure responsibility is allocated on a reciprocal basis by applying the same fines value and process to both Stevedores and the transport operator.

This system also allows for variances and ensure that all stakeholder remain responsible to ensure that the productivity of the port is improved and maintained. The arrangement is managed by an independent Government Statutory Authority.

With greater responsibility for the entire supply chain sector by the stevedore the truck loading performance on the Sydney waterfront has improved measurably post the introduction of PIBLIS.

This type of system needs to be implemented into the operations of the Port of Melbourne. Terminals charge a fee for trucks arriving early or late for their allocated slots, this can lead to trucks arriving to the wharf precinct early to avoid these fees and penalties. Additionally, country carriers need to allow additional travel time but still need to ensure they don't incur penalties, also arriving early. There are no areas near the port for safely waiting resulting in these trucks finding places on street sides or continue moving around until there time arrives. These actions have a major impact on safety, congestion and social amenity.

3.10 Local Community Amenity

Community amenity is directly associated with efficiency. That is, , the less number of truck trips though communities the better for all parties.

Lack of understanding of the requirements of heavy vehicles to travel through the community has led to an ad hoc approach to infrastructure planning and stakeholder use.

Combining bicycle lanes with known truck routes continues to frustrate transport operators. Poor road planning and housing development has led to a constant misunderstanding within the community of the nature of road transport and reactions have been adverse accordingly.

Also, combustion engine emissions continues to create ongoing anxiety with very little commercial incentive for the heavy vehicle operator to convert their vehicle to zero emission vehicles.

3.11 Shared Forward Planning

Shared Forward Planning has a huge bearing on the Community when it comes to building supply chain efficiencies. Involving stakeholders outside of the port precinct is imperative in ensuring that we achieve the best results for the safe and efficient movement of goods through the community.

Understanding that the bigger the heavy vehicle the newer it is and the safer it is. Getting access for bigger heavy vehicles ids becoming more difficult as the pressure from community amenity continues to defer and delay specific planning.

2.12 Pricing / Cost Redistribution

The cost to import containers has risen dramatically over recent years. Shipping lines are recording record profits while squeezing the Stevedores as competition has grown in that sector.

Stevedore have had to recover falling revenues from shipping lines that then must be recovered. The stevedores are now recouping this lost revenue through alternate sources. This process started with the introduction of an Infrastructure fee and is now called the Infrastructure Access Fee.

The additional cost has not seen any direct capital investment in quayside operations that would not been normally implemented. The addition cost has been placed on the road transport operator.

Further to the above the cost charged for a late return of an empty container has no relationship to the cost of this action in relation to the rental cost of a container or in fact the value of the asset being, effectively, rented.

4.0 MAJOR ISSUES

We have identified three main areas with a number of subsets:
Areas to be included:

4.1 Asset Utilisation

I. Improve 2 way manifesting
   The current average load per vehicle is <2.5 TEU per movement. The estimated capacity is 3.5 TEU per vehicle. By increasing the prevalence of carrying containers into and out of the wharf on the same journey would improve this dynamic.

II. Reduce the incidence of "dead legs"
   The most efficient method of moving containers around the port is to deliver Exports on the same trip Imports are collected.

III. Reduce turnaround times
   The time taken from arriving at the port precinct to leaving is critical to efficiency, better asset utilisation, more accurate delivery schedules, cost savings to the end user and ultimately the consumers.

IV. Increase the availability of slots
   The current process is basically the same as has been for many years, we believe it is time to review the process and find a better solution for both the Transport and Terminal operators

V. Improve the empty container de-hire process
   This area is the one area that is often forgotten about but arguably has one the biggest impact on efficient operation as well as social amenity, safety, and wear and tear on the inner suburban road network.

VI. Reduce Administration.
   The processes are not interactive and require a great deal of manual intervention by the scheduler leading to additional work. Parameter change and systems integration would assist in reducing the impact of the current processes.

VII. Promote the use of HPV's
   Higher capacity vehicles have many benefits such as but restricted to: less road travel, newer and safer vehicles with lower emissions, noise and fuel usage.

4.2 Service Levels

I. Penalties, Fines and Levies

The system of Carrier penalties, fines and levies is very one sided and does not reflect the true nature of the process disruption and associated issues. A review of this system would see a marked improvement of the ability of the Carrier to meet the stevedores expectations.

II. Fee Collection

The current process of using the Carrier for indirect cost recovery based upon the threat of exclusion does not lead to better processes and has a marked effect upon the cash flow of the Carrier, again, with no productivity improvements or payment considerations.

III. Ship Off Window

There is no penalty of a ship being late. The collection process does not allow the flexibility of the rest of the supply chain to react accordingly to maintain an efficient system. A review of this process would deliver cost reductions and productivity gains.

IV. Access timing

With local street curfews, no clearways, congestion and road bottlenecks, the reduction of access times of all participants in the supply chain has lead to uncertainty and an inability to meet expected windows. Specific changes could be made to improve the associated issues.

V. Truck Turnaround Time

There is close monitoring in place at the moment on the current truck turnaround time of all three container stevedores. Large variations are evident and there is an ability to be able to align with very little variation.

VI. Slot Booking Fees

There has been a marked increase in slot booking fees without any service improvement. The systems in place are monopolistic and provide for penalty and direct cost against the carrier. There could be process improvement based upon the revenues that are currently being raised that would benefit the entire supply chain.

4.3 Network

I. Road networks

There is a need for planning and development to better integrate the needs and concerns of operators at the planning stage. This could lead to building things once and lessening the need to start modifying networks from day one.

II. Tolls

Understanding the need for tolls but a better method of funding from operations that would/could better use these toll road if the multi-use same day discount model was implemented across the board.

III. Rail

Understanding and including the road function in the planning and implementation would definitely lead to a more efficient options.

IV. Social responsibility

While the end customer is the community it is the responsibility that the social expectations of the community are included in the productivity improvements and all stakeholders expectations.

8. VTA Recommendations

1. It is important to note that there a desire from all stakeholders to improve current processes and provide options for operations. Freight transport planning is complex and costly.

There needs to be an integration of planning areas that incorporate the expectations of all stakeholders that enables stronger and deeper outcomes and does not just satisfy one group.

2. Leadership should be through a third party or authority. It would therefore have direct input and have full understanding of the concept and activity of any recommended changes.

3. Create an integrated Freight Strategy. It would link together with any number of existing projects and acts as a conduit with relevant departments whilst maintaining relative independence.

4. Create an industry driven set of benchmarks, actions and objectives designed to improve the landside operations of the Port.

5. Create a stakeholder shared interest discussion on supply chain systems and processes that can be used to drive effective solutions.

6. Implement specific changes to improve the throughput of freight within the port of Melbourne and associate supply chains.

In Summary

The increase in the port of Melbourne flow of containers has incrementally increased over the decades since its first movement in 1969. The exponential growth of the state of Victoria places greater emphasis on the port related activities to become more efficient, productive and flexible.

Many of the older systems that are currently in place to manage the operational requirements do not allow for the change in volume, accountability and service demands.

Increased capacity and improved productivity can be achieved by looking at the above issues, investigating the recommendations and making change.

Peter Anderson
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