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This submission is made by the Australian Shipping Federation (ASF).

The ASF conjoins the Australian Chamber of Shipping (ACOS) and the Australian Shipowners Association (ASA) in one policy body. It is anticipated that the ASF will be incorporated by 1.1.99.

The Australian Shipowners Association is the body that represents Australian ship operators, both coastal and international (for instance BHP), and has prime carriage of important domestic and international policy and industrial issues.

The Australian Chamber of Shipping represents the particular interests of overseas flag shipping of all types – container, general cargo, bulk (both dry and tanker), and passenger and cruise. ACOS, however, is not an industrial body. Like any other industry association it may have views about industrial situations, but it has no direct industrial brief; nor does it deal with matters of freight charges, these being the sole responsibility of each individual operator.

The ASF, combining ACOS and ASA, addresses the interests of over 80% of all shipping serving Australia's international and domestic trades. Whilst there are Productivity Commission Inquiry; Progress in Rail Reform; many industries of vital importance to Australia's welfare, and trading success, none are more so than is the performance of the shipping industry itself and the services it provides to Australia.

Whilst undoubtedly there are many areas in rail operation that could be improved, the shipping industry has benefited materially from the many reforms that have taken place over recent years. There are greater synergies between shipping and land transport, both domestic and international, than is sometimes realised, and this particularly applies to rail as it relates to international shipping; increasingly, in overseas shipping, a part of the through service contract, in either direction, is performed by rail.

Setting aside for the moment the various particular areas where shipping would like to see further improvement in the rail services offered in the various areas of Australia, there is one main area of strategic policy that is of great concern to the shipping industry. This is the allocation of funds to the existing main operations.

Not only the shipping industry, but the Australian community as a whole is vitally dependant on the present network, and particularly the existing inter-capital standard gauge network connections, and the major intercity connections – both standard gauge, and those that ultimately will have to be. These are concentrated on, but certainly not limited to, the Eastern part of the continent; for instance the Trans-continental line is a vital unit in this network.

Australia, with a vast continent to service, and resources limited to those that can be provided by a population of only eighteen million people, has a very special duty of care in ensuring wise use of the financial resources. How that proportion of whatever money is available for transport infrastructure is spent on rail development will have a direct bearing on the future welfare of the whole community, no matter where they live.

Many of the vital transport networks mentioned above, both interstate and intercity, are in dire need of considerable upgrading – upgrading well beyond the means of any likely financial allocation. This is a matter for both State and Federal Government interest. Given the population size of Australia, and hence its commercial strength, there necessarily is only limited total funding resource. This is obviously true of government generated funds, whether collected or loan guaranteed, but it is true that the size of the community also limits the private risk capital that will become available.

In these circumstances the best application of relatively scarce funds with transport infrastructure becomes a matter of importance to the developing welfare of the community. At the moment there are several, ostensibly private enterprise, rail projects on the drawing boards; the VFT from Sydney to

Canberra, three different concepts of rail corridors along the Eastern States through to Darwin, and the well publicised Alice-Darwin rail link.

To varying degrees these duplicate transport facilities and infrastructure already in existence. This is particularly the case with the Darwin-Alice rail link.

Whilst a representative of the South Australian Department of Transport stated that the undertaking would 'pay' on domestic cargo only, it is our view that, even given considerable volumes of international cargo, which we do not believe will materialise, the venture will be a major establishment and ongoing operating loss.

Overseas experiences show that major landbridging concepts are financially successful only when:
major sea-haul distances are saved;
when the costs can be shared with major metropolises to also serve;
the population demand is high.

None of these apply to the Darwin-Alice rail concept, where the absolute opposite is the case:

Fremantle is only 360 miles (rather less than one day's steaming) further from Singapore than Darwin; at Fremantle the landbridge facilities to the whole of the rest of Australia already exist;
the cost is, therefore, being shared;
in both cases the demand is low, as the Fremantle experience proves, in spite of extremely attractive rail rates (which the Darwin concept would just not be able to afford).

In addition all the very expensive service facilities – container handling facilities, decentralisation/hub facilities, packing/unpacking facilities, already in place will have to be duplicated inland at Parkes (or wherever), railheads etc.

It should be made plain that, so far as the shipping industry is concerned this is not a matter of concern at possible competition. The international shipping industry believes that it will have no difficulty in retaining its pre-eminent position – shipping, on a tonne/mile basis, remains the world's cheapest form of transport, by far. The most expensive thing one can do with cargo is handle it – that is precisely why containers were invented in the USA. Once the cargo is on a ship, leave it there to destination. Further, there will be no time saving – in fact the intermodal handling may well result in the through service being slower.

But what does concern the shipping industry, both domestic and international, is that every dollar spent on projects such as the Darwin-Alice rail concept, is a dollar not available for the existing main trunk hauls, on which trade, both domestic and national depend. There is a periodic shortage of stock, the maximum permitted movement rate for heavy traffic is lamentably low, and the delays caused by giving way to priority traffic, substantial. On the Brisbane-Townsville link, transit times for container cargo has increased by days. This is explained by the fact that tourist use of the track has increased – which is great, but not an explanation. The real explanation is that the track cannot cope with the traffic, and money to rectify that (rail loops) is not available, whilst many millions are being made available for projects that have yet to be justified.

On the question of the more general operation of the railways we would make the following comments:
1. Rail transport, like shipping, particularly lends itself to moving large volumes of cargo over longer distances. It follows that, in order to gain the best productivity, larger volumes need to be accumulated.
Properly used, competition is an efficient tool rather than an ideology for all situations. Unbridled competition will merely fragment the market, and prevent access to the economies of scale that should be available. In the short term, benefits may be perceived, but these are likely to be illusory as the need for return on investment either forces rates up or service standards down.
2. Inland Carriage Liability. In the modern trading environment the responsibility of a ship operator no longer stops at the wharf. No matter what the sea transport operator – ship operator, NVOCC (Non-Vessel Operating Cargo Carrier), freight forwarder, the system offers the option of a day-to-day

service, and issues a Combined Transport Bill-of-Lading or Waybill. This accepts a liability regime for the cargo from the ’place of receipt’ to the ’place of delivery’, both outside the sea leg.

During such through-transport operations cargo may be damaged whilst in the care of a rail (or, for that matter, road) operator, acting as a sub-contractor to the ocean carrier. In the event of such loss or damage the cargo interests will claim against the ocean carrier, under the terms of the Combined Transport Bill-of-Lading (or Waybill).

Because the standard terms-and-conditions of land transport offer no coverage –being effectively 'all care, no responsibility' – the ocean carrier, whilst having to meet the responsibilities under his documents, is generally unable to seek effective recovery.

Whilst there is both international and Australian federal legislation covering the provision of responsibilities for ocean carriers, there is no matching requirement for the process on land. It is believed that a uniform statutory regime would create a certainty which could well lead to a reduction in overall insurance costs. It could also be argued that the greater accountability would lead to a safer transport environment. Certainly it would assist in the dispute resolution process and lead to a lower incidence of litigation and related costs.