

AUSTRALIAN PEAK SHIPPERS ASSOCIATION

23 September, 1998

Mrs Helen Owens
Presiding Commissioner
Progress in Rail Reform Inquiry
Locked Bag 2
Collins Street East Post Office
MELBOURNE 8003

Dear Commissioner

Progress in Rail Reform **(Inland Carriage Liability in Australia)**

This submission is submitted by the Australian Peak Shippers Association (APSA) which:

- is the designated peak shipper body under Part X of the Australian Trade Practices Act 1974.
- represents approximately 80% of Australia's containerised liner exports.

Australia's Inland Carriage Liability legislation is totally outdated and in urgent need of reform. The legislation must be addressed to fall in line with internationally accepted practice.

Inland transit of goods is an integral part of the international carriage of goods by sea- particularly in the context of the use of Combined Transport Bills of Lading and Through Bills of Lading.

The view of this Association of exporters is that as a matter of principle rail/road should accept liability for loss or damage to goods whilst in their care- similar to the New Zealand legislation contained in the Carriage of Goods Act 1979 (NZ) and the European CMR Convention.

A ship owner, ship operator, non-vessel owner or freight forwarder offers door to door services for which they can provide a Combined Transport Bill of Lading.

The land side leg of the operation is contracted to rail or road.

If there is loss or damage whilst the goods are in the care of an inland carrier the owner of the goods will claim against the ship owner. However, the ship owner currently does not have the ability to claim against rail or road because the conditions of carriage are on the basis of 'all care no responsibility'.

This situation is a result of a successful lobbying campaign mounted by rail and road during the 1970-80's to exclude land transport carriers from exercising due care and skill as required under the Trade Practices Act.

The lack of any inland liability regime limits the desire of shipping lines to issue Combined Transport Bills of Lading to promote exports from Australia.

The introduction of Federal legislation to cover the liability of inland carriers would'

- (a) lead to a reduction in overall insurance costs;
- (b) lead to the establishment of a safer transport environment; and
- (c) have a positive economic impact.

Federal Government Support for Rail

It is of ongoing concern to this Association that a majority of diesel fuel taxes collected by the Federal Government from rail go to fund road infrastructure over which rails competitors

Between 1975 and 1997 the Federal Government spend \$33 billion on roads and only \$1.8 billion on rail.

As a consequence of this lack of funding on rail, Australia now has a rail system where nearly 70% of the interstate standard gauge networks decaying infrastructure is under temporary speed restrictions.

If Australia is to have an efficient goods transport system significantly more funding must be provided to upgrade the interstate rail network.

Alice Springs to Darwin Railway Line

It is a concern of this Association that the Federal Government has made a commitment of \$100 million towards the construction of this railway line when the proposed line will provide few, if any, advantages for East Australian exporters and importers who provide the bulk of Australia's containerised trade.

Reasons:

- (i) high cost of freight.
- (ii) transit lines
- (iii) questionable reliability.
- (iv) current rail network is lacking in funding.

There is no doubt that some trade into and out of Alice Springs and Adelaide and to some extent mining ventures in the Northern Territory would be attracted to the proposed railway and there may be a use from a strategic defence point of view. However, this trade alone would not support any new rail system conservatively estimated to cost \$1.5 billion (track, infrastructure and rolling stock).

From a mining point of view, one must bear in mind that intermodal transfer costs incurred in centralising mine products from outlying operations to the railhead would be costly and would, it is estimated, be more costly in total than the current road+train operations from mine to port.

(i) High Cost Disadvantage

Australia's total import and export containerised trade is in the order of 2.0 million containers. Of this total, 1.8 million relate to trade through Sydney and Melbourne.

To prove viable, the proposed new railway would need to attract all this Sydney/Melbourne trade.

The current average sea freight for a 20 foot General Purpose container from Sydney, Melbourne and Adelaide to Singapore is approximately A\$700 or about \$35 per tonne. This charge varies up or down depending on the ability of the particular commodity to pay. The cost from Sydney, Melbourne and Adelaide to the same destination via Alice Springs and Darwin is significantly higher as estimated below and not competitive with sea and, therefore, likely to attract little, if any, of the export trade required to make the new rail system viable.

| | |
|---------------------|---------------------|
| Sydney to Adelaide | A\$ 500/IEU |
| Adelaide to Darwin | 1,100 |
| Darwin to Singapore | <u>1,000</u> |
| Sydney to Singapore | <u>A\$2.600/1EU</u> |

Transit Times

| | |
|------------------------|---------------|
| Melbourne to Adelaide | AS 400/TEU |
| Adelaide to Darwin | 1,100 |
| Darwin to Singapore | <u>1.000</u> |
| Melbourne to Singapore | A\$2.500/IFU |
| Adelaide to Darwin | A\$1, 100/TEU |
| Darwin to Singapore | <u>1.000</u> |
| | A\$2.100/TEU |

Current shipping services provide the following transit times to Singapore:

| | |
|---------------|---------|
| - ex Sydney | 15 days |
| -ex Melbourne | 13 days |
| - ex Adelaide | 8 days |

These transit times are compared with estimated transit times using the proposed new railway system via Darwin:

| | |
|----------------|-----------|
| - ex Sydney | 8-11 days |
| - ex Melbourne | 8-11 days |
| - ex Adelaide | 7-10 days |

Although the transit times via Alice Springs and Darwin would be shorter the significant additional freight costs would not justify changing from current direct shipping services for most commodities to a proposed rail/ship operation.

(iii) **Questionable Reliability**

There are those areas where there is potential for regular delays:

- (a) Weather delays;
- (b) Delays to trains.

Weather

In the monsoon season between December and February heavy rains regularly cause shipping operations to be significantly delayed in Darwin. Even though any new trade would mainly be containerised, weather delays can still be expected.

Delays to Trains

There are no freight train routes in Australia which are not subject to delays from time to time. These delays are mostly caused by congestion at rail terminals. One could expect few rail delays between Adelaide and Darwin but at Sydney and Melbourne when forming block trains, delays can be expected. Currently, it can take up to three days to move containers from Melbourne to Adelaide.

Import Freight from Singapore

Although it is suggested that rail freight charges for southbound movements of freight via Darwin would be a lot lower than on the northbound leg, for equipment repositioning purposes, historically there has been an imbalance of tonnage in this trade and the volume of import freight is significantly less. If a new rail system is to be viable, the viability would be dependent on the volume of northbound export freight.

For reasons previously outlined, the new rail system would not attract sufficient northbound export freight and the construction of a new rail system from Alice Springs to Darwin, in our view, can not be justified.

Summary

The Federal Government should not be directing funding to a non-viable rail operation when the current rail network is starved of funds.

Yours sincerely

Frank Beaufort
Executive President