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FREIGHT AND LOGISTICS COUNCIL OF WESTERN AUSTRALIA

Mr Darrell Channing  
A/ General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

Dear Mr Channing

***Application for Authorisation Lodged by DP World Limited and Patrick Stevedores Operations Pty Ltd – Your Reference Trackit 42669***

The Freight and Logistics Council of Western Australia would like to support the application for substantive authorisation lodged by DP World Australia and Patrick Stevedores Operations Pty Ltd in respect of the Fremantle Vehicle Booking System.

The Council's submission in support of the application is attached.

Yours sincerely

Mark Brownell  
Executive Officer

29 / 11 / 2010

Cc: Sharon Clancy



**Fremantle Ports Vehicle Booking Systems:  
Application for Authorisation Lodged by DP World Australia Limited and  
Patrick Stevedores Operations Pty Ltd**

**Comment from Freight and Logistics Council of Western Australia**

*1. Introduction*

The Freight and Logistics Council of Western Australia was established in 2009 by the State Minister for Transport, Hon Simon O'Brien, to provide him with independent advice on strategic policy issues relevant to his portfolio. The Council comprises senior executives from industry and Government with freight and logistics responsibilities. It is well placed to advise the Minister on such matters.

The Council has a number of key areas of interest, prominent among which is that of metropolitan freight logistics. As a major generator of freight activity in the Perth metropolitan area, Fremantle Port is therefore a central focus of the Council.

Against this background, the Council has already offered its support to the application from Fremantle Port's container terminals for interim authorisation to allow preferential treatment to road transport operators delivering and collecting a container during the same run. This submission from the Council is to support the application for substantive authorisation of the practice.

*2. Policy Context*

With the exception of several recent years impacted by global economic conditions, container movements through Fremantle Port have increased steadily for decades, averaging double digit annual growth rates across that period.

Successive State Governments have recognised the need to develop new container handling facilities at Fremantle to meet this growth going forward. The new facilities are intended for the Outer Harbour south of the City to supplement those at the present Inner Harbour adjacent to the Fremantle CBD.

Forecasts suggest that the capacity of the Inner Harbour facilities is in the order of 1.2 million teu per annum and that this will be reached around 2015-2016. The forecast figure is about double the present throughput of the Port.

There is little doubt that the forecast throughput is operationally achievable at the container terminals with appropriate port land and infrastructure availability. However, this certainty does not exist outside the Port, where access issues for heavy road transport are already of concern to some sections of the community.

To give the Inner Harbour at Fremantle its best chance of reaching full capacity going forward, the growth in port trucks must be held to something less than the growth in port trade. Failure to do this will result in community pressure for the early development of Outer Harbour facilities and the containment of Inner Harbour activity at sub-optimum levels. Each outcome would be at significant cost to Government, industry and the economy overall.

The State Government is confident that the Inner Harbour will reach its full capacity and continue as a working port. The current investment of \$250 million of public funding to deepen the Inner Harbour and its approaches is indicative of this confidence. Notwithstanding, it is clearly recognised that the issue of port truck impacts on the community must continue to be addressed.

### *3. Containing Port Truck Impacts*

Four distinct strategies have been identified to contain the impact of trucks servicing the container terminals at the Fremantle Inner Harbour. The Council has examined these strategies from the viewpoint of maintaining truck numbers at present levels in the face of rising trade. For this ambitious goal to be achieved by 2020:

- the productivity of trucks would have to be improved by 20 per cent;
- trucking activity would have to be spread across longer hours so that 33 per cent of all movements are after 1800 hours and over weekends;
- rail's share of the container market would have to lift to 30 per cent; and
- the majority of container storage would have to be at an inland location removed from the Port.

Work is being developed towards each of these outcomes. It is, however, the first of them to which this document refers because the Vehicle Booking System (VBS) in use at Fremantle's container terminals has the potential to significantly influence truck productivity in the short term.

### *4. Process to Date*

The potential for the VBS to be used more proactively to encourage port truck productivity has been recognised for some time. The matter has been under discussion in Fremantle for nearly four years.

One of the reasons for this extended period of discussion has been the interest of the ACCC in the matter based on the need for some level of cooperation between container terminal operators to adjust the VBS in pursuit of the required productivity gains.

Mindful of the ACCC interest in the matter, a number of steps were put in place to ensure that related discussions were acceptable from a competition viewpoint. These steps included:

- discussions being convened by the State Government, with the involvement of direct stakeholders in addition to the container terminal operators;
- all participants agreeing to abide by a Protocol outlining the non-commercial nature of discussions;
- the involvement of legal representation to ensure appropriate discussion; and
- ongoing liaison with the ACCC as discussions developed.

A number of possible enhancements to the Vehicle Booking Systems were considered by the group across the course of discussion.

### *5. Preferred Option*

It has been recognised for some time that one of the keys to containing truck impacts on the community is to increase the average number of containers carried on each trip. Regular port surveys point to a reduction in empty running as a key to improving average loadings because nearly one trip in three is empty.

While there are a number of contributing factors to this inefficiency, the ability of road transport operators to organise loadings both in and out of the container terminals (ie dual running) is clearly critical to improved performance. The figure is believed to be only about five percent currently.

Against this background, it was concluded that the VBS should be amended to facilitate and provide incentive for increased dual running through the container terminals. The essential feature of the new system would be its reservation of special slots for operators intending to make a dual run and the introduction of a redesigned booking screen that allows operators to book slots at each terminal simultaneously for dual running. (It is important to note that these amendments are based on access-based incentives and not price-based ones.)

### *6. Industry Response*

It should be recognised that this initiative has been led by the Government, with the support of the road transport industry (through the Transport Forum) and Fremantle Port. The involvement of the container terminals in progressing the initiative is essential because they run the VBS. However, they are unlikely to receive any significant benefits from an increase in dual running. The prime benefit from the initiative is to the container supply chain rather than to the stevedoring function.

Access to VBS slots is highly competitive at various times of the day and any initiative that presents the opportunity for improved access to such slots is likely to be welcomed by the road transport industry and will shape behaviour accordingly. The reduction in operating costs resulting from fewer empty trucks will be a strong incentive for operators to seek dual loading.

It is anticipated that in the short term there would be an immediate take-up of dual slots by road operators with the capacity to match imports and exports, leading to a reduction in empty running by those operators.

In the longer term, it is anticipated that other operators would arrange more balanced import-export movements in order to take advantage of the extra slots, thus reducing empty running. The new arrangements may involve cooperation with other operators, emergence of brokers to match loads or the merger of complementary businesses.

### *7. Competition Considerations*

It is important that the introduction of the described amendments to the Fremantle Port VBS not lead to a reduction in competition in the local road transport industry. It is considered that this outcome is unlikely because:

- slots reserved for dual-running are open to all road transport operators;
- system is the same for those operators not wishing to dual-run;
- reservation of slots for dual-running will ease pressure on the rest of the system to the operational advantage of operators using it; and
- road transport industry has a proven record of adapting rapidly and successfully to new operating and business circumstances.

### *8. Benefits*

An increase in dual running will lead to a commensurate increase in truck productivity. The benefits from that occurring are threefold:

- the community will experience fewer port trucks on the road system than they would otherwise have done;
- the road transport industry will have the potential to lower operating costs and enhance overall viability; and
- the pressure to prematurely contain activity at the Inner Harbour and move to the Outer Harbour will be reduced.

### *9. Conclusion*

Against the background of the observations made in this paper, the Freight and Logistics Council of Western Australia would like to support the application for substantive authorisation lodged by DP World Australia Limited and Patrick Stevedores Operations Pty Ltd in respect of the Fremantle Port VBS. The Council further supports the five year authorisation period sought by the applicants.