OECD WORKSHOP ON MARITIME TRANSPORT

THE BENEFITS OF MULTIMODAL TRANSPORT CHAINS AND THE GROWING ROLE OF SPECIALISED TRANSHIPMENT PORTS

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Note: Shipping Australia Ltd (SAL) was formed in July 2001 as a result of a merger between the Australian Chamber of Shipping Ltd and Liner Shipping Services Ltd, which was a combined secretariat for many of the conferences, consortia and discussion agreements registered under Part X of the Australian Trade Practices Act. SAL represents thirty-seven Member lines and shipping agents and a similar number of Corporate Associate Members of companies providing services to the maritime industry. SAL is an Associate Member of the International Chamber of Shipping.

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Multimodal Transport Chains

1. It is worth recalling that the original concept of containerisation, which was introduced in the late 1960's in a number of major international liner trades, was that carriers would be responsible for the door-to-door transport of containers from shipper's premises to the customer. Door-to-door transport provides the benefits of economies of scale and other efficiencies inherent in moving 18-27 tonnes of cargo in one package and in a secure way right through the logistics chain, particularly if it is supported by an efficient IT system. A great deal of attention is currently being paid to developing freight logistics in Australia, given the anticipated doubling of the freight task, especially containerised freight, by the year 2020. Last year the Government considered an Agenda for Action in relation to the freight logistics industry as it was recognised that the industry makes an important contribution to Australia's standard of living. It was recognised that significant efficiencies and economies can be gained through a more sophisticated approach to the movement of freight between or within the transport modes, and through more integrated interaction of the transport network within the broader logistics system.

2. At the outset, it was important to clearly define what is meant by freight logistics, and the Action Agenda defined logistics management as: "The science of balancing the storage (stocks) and movement (flows) of inputs and outputs to meet demand, and minimise total cost while delivering increased efficiencies." Supply chain management, on the other hand, was defined as: "The act of coordinating the resources of all those in the supply chain to maximise the benefit to the final customer, and in so doing, maximise the return to all chain participants."

3. In the OECD paper entitled 'Transport Logistics – Shared Solutions to Common Challenges', 'advanced logistics' and 'supply chain management' are used inter-changeably. 'Advanced logistics' refers to "...the concept of synchronising the activities of multiple organisations in the logistics chain and feeding back necessary information to organisations in production and/or physical distribution sectors on a real-time basis, by utilising information technology and digital communication networks." As a generality, the term 'supply chain management' is used in Europe and 'advanced logistics' is used in North America and, to a lesser extent, in the Asia-Pacific region.

4. In the OECD paper 'Benchmarking Intermodal Freight Transport', the following definition is used as a base line for intermodal transport: "Intermodalism implies the use of at least two different modes of transport in an integrated manner in a door-to-door transport chain." It was also emphasised that intermodalism refers to the goal of making the optimal use of all the various modes of transportation.

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These definitions are consistent with the use of the terms 'intermodalism' and 'door-to-door' transport used in this paper.

5. Logistics management aims to minimise costs and increase efficiencies whilst securing a reliable supply and delivery of inputs and outputs. It was referred to as a science because many of the available management tools and techniques rely on quantitative analysis providing measurable outcomes. Later, I would like to pick up a few of the comments made in the paper (dated January 2001) prepared by Dr Anthony Ockwell for the OECD Division of Transport on benchmarking the performance of intermodal transport. This is an excellent paper which focuses on developing those measurable outcomes.

6. The Action Agenda also noted that many companies undertook their own internal logistics operations in the 1970's and 1980's, but that outsourcing to 3PL providers (third party logistics providers) occurred in the 1980's and 1990's, and over the last decade we have seen the emergence of 4PL’s providers (fourth party logistics providers) which are independent of any of the chain participants and they provide greater functional integration as well as broader operational autonomy. We could go a lot further down that track, but an important part of that logistics chain remains door-to-door container transport.

7. It is worth noting that the Action Agenda addresses many of the issues identified in the OECD paper on transport logistics, such as:
   
   (a) Information and communication technology;
   
   (b) Intermodality and logistics;
   
   (c) Permission of logistics infrastructure;
   
   (d) Skills and training requirements;
   
   (e) Evaluation of logistic systems – indicators.

I can elaborate upon the approach taken to each of these topics in the Action Agenda if that is of interest to delegates.

8. Before moving on to the issue of benchmarking performance, I would like to conclude this introduction by referring to the recent release of a Green Paper in Australia regarding a new national land transport plan entitled AusLink. Whilst it is essentially a 5-year rolling plan identifying main infrastructure priorities to ensure national transport objectives are met, an integral part of its success will be how it contributes to the strengthening of existing and the creation of new integrated logistics chains.

9. More attention to rail transport was considered essential. Rail transport and its reform in Australia, in particular the handling of an increasing proportion of the growing container freight volume, is seen as a priority task.

10. It was recognised at an intermodal conference held in Melbourne in November 2002 that the Port of Melbourne could expect to handle 3.3 million TEUs by 2010 and 5.8 million TEUs by 2030, and the challenge will be to avoid serious road congestion and that much greater attention will be paid to rail

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3. A comment by Prof. Lindsay Nielsen, head of Victoria’s Department of Infrastructure, at the Aus Intermodal Conference in Melbourne, November 2002.
transport. It is interesting to note that in Sydney the percentage of container handling by rail has risen from 15 percent to 22 percent in the last few years.

11. In striking comparison to Australia, Mr Peter Walters⁴, Deputy Secretary General of the European Intermodal Association, commented at the same conference that the European railway’s share of freight has fallen by half since 1970, while road freight has increased from 40 million tonnes in 1970 to 73 million tonnes in 1996. The problem identified was that rail was strongly controlled and regulated by individual States before the creation of the European Union, and as a result ‘has lost market potential to road’.

12. Mr Walters said that rail has a considerable growth task ahead of it. To maintain the same share of the market in 2010 as it had in 1998 it needs to grow in capacity by 38 percent.

13. As you can see, the real benefits of door-to-door container transport, in terms of increased operating efficiencies and reduced costs, will only be achieved if the benefits of an improved logistics management system are implemented, which in turn is seen as part of an improved supply chain. As mentioned above, benchmarking the performance of logistic chains, and even different supply chains, is very important.

Benchmarking the Performance of Intermodal Transport

14. This paper, which was prepared for the OECD by Dr Anthony Ockwell, who is now head of the Sea, Air and Safety Branch of the Bureau of Transport and Regional Economics in Australia, is commended for your attention. "The benchmarking process will provide meaningful comparison of the most important dimensions of intermodal performance in a way that provides insight into the reasons for performance differences and lays the foundation for performance improvement.” As Dr Ockwell points out, if that objective is to be achieved, the benchmarking strategy must pay attention to the monitoring and measurement not only of performance outcomes but also of those factors that are likely to be responsible for intermodal performance, or lack thereof. In other words, in seeking to benchmark supply or intermodal transport chains, there are occasions when one has to drill down into the detail where a particular link or links in that chain are considered weak in order to determine the best way forward in improving and strengthening them. As also noted in the paper, interest is growing in a system-wide analysis using a multi- or intermodal framework as the reference point for evaluating the efficiency of transport chains.

15. It is stated in the paper that efficiency in intermodal transport requires each mode and each terminal comprising the total supply chain to operate in an efficient manner, and performance efficiency is defined as relating to how well the resources are being utilised. Performance effectiveness is considered to relate to how well the goals of all the participants (shippers, customers, operators) of the total transport chain are being attained. The level of trust of all those participants in the chain is an essential element in its effectiveness. It is correctly pointed out in the paper that when a transport chain is viewed in an holistic manner, the maximum efficiency will only be achieved if all modal and terminal operators are providing maximum service at minimal cost. Determining who makes the decisions in relation to the operation of various aspects of the supply chain is also important to understand, and this, in itself, could lead to changes in the way the supply chain operates.

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⁴ Comment by Mr Peter Walters, as reported in the Lloyds List Daily Commercial News, dated 21 November 2002.
16. I would also draw your attention to the statement in the paper that overcoming institutional and jurisdictional impediments can lead to improved performance and the customer having a real perception of better service. It is useful to understand overseas experience in this respect, and at the invitation of the Minister for Transport and Regional Services in Australia, Mr René Boerema, Executive Vice President of the Holland International Distribution Council, visited Australia and addressed the Australian Logistics Council in November last year, and he also addressed the Sea and Air Freight Councils which exist in most States in Australia. Whilst there are obviously going to be differences in terms of the through-transport task, critical mass and so on, there are nevertheless very important lessons that can be learnt from experiences in other countries.

17. Mention is made in Dr. Ockwell's paper of a study carried out for the Australian Marine and Ports Group in 1998 by the consultants Tasman Asia Pacific and Meyrick & Associates, which examined measures to improve the efficiency and effectiveness of container and break-bulk ports. Examining measures to improve intermodal integration was a central part of this study, which included an international fact-finding mission covering the ports of Vancouver, Seattle, Tacoma, London, Felixstowe, Rotterdam, Antwerp and Zeebrugge. It was noted that intermodal integration was a problem in all the ports visited in the study. In brief, the message is that we can learn from each other.

18. Finally, the paper cautions that benchmarking studies are limited in scope by the availability of data and the approach taken in such studies, and it is important that policy makers and other decision-makers exercise caution in drawing conclusions without a complete understanding of those limitations.

Towards a Multimodal Transport Convention

19. A very important issue in relation to facilitating door-to-door transport is the issue of a single contractual arrangement covering liability throughout the total movement of containerised cargo. For over two years the International Chamber of Shipping has participated in the preparation by the Comité Maritime International (CMI) of a draft instrument on transport law, which has now been passed to the UN Commission on International Trade Law (UNCITRAL) for further development. The aim is to regulate a number of topics which are not at present the subject of international law, such as freight, delivery, rights of control (disposal) and the transfer of such rights. In addition, the draft instrument recognises the realities of modern trade by including provisions on electronic commerce, door-to-door transport, and an updated liability regime. The International Chamber of Shipping (ICS) and SAL have a firm view that there should be a reasonable balance in the allocation of risks between carriers and cargo interests.

20. At the first meeting of the UNCITRAL working group in April 2002, some participants were opposed to the envisaged door-to-door scope of the instrument, but in response ICS, with the support of a number of Government delegations, explained that there would be no value in a new unimodal Convention on the carriage of goods by sea when most container traffic was multimodal. The proposed instrument would regulate the liability of the performing maritime carrier, but not the performing road or rail carrier. This aspect is in conformity with the 1980 Multimodal Convention which has not come into force primarily because of its reliance, for the sea leg, on the Hamburg Rules, which has not been adopted as a liability regime for the carriage of cargo between major trading nations. The instrument is drafted on the basis of a network liability system which preserves and respects the regimes applicable to other modes of transport, and SAL would add, where there is a liability system for recovery of the costs of damage on land. In Australia, road and rail carriers are not liable in terms of a general liability regime for such damage. SAL has also impressed on the Australian Government the need for clear definitions in a future Convention to avoid, as much as possible, litigation to develop precedence in terms of interpretation, and in this latter respect, using existing international liability Conventions will also assist in reducing such litigation.
21. The UNCITRAL working group has agreed that work should continue on the basis that the proposed instrument would be door-to-door in scope, which is consistent with the theme for this paper. The proposed instrument provides an opportunity to modernise the outdated approach of firm and inflexible regulation of contracts of carriage. SAL joins with ICS in supporting the development of provisions which would allow greater freedom to the contractual parties in recognition of commercial realities, while at the same time safeguarding the interests of third parties.

Electronic Bills of Lading v Seaway Bills

22. Delegates will have noted that numerous references have been made to the application of information technology to door-to-door transport, and various efforts have been made in the past to try and produce an electronic Bill of Lading whilst still retaining its characteristics as a 'negotiable' instrument. Most will have heard of the Bolero project, which provides for a system of electronic Bills, but some would refer to it as expensive and complicated given the need for 'negotiability'.

23. Whilst not suitable in all trading circumstances (such as selling in-transit or in countries where legislation requires Bills of Lading), the Sea Waybill has been developed to meet increasing demands for efficiency and productivity in international trade. Importantly, Sea Waybills are not a negotiable instrument but are relatively easy to use electronically. Recourse to the shipping company in the event of loss or damage to cargo should remain unchanged with a Waybill. However, a shipper should check that the Waybill says that it is issued subject to the CMI Uniform Rules for Sea Waybills (which incorporates the Hague-Visby Rules).

24. Sea Waybills may be used in some documentary credit transactions where control of the goods is not an issue as part of the importer’s bank credit assessment, or where an exporter’s payment is under a documentary credit. However, it is unlikely that Sea Waybills would, currently, be the best choice where payments are made via documentary collections.

25. An objective of efficient ‘door-to-door’ transport must be paperless trading to facilitate seamlessness in the various transactions involved and this, in turn, requires a close examination of all the options available to transmit all the documents electronically.

26. Either Bolero or Sea Waybills may suit any particular circumstance but it is necessary to be aware of their availability in the ongoing search for increased efficiency.

Conclusion Regarding Door-to-Door Transport

27. The benefits of door-to-door transport and the avoidance of a silo mentality which is inherent in the development of policy on a modal-specific basis are self-evident and will become even more important in the future. The current developments in Australia strongly support that proposition.

28. I would also draw the attention of delegates to the increased security measures, including maritime security measures, which will increasingly impact on door-to-door transport, and there is a need for all of us to work closely together to ensure such measures are commensurate with the assessment of risk at any particular facility or cargo movement, and that trade facilitation, consistent with the adoption of the required security measures, remains a clear focus.

29. The true benefits of door-to-door transport are only realised where there is strong alliance building and partnering in terms of all the various links in the supply chain, and the holding of this workshop by the OECD can only assist in the achievement of that objective.
30. An issue for debate at this workshop is to discuss the 'modus operandi' for 'making it happen'. It being an integrated transport management approach, as outlined in this paper. How do we break through the barriers at both the national and international levels? How do we re-engineer the institutional constraints on moving closer to our objective, and this poses a challenge for the OECD itself as well as its members.

The Growing Role of Specialised Transhipment Ports

31. With the advent of containerisation in the late 1960’s, there was an increasing tendency to use specialised transhipment ports, compared to conventional shipping days where direct services were the norm and transhipment was an exception. Nevertheless, it is only really over the last decade that in container shipping transhipment has grown exponentially. Whilst the most dramatic changes in this regard have occurred in the North-South trades, nevertheless, East-West trades have also experienced an increase in transhipment services.

32. An example is the Northbound trade from Australia to Europe, which a decade ago was averaging around 10 percent and this has grown to approximately 20 percent in recent years.

33. Whereas in the past, the major competition for conferences and consortia arose from competition in direct trades, increasingly that competition is from transhipment services.

34. Singapore would have to be the epitome of a specialised transhipment port, with the vast majority of the cargo discharged in Singapore being destined for other countries. The Singapore Port Corporation Authority has not only specialised in the provision of these services from a practical point of view but also in terms of the provision of IT, tracking and monitoring services.

35. In Europe, increasingly short sea shipping and barge services are providing competition.

36. At a recent conference in Europe5, Wolfgang Elsner of the European Commission (DG TREN), observed that cargo volumes in the short sea shipping sector are growing faster than road haulage. Taking up the previous theme, he observed that short sea shipping must not be considered in isolation, but rather as an integral component of the supply chain as a whole. This includes equipment (such as pallets) which should be standardised to promote intermodalism. Compared to other commentators in Europe, Mr Elsner stated that short sea shipping could offer shippers a rapid, regular and above all secure service, and the building of many more roads was extremely unlikely. "And everyone knows about the difficulties of the railways," added Mr Elsner significantly. "For this reasons an increasing number of containers will be transported by ship instead of by road," he said.

37. It was also reported that Mr Elsner said, "Ports have to be dragged into the 21st century." In his view, there was a series of problems with the ports (charges were too high, lack of transparency in tariff structures, infrastructure deficiencies, etc.) that were causing shipowners to underuse the existing potential of coastal shipping.

5 The Sixth Annual Conference on Short Sea Shipping, with a special focus on the Mediterranean, was held at Fiuggi, near Rome, and was reported on in the International Transport Journal, 46/2002.
38. Mr Elsner said this is why the European Commission was applying its efforts to improve framework conditions. The Commission is, for example, attempting to reduce charges for certain activities (pilotage and tug services, mooring, handling, etc.) by creating the conditions for increased competition in the provision of such services. Effective transhipment, as in door-to-door services, requires the tackling of such issues.

39. Mr. Willy Lin, Chairman of the Shippers’ Council of Hong Kong, at a symposium last year provided a meaningful insight into practical problems associated with transhipment. 6 "80 percent of all container loads that leave Hong Kong," he said, "were re-exports, using the port as an international hub. Under current procedure, masters can wait up to fourteen days after unloading before they have to submit their Customs declarations, but under the new security arrangements there could well be delays and the cost factor also plays a significant role."

40. "Most service providers and trading companies in the port are small and medium sized enterprises (SME’s). Additional costs resulting from tightened security and Customs regulations substantially reduce the company’s profit margins." Lin pointed out.

41. To offer shippers the benefits of specialised transhipment requires a realistic approach to tackling problems of this nature. Singapore, for example, has not only highly sophisticated IT systems but also a reefer monitoring system which allows shippers to trace the temperature of the inside of the containers via the internet with the ability to correct any untoward variation, and this is the kind of technology which facilitates the promotion of a port as a specialised transhipment port.

42. Hong Kong has similar facilities and there are a number of other ports in the world developing specialised transhipment services.

43. Delegates may wish to discuss the required attributes of individual ports with which they are familiar in terms of their ability to provide specialised transhipment services and whether they have the facilities, including the necessary IT structure, to promote those characteristics of the port.

6. As reported in the International Transport Journal 45/2002 at a Symposium in Brussels organised by the World Customs Organisation in cooperation with the International Chamber of Commerce, the International Maritime Organisation, the International Council of Shipping and the International Association of Ports and Harbours.