

Freight Rates in Australia

The BTRE has recently completed estimates of interstate non-bulk freight rates. The estimates show that, **in real terms, it has never been cheaper to ship goods in Australia.**

Road and rail are the main modes used for interstate shipments of non-bulk goods. Real freight rates for road and rail have declined substantially throughout the last 35 years (see Figures 1 and 2 and Table 1).

Real road freight rates have almost halved since 1965, in response to much better highways and the switch to bigger and more efficient vehicles. For example, in the 1960s there were still large numbers of small rigid trucks running between Melbourne and Sydney. The shift to larger articulated trucks has had a huge impact on efficiencies, without compromising safety. On Australian roads, fatality rates have declined from 44 per billion vehicle kilometres travelled in 1971 to 10 per billion in 2000.

Real rail freight rates have fallen 70 per cent since 1965. Track improvements, more efficient engines and rolling stock, and containerisation have essentially revolutionised the handling of non-bulk freight by the railways.

The pace of decline in real freight rates has, of course, moderated – for road since the mid 1980s and for rail since the mid 1990s. Such rapid declines were associated with major changes that may not be repeated.

However, the BTRE expects continuing falls in interstate non-bulk real freight rates in the order of 0.5 per cent per year over the coming decades. These reductions will be associated with a continuing development of more efficient vehicles and supply chain management improvements.

Shown in Figure 3 and Table 1 are real freight rates for non-bulk coastal shipping. The main shipping freight rates series is based on rates from Tasmania—the Tasmanian trade constituting a third of the non-bulk coastal shipping task for Australia. Since the 1980s, real shipping rates to Tasmania have declined, but are still above pre-1976 levels (prior to which north-bound rates were subsidised by government). There has been a much greater use of the single and continuous voyage permit system in the 1990s. This has not affected rates on the Tasmanian route, but does appear to have affected routes such as those to and from Perth, where international competition has been most evident. **Real coastal shipping rates to and from Perth have dropped by 40 per cent since 1990** and coastal shipping on the route has lifted its mode share from 7 per cent in 1995 to 12 per cent in 2001.



Shown in Figure 4 and Table 1 are real air freight rates, which have been making some fairly wide swings around a basically flat trend. **However, there has been a 25% drop in real air rates in the 1990s**, after a period of higher rates in the 1980s.

Large falls in real freight rates (especially for road and rail) have had, and will continue to have, major impacts on Australia.

Falling freight rates, when combined with economic growth, result in very high growth rates for freight transport. For example, the BTRE estimates that interstate freight will double in 20 years time. This has major implications for infrastructure planning needs, notwithstanding some offsetting effects from technological improvements (e.g. in vehicles and in road and rail infrastructure).

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Freight rates are important for the logistics industry, with transport costs comprising 40 per cent of their value-added. The logistics industry, in turn, is important to the economy as a whole, comprising 9 per cent of GDP (BTRE 2001). Thus reduced freight rates are important in continuing to allow greater specialisation in regional production and a more efficient logistics industry. This ultimately feeds through to a stronger economy, and to lower prices and more choice for Australian consumers.

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Table 1. Nominal and Real Freight Rates

	Air	Road	Rail	Shipping (Tasmania)	Shipping) (Perth)	СРІ	Air	Road	Rail	Shipping (Tasmania)	Shipping (Perth)
year			(c/ntkm)		() ((1990 = 100)		(1985	= 100)		(1990=70)
1964–65	14.36	1.17	0.93	0.88		14.63	84.5	168.20	127.40	41.83	
1965–66	14.71	1.17	0.97	0.91		15.12	83.8	163.78	128.25	41.90	
1966–67	15.00	1.22	1.00	0.97		15.51	83.3	165.61	128.12	43.73	
1967-68	15.00	1.27	1.00	1.02		16.00	80.7	167.31	124.93	44.22	
1968–69	15.00	1.33	1.02	1.05		16.49	78.4	169.81	123.91	44.35	
1969–70	15.00	1.36	1.05	1.13		17.07	75.7	167.60	122.20	46.22	
1970–71	16.51	1.44	1.11	1.25		17.95	79.2	168.82	123.28	48.59	
1971–72	17.23	1.51	1.15	1.33		19.12	77.6	166.53	119.75	48.63	
1972–73	17.23	1.62	1.12	1.47		20.68	71.7	165.12	108.14	49.61	
1973–74	19.38	1.77	1.15	1.59		23.71	70.4	157.68	96.70	46.81	
1974–75	21.53	2.00	1.29	1.76		27.71	66.9	152.13	93.14	44.22	
1975–76	26.56	2.18	1.54	2.44		31.02	73.7	148.27	98.84	54.78	
1976–77	26.56	2.35	1.73	3.81		35.22	64.9	140.64	98.03	75.44	
1977–78	27.99	2.46	2.07	4.57		38.05	63.4	136.67	108.48	83.60	
1978–79	32.30	2.58	2.15	4.97		41.37	67.2	131.66	103.67	83.65	
1979–80	39.48	2.61	2.34	6.16		45.85	74.1	120.11	101.85	93.64	
1980-81	47.37	2.69	2.61	7.25		49.85	81.8	113.87	104.53	101.38	
1981-82	59.22	2.85	2.88	8.55		55.22	92.3	108.93	104.15	107.89	
1982–83	63.17	3.04	3.02	9.56		61.37	88.6	104.54	98.17	108.49	
1983-84	71.06	3.10	3.25	9.76		63.80	95.9	102.72	101.67	106.56	
1984–85	78.96	3.22	3.41	9.76		68.00	100.0	100.00	100.00	100.00	
1985-86	86.85	3.38	3.35	9.72		73.76	101.4	96.78	90.67	91.79	
1986–87	90.80	3.74	3.46	9.64		80.59	97.0	98.00	85.77	83.31	
1987-88	95.93	3.96	3.30	10.08		86.34	95. 7	96.93	76.36	81.32	
1988–89	95.93	4.19	3.53	10.24		92.88	88.9	95.15	75.73	76.83	
1989–90	104.62	4.46	3.48	10.05	2.54	100.00	90.1	94.13	69.52	70.03	70.00
1990–91	118.44	4.69	3.53	10.94	2.54	103.41	98.6	95.69	68.19	73.71	67.69
1991–92	114.49	4.86	3.42	10.80	2.47	104.68	94.2	97.98	65.09	71.90	65.03
1992–93	114.49	4.94	3.24	10.71	2.45	106.63	92.5	97.72	60.60	69.98	63.32
1993–94	114.49	5.07	3.18	10.98	2.39	108.49	90.9	98.7 3	58.56	70.50	60.71
1994–95	114.49	5.11	2.89	11.11	2.35	113.37	87.0	95.13	50.79	68.28	57.13
1995–96	102.25	5.15	2.81	11.11	2.30	116.88	75.3	92.99	48.05	66.23	54.23
1996–97	102.25	5.21	2.78	12.34	2.24	117.27	75.1	93.69	47.27	73.34	52.64
1997–98	102.25	5.27	2.73	13.24	2.18	118.05	74.6	94.18	46.21	78.12	50.89
1998–99	102.25	5.33	2.76	11.90	2.13	119.32	73.8	94.30	46.18	69.46	49.20
1999–00	102.25	5.48	2.84	11.81	2.08	123.12	71.5	93.94	46.01	66.80	46.56
2000-01	111.73	5.66	2.75	12.54	2.08	130.54	73.7	91.47	42.01	66.94	43.91

Note: .. not available

c/ntkm = cents per net tonne kilometre

The basis of the rates is: AIR door to door; SHIPPING FCL wharf to wharf; ROAD FCL door to door; RAIL FCL terminal to terminal (ie excludes pick-up and delivery).

References

BTRE (forthcoming) *Freight Measurement and Modelling in Australia,* Canberra. BTRE (2001) *Logistics in Australia,* Working Paper No. 49, Canberra.

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