

MEDIA RELEASE

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PERFORMANCE MANAGEMENT FRAMEWORK AND PEAK PERIOD PRICING TO COMMENCE WITHIN 6 MONTHS

Australia's first performance management scheme to reduce congestion at the port landside interface will commence at Port Botany in late 2009, Sydney Ports Corporation Chief Executive Officer Grant Gilfillan announced today.

"The NSW Government is well into Phase One of its Port Botany Landside Improvement Strategy and the introduction of a performance management framework is the product of over eight months of work by industry and stakeholders," Mr Gilfillan said.

The announcement was made today at an Industry Briefing attended by more than 200 industry stakeholders.

"The Port Botany Landside reforms are aimed at improving 24/7 operations, efficiency, transparency and consistency in a bid to reduce truck congestion and freight delays at the port landside interface," Mr Gilfillan said.

"The performance management framework will see penalties flow both ways from stevedores and transport operators for failures to meet service standards once they are agreed and in place. This framework will help drive consistency, efficiency and transparency.

"It is intended that the performance management framework will be in place by the final quarter of 2009 prior to any introduction of peak period pricing in early 2010 which will help drive 24/7 operations for the whole landside supply chain.

"Sydney Ports Corporation's recent port industry road trial in April was aimed at assessing stevedore and road transport carrier performance. The trial found that the operations of stevedores and carriers continue to be concentrated during peak periods, adding to the risk of continued congestion at the Port across the day," Mr Gilfillan said.

Mr Gilfillan said the April trial confirmed that peak utilisation of available slots at Port Botany currently sits around 99.9%. On weekends however, the trial revealed slot utilisation rates as low as 20 per cent.

"The trial revealed there is clearly a need to drive demand away from peak and shoulder periods towards off-peak periods," Mr Gilfillan said.

"In 2008, IPART and the NSW Government identified the use of pricing mechanisms as the appropriate method to address economic efficiencies and as a mechanism to address congestion at Port Botany.

"The purpose of the peak and shoulder period charges is to reduce daytime congestion from road carriers entering the port terminals and to help drive off-peak and weekend operations.

"In the IPART report it was recommended the prices for firm slots would be set through descending bid auctions separately for each stevedore. However during the consultative phase of the Port Botany Landside Improvement Strategy, an auction approach was rejected by industry.

“Industry wide behavioural change is required to encourage 24/7 operations for stevedores, road carriers and empty parks. The solution through the NSW Government’s Port Botany Landside Improvement Strategy is to use an administratively set Peak Period Price (PPP) for trucks arriving between 5am and 1pm at the port.

“Initial analysis found the range of \$160 to \$180 would be sufficient to help drive behavioural change. However, Sydney Ports has decided on \$160 as the initial peak price with industry to be given one month to provide feedback.

“In addition, the range for shoulder period pricing was around \$80-\$90 however it has been determined to set this at \$80 for trucks arriving between 1pm and 9pm.

“Once this peak period price scheme is operational in early 2010, it will be subject to regular price reviews according to the level of behavioural change achieved.

“A \$20 weekend credit will apply to help smooth out truck arrivals and will also be subject to regular review,” Mr Gilfillan said.

Mr Gilfillan said in order to achieve a shift in demand a number of measures were used to determine the initial Peak Price.

“A combination of studies and local port trial data were drawn on in the initial pricing approach. A range of independent analysis has also been conducted on relevant factors including current and future demand as well as supply capacity,” Mr Gilfillan said.

“Additional analysis covered issues such as the desired reduction in peak and shoulder demand, container transport cost analysis, behavioural change sensitivity and off-peak hurdles of operation.

Mr Gilfillan said it was also Sydney Ports’ legal advice that the PPP should be levied on the transport operator as opposed to the cargo owner.

IPART also stated in last year’s report that *“Most costs borne by road transporters on behalf of their customers would be recouped through normal commercial processes, and covered by haulage contracts.”* (IPART, 2008, page 170)

“Given the objectives of the peak and shoulder period charges are to reduce congestion from road carriers entering the port terminals, it is logical that these charges be levied directly on road carriers,” Mr Gilfillan said.

“At Port Botany, the direct interaction is through the carriers who decide what time to go to the port. Therefore the peak period charge is being levied on the party who has a direct influence on congestion and direct control over their behaviour.

“The NSW Government understands that external charges are currently being passed on through the logistics chain, which is a commercial matter for individual transport operators and their clients.

“In introducing a performance management framework and peak period pricing, Sydney Ports strongly supports behavioural change along the whole supply chain to 24/7 operations which we believe is now possible,” Mr Gilfillan said.

Further consultation with industry will now be undertaken over the next month, with industry given the opportunity for feedback on the issues raised at today’s briefing. For feedback and further information please contact landsideimprovement@sydneyports.com.au

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