

CONFIDENTIAL

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PORTS UPDATE REPORT

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**PART I: REPORT ON CONTAINER MOVEMENTS AT FOUR KEY
AUSTRALIAN PORTS**

PART II: REPORT ON COAL EXPORTS FROM NEWCASTLE PORT

22 February 2010

PORTS UPDATE REPORT No 6

Report on Container Throughput Trends at Four Australian Ports & on Coal Exports from Newcastle Port

16 February 2010

Introduction

There are positive signs that trade is rebounding at ports around Australia based on throughput data for the 2nd quarter of the financial year 2009-10. However, as the world economy as a whole has not yet fully recovered, port performance for the second half of the financial year remains an uncertain indicator of future trends.

This 6th report continues our original purpose of reporting port performance since the global economic downturn late in 2008, that is, to present and analyse container throughput in 4 major ports in Australia as an indicator of national economic performance. This report covers port performance in 4 ports over the 2nd half of the financial year 2009-10. The four ports reported on are Port Botany, Port of Melbourne, Port of Brisbane and Port of Fremantle. The data utilised in this report has been collected from the relevant port authorities.

In addition, this issue also reports on coal export performance in the Port of Newcastle. The purpose is twofold. First we want to expand port performance reporting to cover commodity exports. Second, we want to examine the impact, if any, of the Capacity Framework Agreement (CFA), which was authorised by the ACCC, enabling the parties involved in the Hunter Valley Coal Supply Chain to collaborate on, and adopt, a range of supply chain performance improvements. The CFA took effect on 1 January 2010. It is claimed to be a long term solution to help resolve capacity constraints at the Port of Newcastle coal loading facilities, and as a by product, reduce ship queues at the Port of Newcastle.

Part I of the report contains a graphic representation of container throughput in each of the 4 ports. The first chart for each port shows trends over financial year 2008-09 with a comparison of the same period one year previously (2007-08), while the second chart for each port shows the trend over the first two quarters of the 2009-10 financial year compared to the same period one year ago, followed by a short interpretation of the data.

The report then summarises the container trends aggregated across the four ports, also with a comparison of the same period one year previously.

At **Attachment A** are the detailed container throughput statistics for reference.

Part II of the report includes data and graphs showing coal export performance from the Port of Newcastle. Four indicators of performance are utilised:

- The average monthly vessel waiting time;
- The average monthly number of vessels in the queue;
- The number of vessels sailed; and
- The average monthly coal export tonnage.

Part I: Container throughput in four ports

In the following figures, 'total' indicates the combined import and export TEUs in a particular month. 'Previous' means the data from the same month in the previous financial year.

Port Botany

Chart 1: Port Botany 2008-09

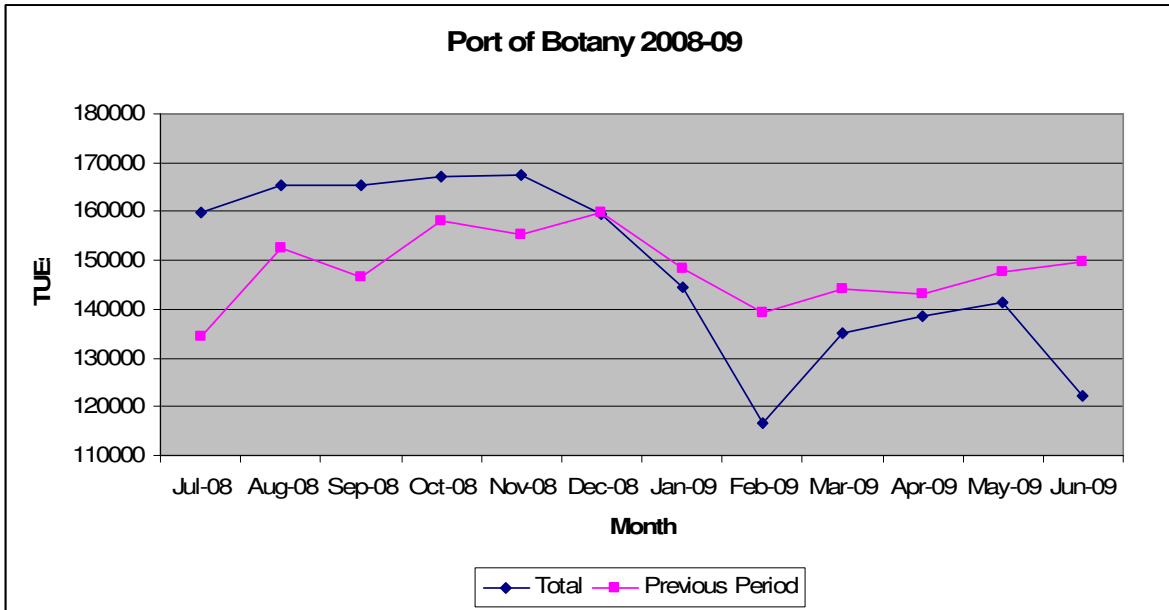
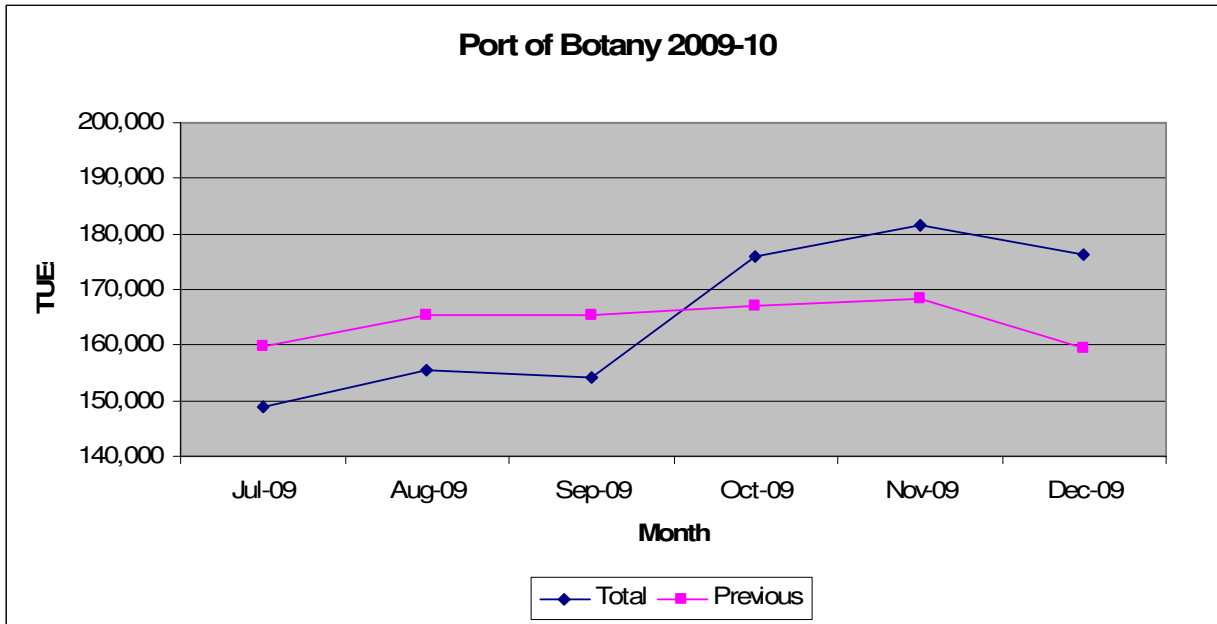


Chart 2: Port Botany Qs 1 and 2 2009-10



Source: Sydney Ports Corporation <http://www.sydneyports.com.au/>

Interpretation

The data shows that the rising trend in container volumes over the second half of the 2009-10 financial year (with the exception of a drop in June 2009) has continued into the first half of 2009-10. While there was a tapering off in December 2009, December 2009 container trade reached 176,400 TEUs which was an increase of 10.7% on the same period last year. This is the highest container trade for the month of December in history.

The data shows that in the first half of the 2009-10 financial year container trade through Port Botany surpassed 0.993 million TEUs, up 0.8% on the same period last year.

Growth in imports drove up container throughput at Port Botany in November 2009 by 8% from the same period last year. Container exports were up 0.4% with volume increases in cereals (up 59.8%), non-ferrous metals (up 31.4%) and waste paper (up 1.9%).

The strong Australian currency exchange rate helped boost full container imports 4.3% from November 2008 to 87,000 TEUs.

Port of Fremantle

Chart 3: Port of Fremantle 2008-09

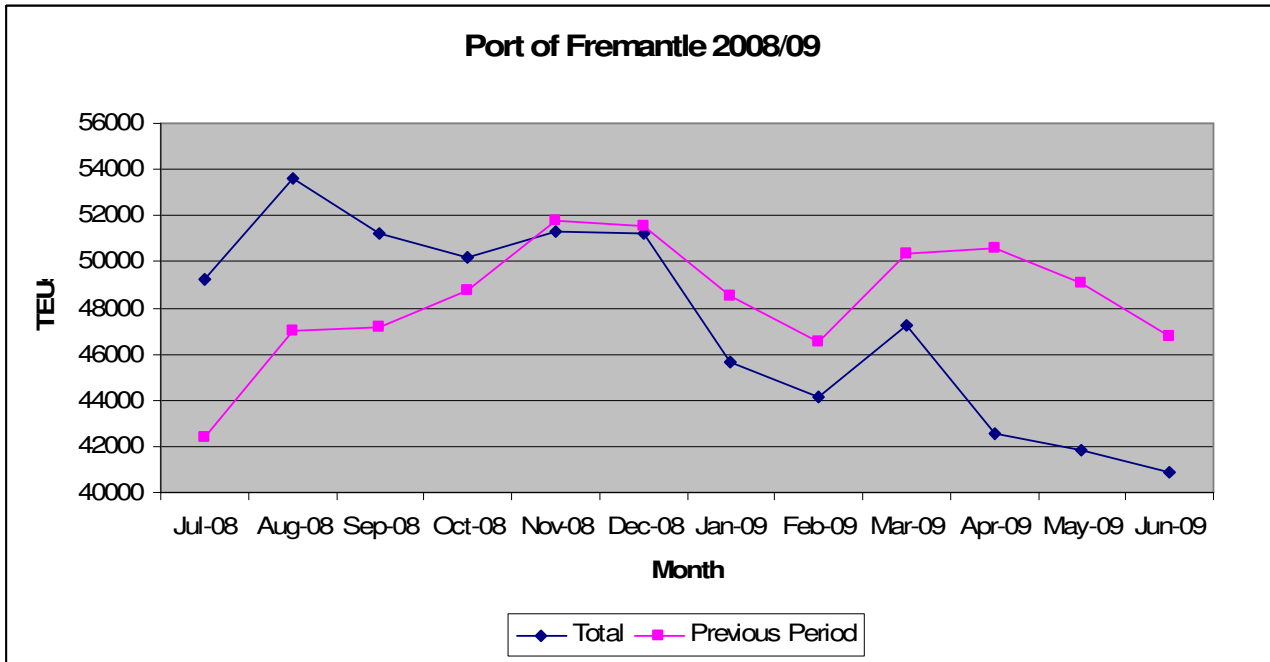
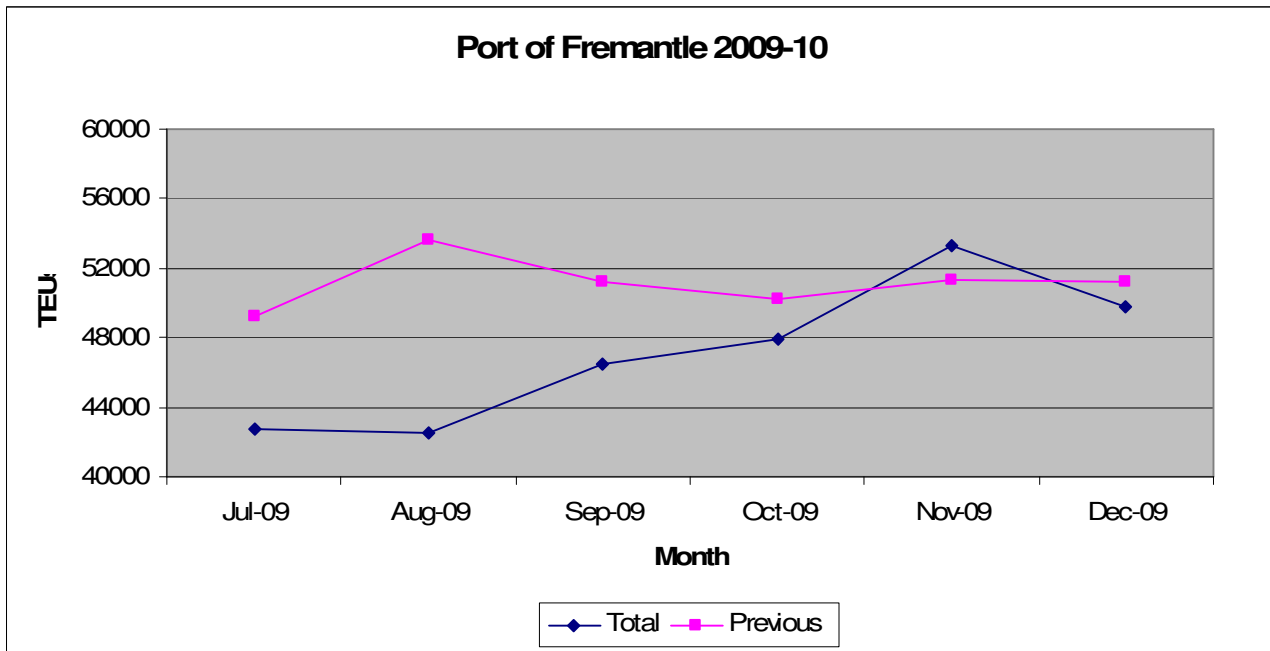


Chart 4: Port Of Fremantle Qs 1 and 2 2009-10



Source: Fremantle Port Authority <http://www.fremantleports.com.au/>

Interpretation

The data shows that the steady decline in throughput at the Port of Fremantle over the period August 2008 to August 2009 was reversed over the first 2 quarters of 2009-10, although there was a decline in throughput in December 2009.

Port of Melbourne

Chart 5: Port of Melbourne 2008-09

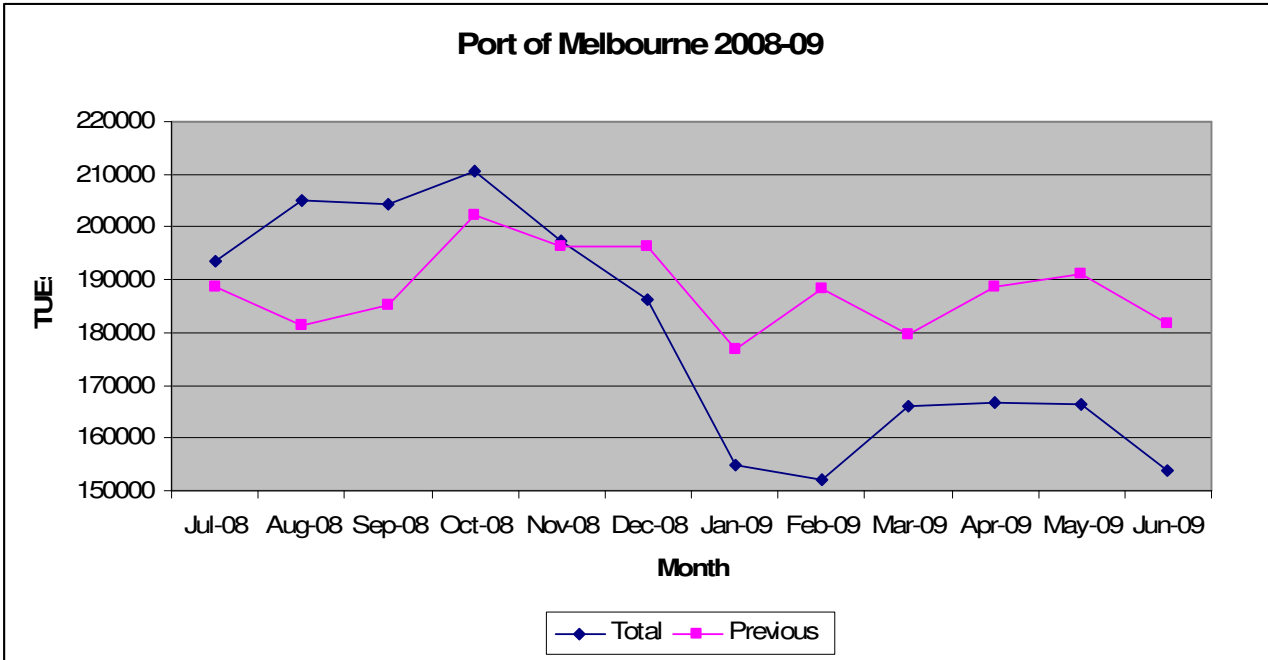
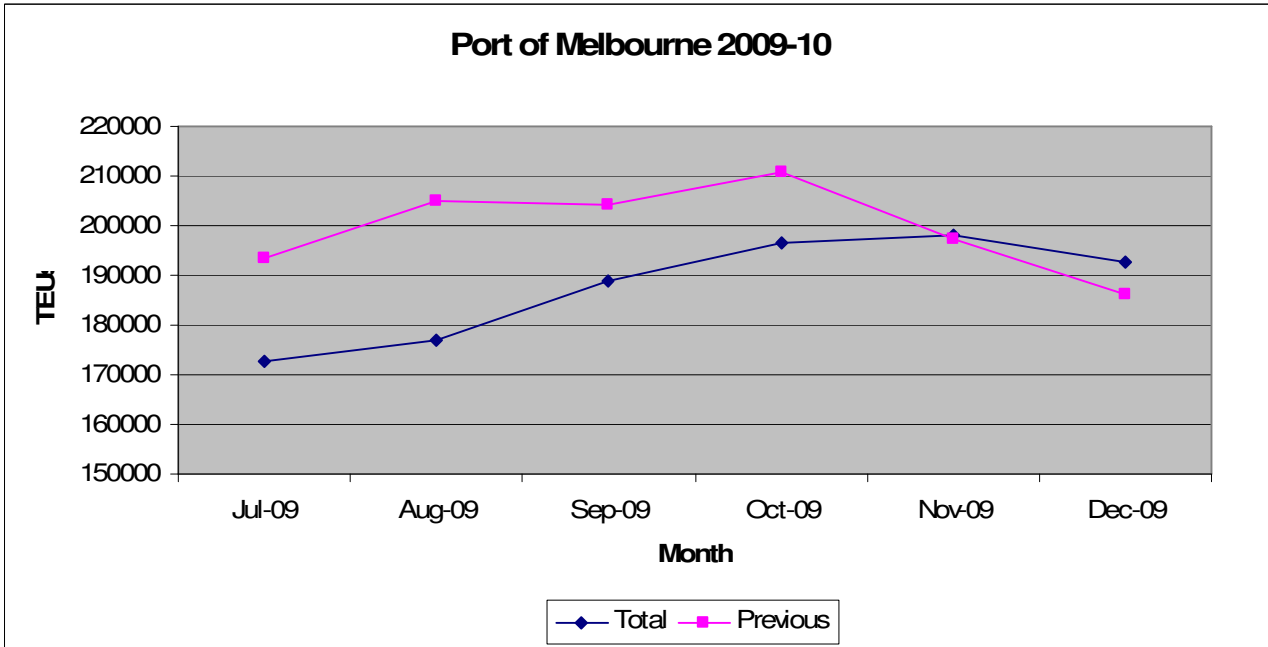


Chart 6: Port of Melbourne Qs 1 and 2 2009-10



Source: Port of Melbourne Corporation <http://www.portofmelbourne.com/>

Interpretation

The data shows that container throughput in the Port of Melbourne has maintained a positive trend over the first 2 quarters of 2009-10.

A positive rebound in trade volumes saw total trade through the Port of Melbourne in December 2009 increase 6.6% on the corresponding month the previous year. The port handled almost 195,000 containers over the entire month of December 2009.

The core container trade increased 4.4% overall, resulting in the Port of Melbourne handling an average of over 6,200 containers a day for December (194,184 TEU in total).

Full international container exports rose by more than 6% on the same period the previous year, with wheat (up 73%), wine (up 54%), pulp and wastepaper (up 25%) contributing significantly. Full international container exports maintain an upward trend increasing 4.6% for the financial year to date.

Full international container imports rose 12.5% over the previous December, boosted by insulation material (up 244%), rubber manufactures (up 36%), furniture (up 28%) and clothing (up 21%). Mirroring exports, full international container imports are down 4.6% for the financial year to date.

This positive trade figure provides an important point of comparison given that the impact of the global financial crisis started to have an influence on port trade in December 2008.

Port of Brisbane

Chart 7: Port of Brisbane 2008-09

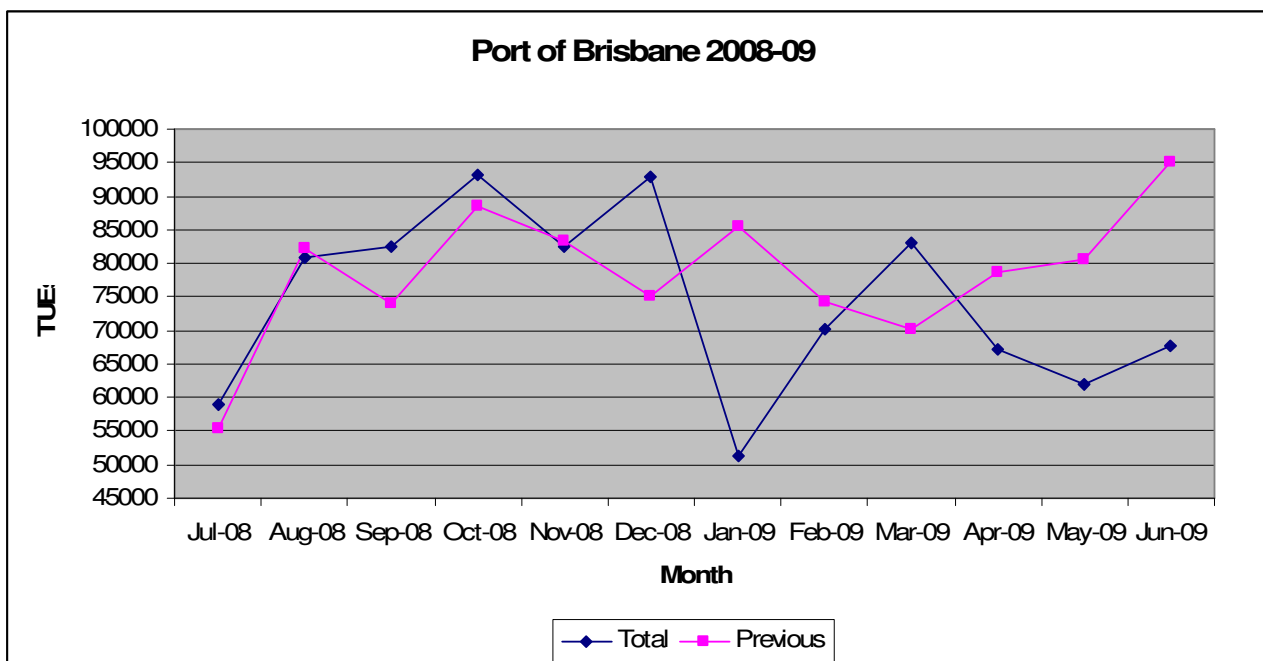
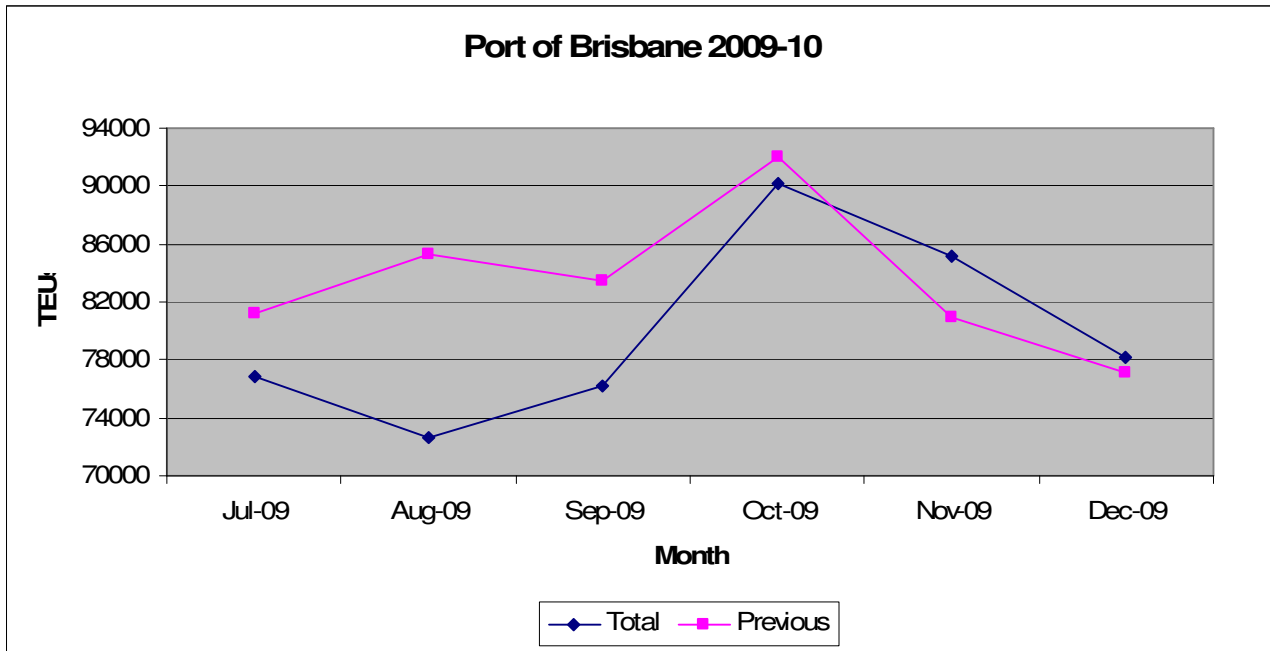


Chart 8: Port of Brisbane Qs 1 and 2 2009-10



Source: Port of Brisbane Corporation <http://www.portbris.com.au/>

Interpretation

The data shows that container throughput at the Port of Brisbane has fluctuated quite markedly, though the upward trend that commenced in May 2009 continued until October 2009, with a quite significant decline over the last 2 months of 2009.

The global financial crisis has had an impact on container volumes with the port now predicting it will reach its 1.3m TEU target by 2013 instead of 2012.

Aggregated four port data

Chart 9: Container throughput – 4 ports 2008-09 compared to 2007-08

Container throughput 4 ports 2008/09 compared to 2007/08

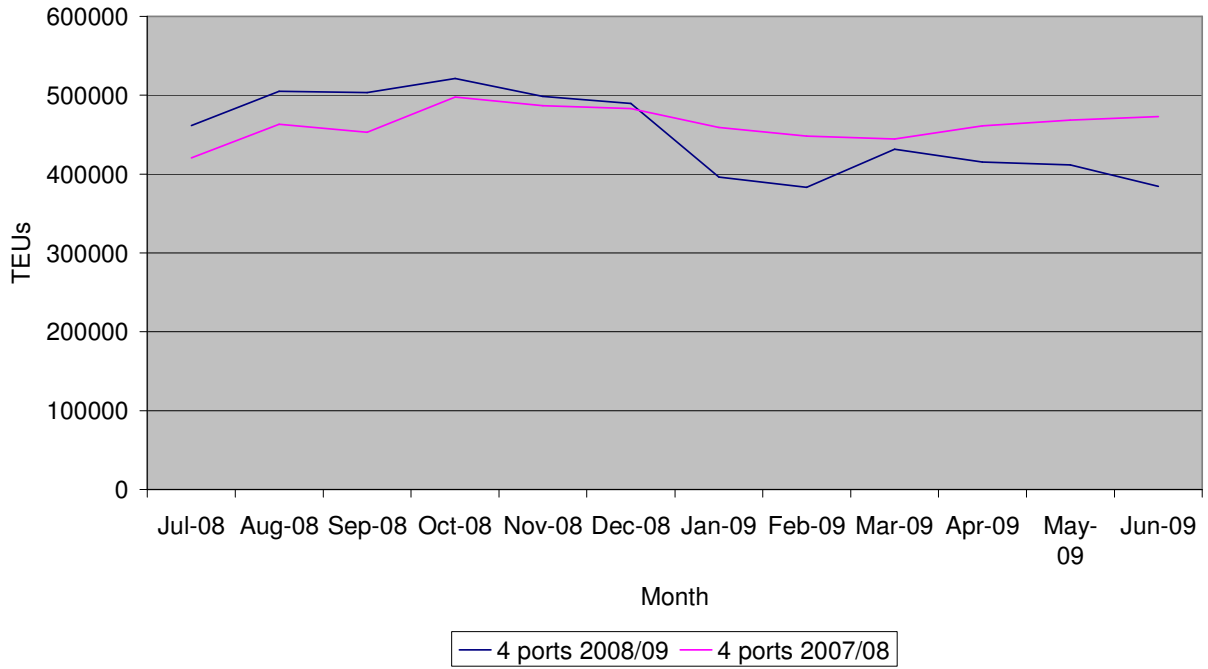
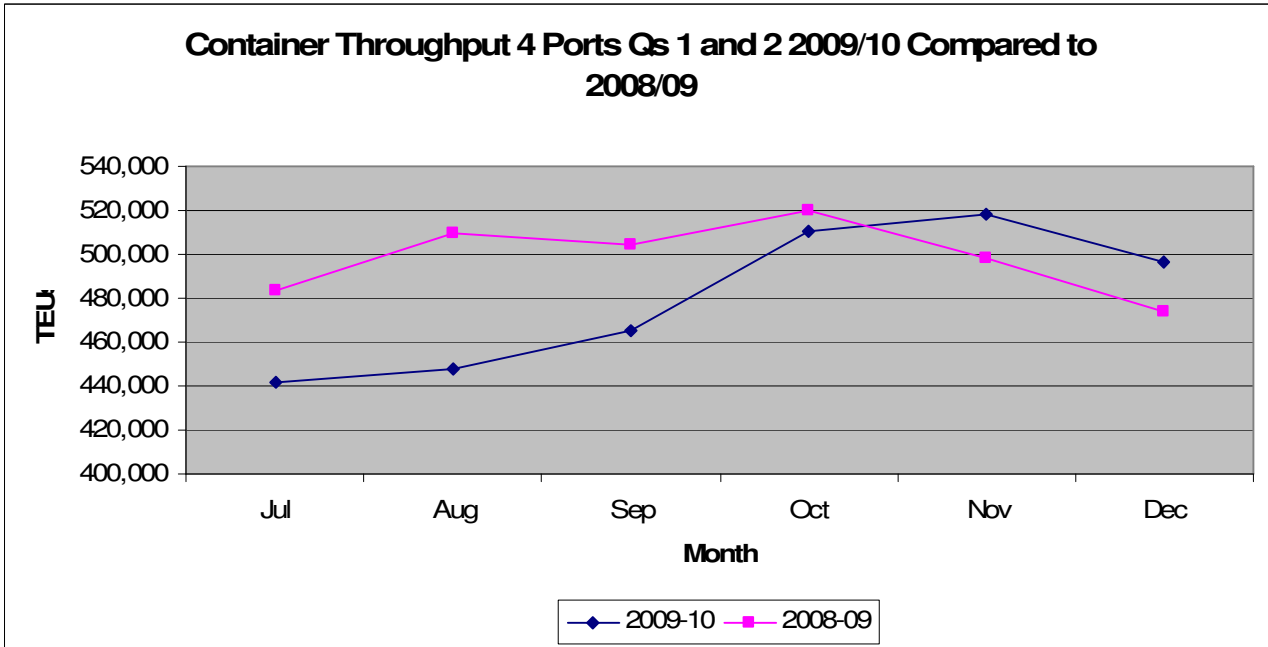
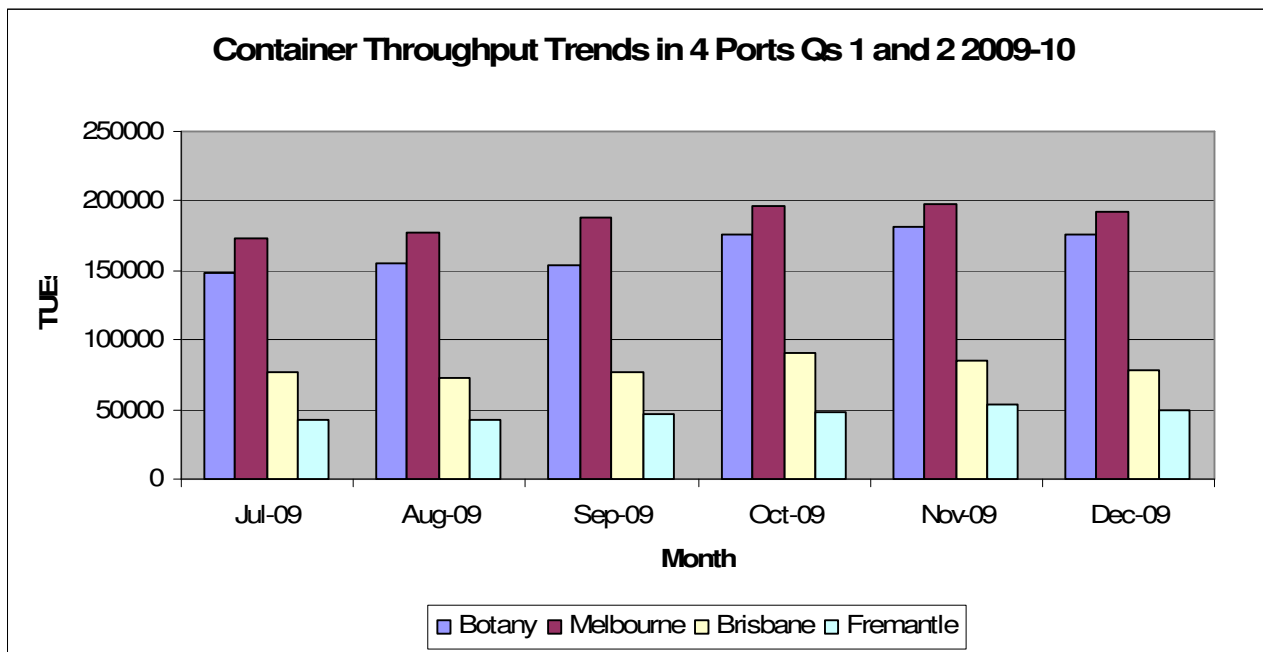


Chart 10: Container throughput 4 ports Qs 1 and 2 2009-10 compared to 2008-09



Source: MUA, aggregation of individual port data

Chart 11: Container throughput trends in 4 ports Qs 1 and 2 2009-10



Interpretation

A steady rebound to the container throughput has been showing from the 2nd quarter of 2009-10, with all four ports demonstrating months of October and November of increasing numbers.

Part II: Report on Coal Exports from Port of Newcastle

The purpose of this Part of the Report is twofold. First we want to expand port performance reporting to cover commodity exports. Second, we want to examine the impact, if any, of the Capacity Framework Agreement (CFA), which was authorized by the ACCC, enabling the parties involved in the Hunter Valley Coal Supply Chain to collaborate on and adopt a range of supply chain performance improvements. The CFA took effect on 1 January 2010. It is claimed that the CFA is a long term solution to help resolve capacity constraints at the Port of Newcastle coal loaders, and as a by product, reduce ship queues at the Port of Newcastle.

The baseline data we have used to begin assessing if the CFA is having an impact on vessel queues and on export performance generally is data on Hunter Valley Coal Chain Logistic Team for the 12 months from January to December 2009. We then track monthly data (in future to be reported as a quarterly average) for each quarter beginning January 2010 to assess trends.

Four indicators of port performance are utilised:

- The average monthly vessel waiting time;
- The average monthly number of vessels in the queue;
- The number of vessels sailed; and

- The average monthly coal export tonnage.

In the following Tables and Figures, 'day/vessel' indicates the data from 2010 calendar year in a particular month. 'Previous' means the data from the same month in the previous calendar year.

Table 1: Average Monthly Vessel Waiting Time (Days)

Baseline data January to December 2009	Quarters 1 & 2 2009-10 (Jan 2010 only)	Quarter 3 2009-10	Quarter 4 2009-10
10	16		

Table 2: Average Monthly Number of Vessels in Queue

Baseline data January to December 2009	Quarters 1 & 2 2009-10 (Jan 2010 only)	Quarter 3 2009-10	Quarter 4 2009-10
33	54		

Table 3: Number of Vessels Sailed

Baseline data January to December 2009	Quarters 1 & 2 2009-10 (Jan 2010 only)	Quarter 3 2009-10	Quarter 4 2009-10
89	98		

Table 4: Average Monthly Coal Export Tonnage (M Tonnes)

Baseline data January to December 2009	Quarters 1 & 2 2009-10 (Jan 2010 only)	Quarter 3 2009-10	Quarter 4 2009-10
93	95		

Port Botany 2009-10

Month	Export	Import	Total	Previous	%
Jul-09	71,397	77,602	148,999	159,698	0.933005
Aug-09	75,435	80,180	155,615	165,266	0.941603
Sep-09	74,179	79,936	154,115	165,333	0.932149
Oct-09	81,548	94,312	175,860	167,102	
Nov-09	92,576	89,077	181,653	168,411	
Dec-09	89,202	87,161	176,363	159,315	

Port of Fremantle 2009-10

Month	Export	Import	Total	Previous	%
Jul-09	20,443	22,309	42,752	49,250	0.868061
Aug-09	18,905	23,623	42,528	53,595	0.793507
Sep-09	22,769	23,743	46,512	51,198	0.908473
Oct-09	23,231	24,668	47,899	50,207	
Nov-09	23,276	30,067	53,343	51,306	
Dec-09	25,034	24,713	49,747	51,234	

Port of Melbourne 2009-10

Month	Export	Import	Total	Previous	%
Jul-09	82,452	90,309	17,2761	19,3600	0.89236
Aug-09	85,615	91,294	17,6909	20,5104	0.86253
Sep-09	92,807	95,948	18,8755	20,4398	0.92346
Oct-09	96,991	99,582	19,6573	21,0611	
Nov-09	93,697	104,202	19,7899	19,7333	
Dec-09	94,151	98,437	19,2588	18,6074	

Port of Brisbane 2009-10

Month	Export	Import	Total	Previous	%
Jul-09	40,129	36,668	76,797	81,217	0.94557
Aug-09	33,825	38,847	72,672	85,231	0.85264
Sep-09	35,920	40,342	76,262	83,447	0.91389
Oct-09	45,147	44,995	90,142	92,062	
Nov-09	40,157	44,945	85,102	80,940	
Dec-09	39,856	38,341	78,197	77,092	