

CONFIDENTIAL

BRIEF FOR MUA OFFICIALS

PORTS UPDATE REPORT

ISSUE No.7

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

**PART II: REPORT ON COAL EXPORTS FROM NEWCASTLE PORT
AND DALRYMPLE BAY COAL TERMINAL**

5 July 2010

PORTS UPDATE REPORT No 7

Report on Container Throughput Trends at Four Australian Ports & on Coal Exports from Newcastle Port and Dalrymple Bay Coal Terminals

5 July 2010

Introduction

Container trade in the 4 major Australian container ports continues to show a strong rebound in the 3rd quarter of financial year 2009-10. Shipping analysts worldwide broadly agree that demand for container shipping will continue to rise throughout 2010.

Clarkson's predicts the global container market will grow by 7.5% this year. The latest forecast suggests that container trade volumes could total 136m teu this year. However pre-recession levels will not be reached until at least 2011 when growth of 10.9% is forecast. Paris based analyst Alphaliner expects the recovery in Asian exports will actually drive an expansion of 10%,¹ in container shipping's recovery from last year's market crash, and shows no sign of stalling, with the European Liner Affairs Association (ELAA) reporting growth of 20%-plus in Asia-Europe volumes for the first quarter.

The 7th 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 container ports in Australia as an indicator of national economic performance. This report covers port performance in 4 ports over the 3rd quarter 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 to reporting on coal export performance in the Port of Newcastle, this issue also reports on coal export performance in the Dalrymple Bay Coal Terminal. The purpose is to examine the effectiveness of measurements that the governments have adopted in addressing the issue of coal port congestion.

Part I of the report contains a graphical representation of container throughput in each of the 4 container 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 quarters 1, 2 and 3 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.

¹ ITF – Global Economic Crisis blog , Lloyd's list 7/04/10

Part II of the report contains 2 sections. **Section A** includes data and tables 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.

Section B includes data and tables showing coal export performance from the Dalrymple Bay Coal Terminal. Four indicators of performances are:

- The average monthly vessel waiting time;
- The average daily total vessels in 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

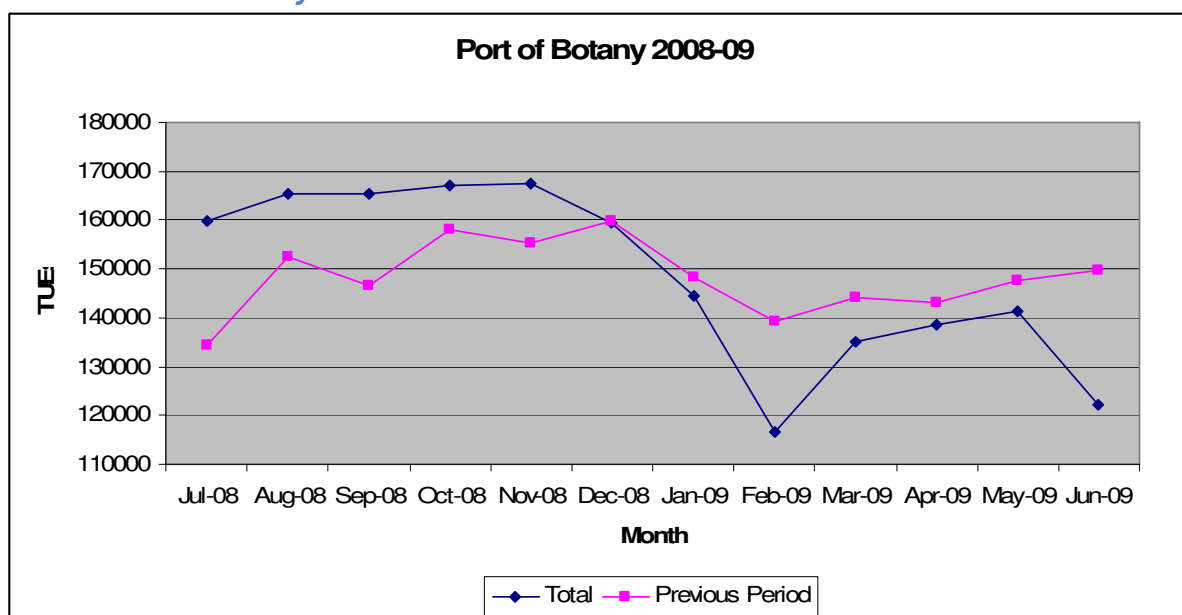
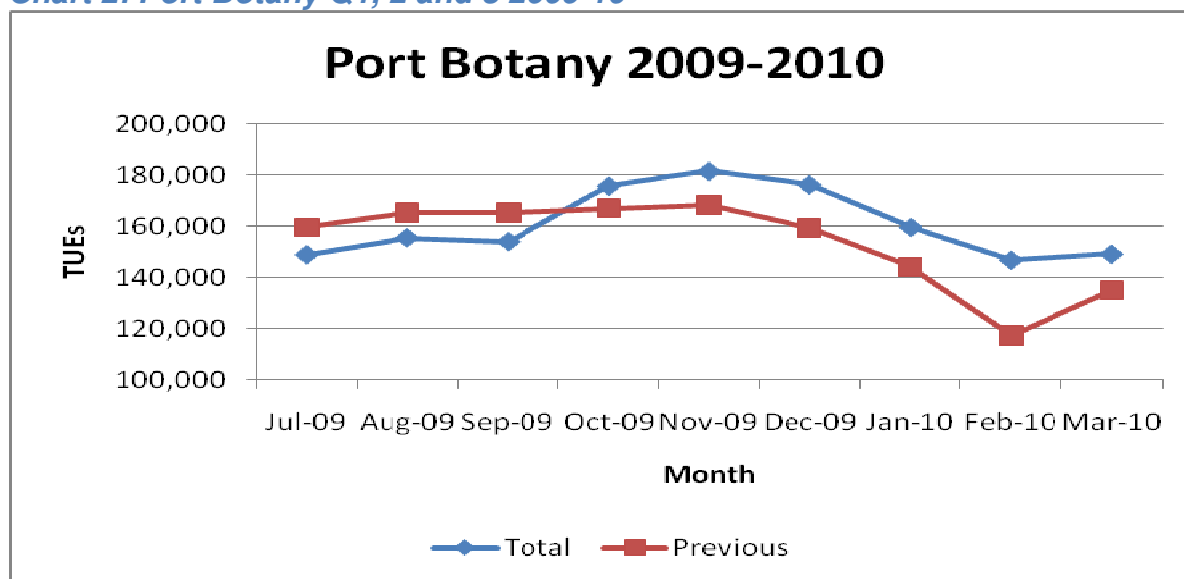


Chart 2: Port Botany Q1, 2 and 3 2009-10



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

Interpretation

The data shows that the rising trend in container volumes over the 1st half of 2009-10 has continued during the 3rd quarter (with the exception of a drop in Feb 2010).

For the year to date, July 2009 to end April 2010, total container trade reached 1.6m teu, up 5.4% on the previous like period.

The surge in Australian cereals and cotton during April offset a slight decrease in full containerised exports, and contributed to a seventh consecutive month of box growth at Port Botany's two container terminals. April trade figures show that for the year to date, cereal exports, including wheat and barley, are up 22.3%, with the majority of these exports going to Vietnam, New Zealand and Indonesia.

Full containerised exports in April 2010 were down by 4.6% comparing to the same period last year. However, the decrease has been partially offset by an increase in exports from Cotton (up 259.2%), Cereals (up 9.6%) and waste paper (up 7.3%).

Full imports for April 2010, were 77,600 TEU, up 13.4% on the same period last year, the key commodities with the highest growth are:

- Machinery and transport equipment (up 14.2%)
- Paper products (up 36.2%)
- Miscellaneous manufactures (up 12.1%)
- Textile fabric up (14.6%)

Total full container imports for YTD April 2009/10 reached 792,800 TEU, up 5.9% on the corresponding period last year.

The leading import regions were dominated by East Asia (47%), South East Asia (15%) and Europe (15%), which combined accounted for 77% of total full container imports.

Total trade for the financial year to 30 April 2010 was 23.2 million mass tonnes — a decrease of 1.4% compared to the same period last year. This is attributable to the drop in dry bulk and bulk liquids trade and the cessation of the motor vehicle trade through Glebe Island in November 2008.

Year to Date April 2010 Figures

Top Exports

- Cereals (including wheat and barley) – 22.2% increase with most exports to Vietnam, New Zealand and Indonesia
- Cotton- 149.1% increase with more than 80% growth generated from Thailand, Indonesia and Korea
- Non-ferrous metals – 19.3% increase with 77.7% exports to Asia
- Non-metallic mineral manufactures – 30.2% increase driven by higher coastal demand

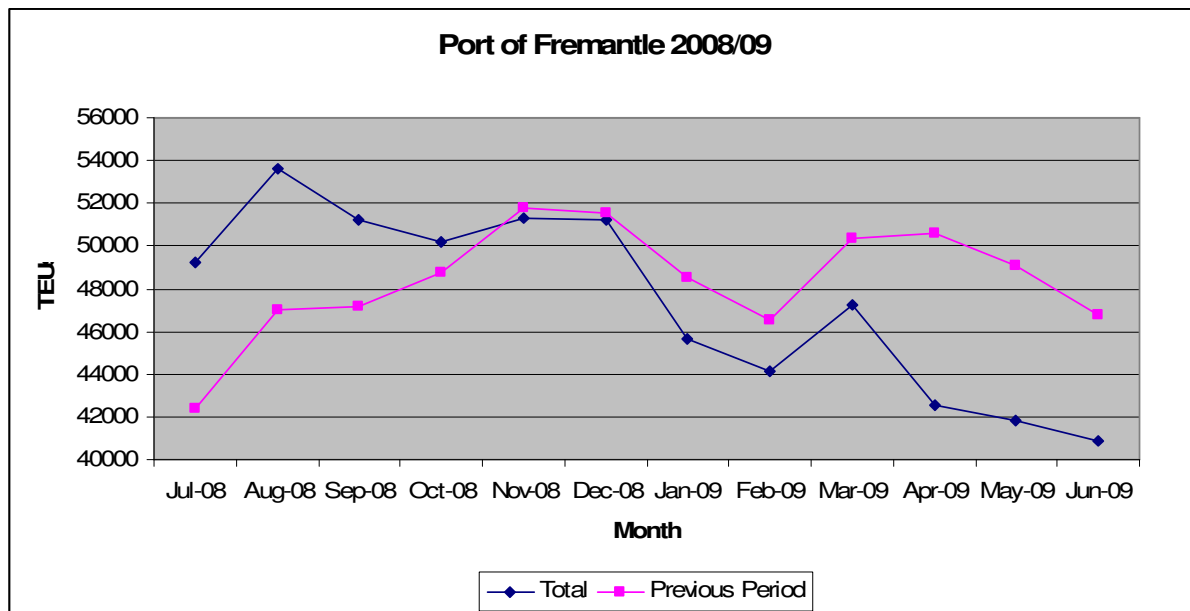
Top Imports

- Machinery and Transport Equipment (China 36.0%, United States 12.6%)
- Miscellaneous Manufactures (China 58.5%)
- Chemicals (84.1% growth generated from China and Thailand)
- Beverage and tobacco – increase 7.6%. Biggest contributor is Alcoholic Beverages excl wines (such as beer & spirits) increased by 22.8%, 60% imports from Europe and Central America
- Non-metallic mineral manufactures – increase 78.1%, almost 90% growth generated from China and United States

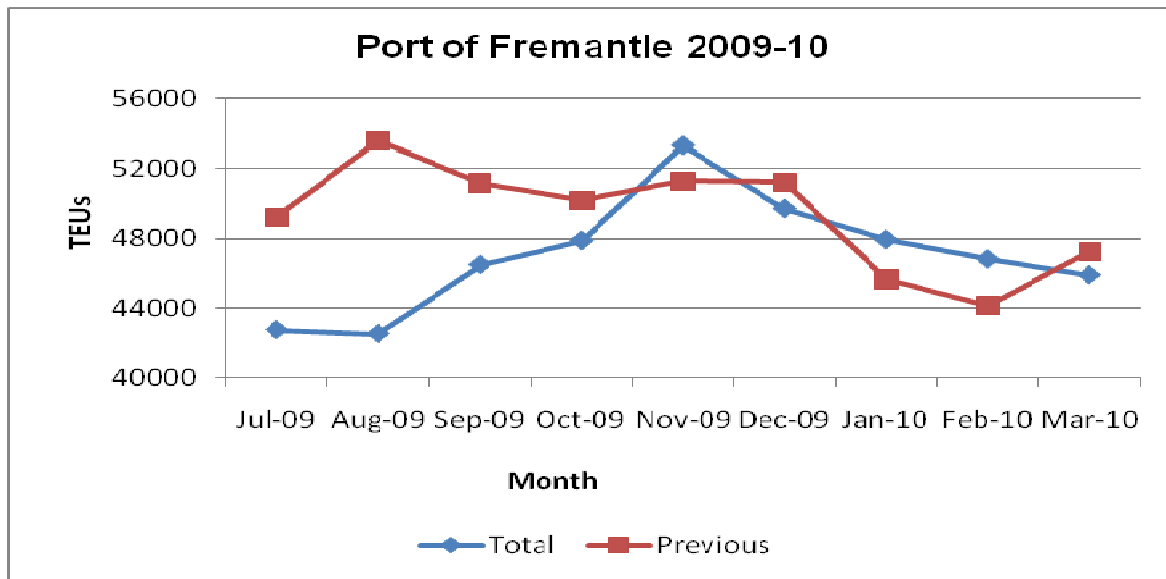
(Source: Sydney Ports Corporation Trade Statistics Bulletin 1 July to 30 April 2010)

Port of Fremantle

Chart 3: Port of Fremantle 2008-09



Charter 4 Port of Fremantle Qs1,2 and 3 2009-10



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

Interpretation

Although there has been a decline from November 2009 to March 2010, Fremantle Ports has been taking action to improve the port performance, for example:

- It has been upgrading its online port management system, Voyager. The new system is designed to improve efficiencies and reduce errors as key parties control their booking data online, and have better facilities to do checks and balances.
- The reconstruction of Berth 10 on North Quay has been completed. The berth, previously unsuitable for container shipping, provides an additional 18,077 square meters of operational wharf space for the port's container trade.

Port of Melbourne

Chart 5: Port of Melbourne 2008-09

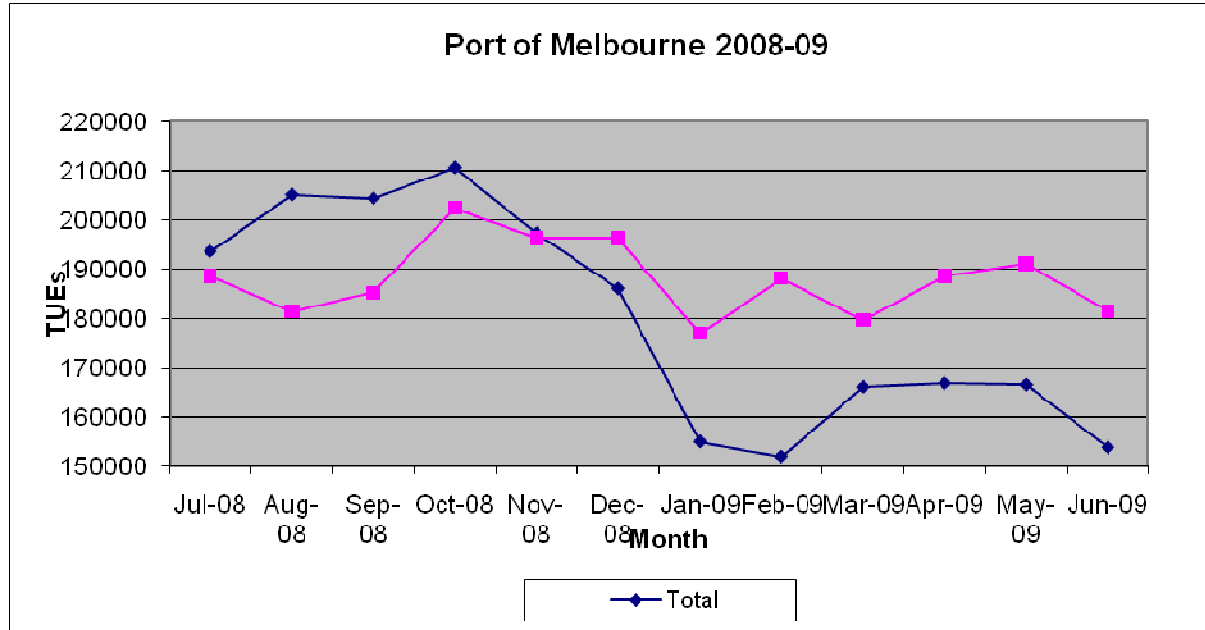
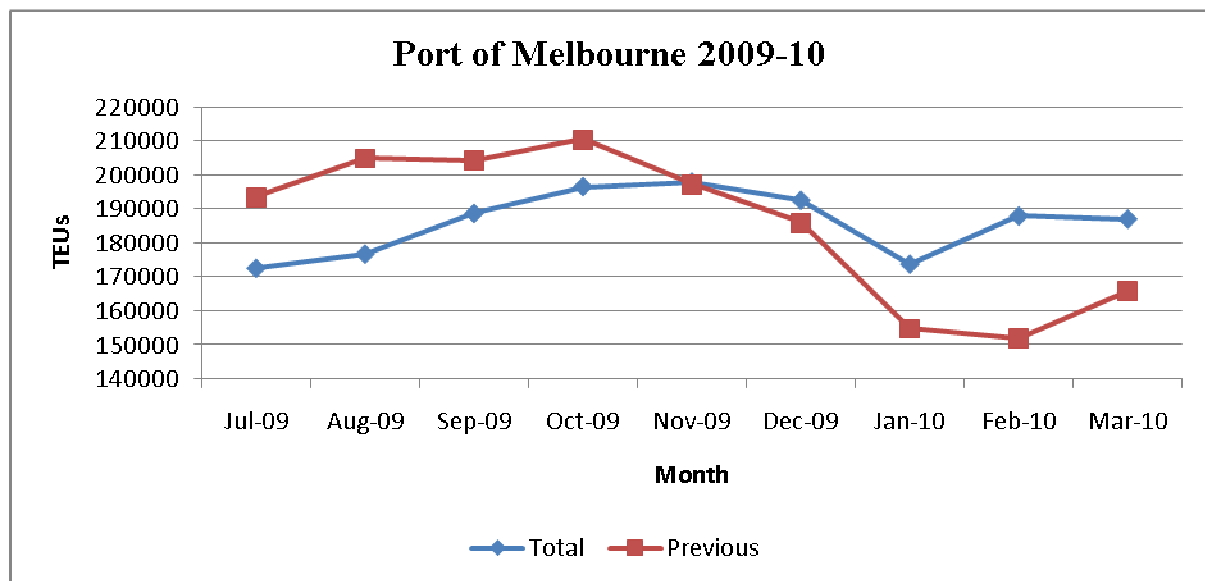


Chart 6: Port of Melbourne Qs1, 2 and 3 2009-10



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

Interpretation

Due to a strong growth in containers, total trade through the Port of Melbourne has drawn level with pre-GFC volumes for the 3rd quarter of financial year 2009-10, down just 0.1% for the financial year to date.

There was a significant increase in total trade in February - up 24.6% on the same month the previous year when the GFC impacted trade volumes.

In keeping with an upward trend apparent since August 2009, total container throughput jumped 23.6% in February to a total of 188,000 TEUs. The Port of Melbourne has now handled over 2.14 million TEU in the 12 months to the end of February 2010.

Full container exports continued to be a strong contributor to the positive result, increasing 9.3% over February last year to post an overall increase of 6.1% for the financial year to date. Timber (up 137%), wheat (up 82%), processed vegetables (up 82%) and paper (up 54%) all performed strongly while exports of milk powder and meat declined during the month.

Full container imports posted their fourth consecutive month of growth, increasing 28.7% over the corresponding month last year to be up 0.4% for the year to date. Insulation material (up 194%), aluminium (up 177%), furniture (up 90%), vehicle parts (up 52%), clothing (up 47%) and paper (up 47%) all contributed to the strong result while imports of pulp and wastepaper and fresh and frozen vegetables declined.

Empty container movements, an important part of the international trade logistics chain, increased significantly by 41.8% but are still down 13.8% for the year to date.

Port of Brisbane

Chart 7: Port of Brisbane 2008-09

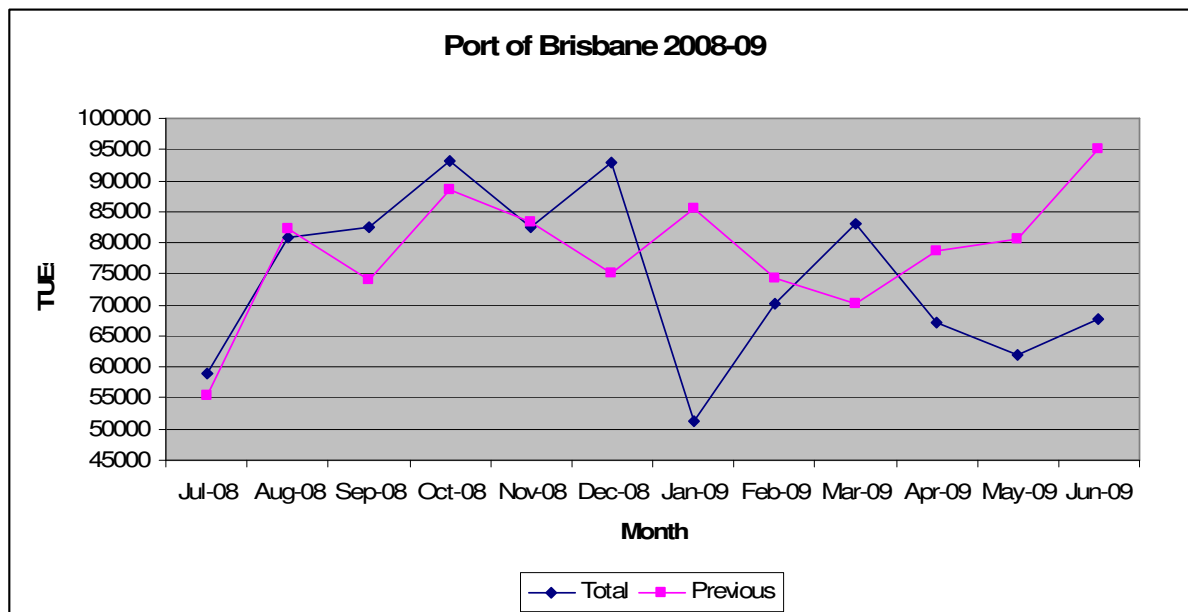
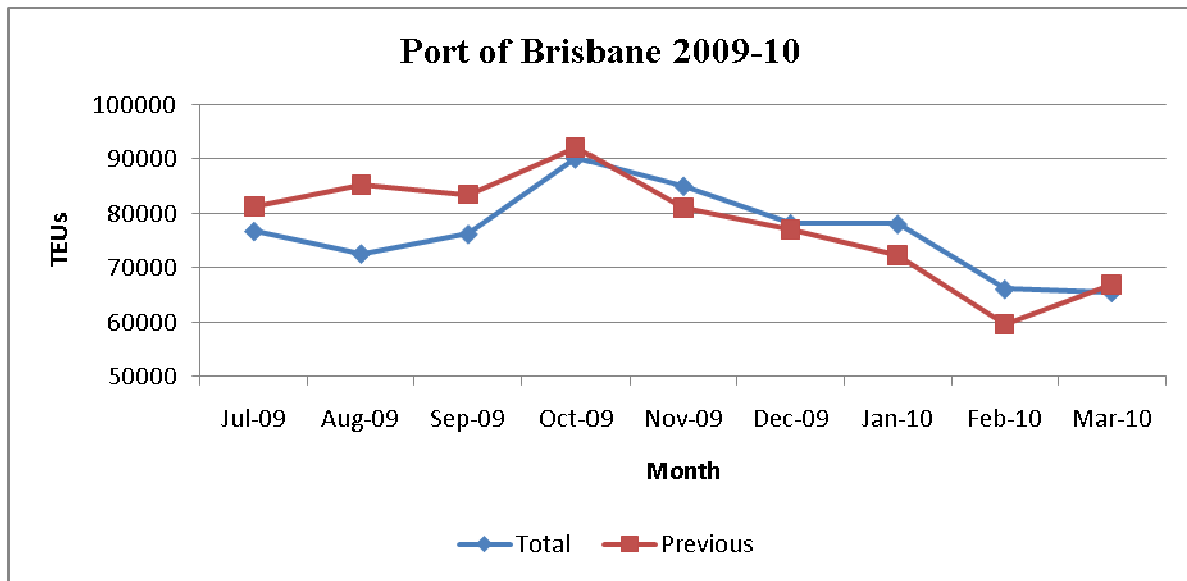


Chart 8: Port of Brisbane Qs1, 2 and 3 2009-10

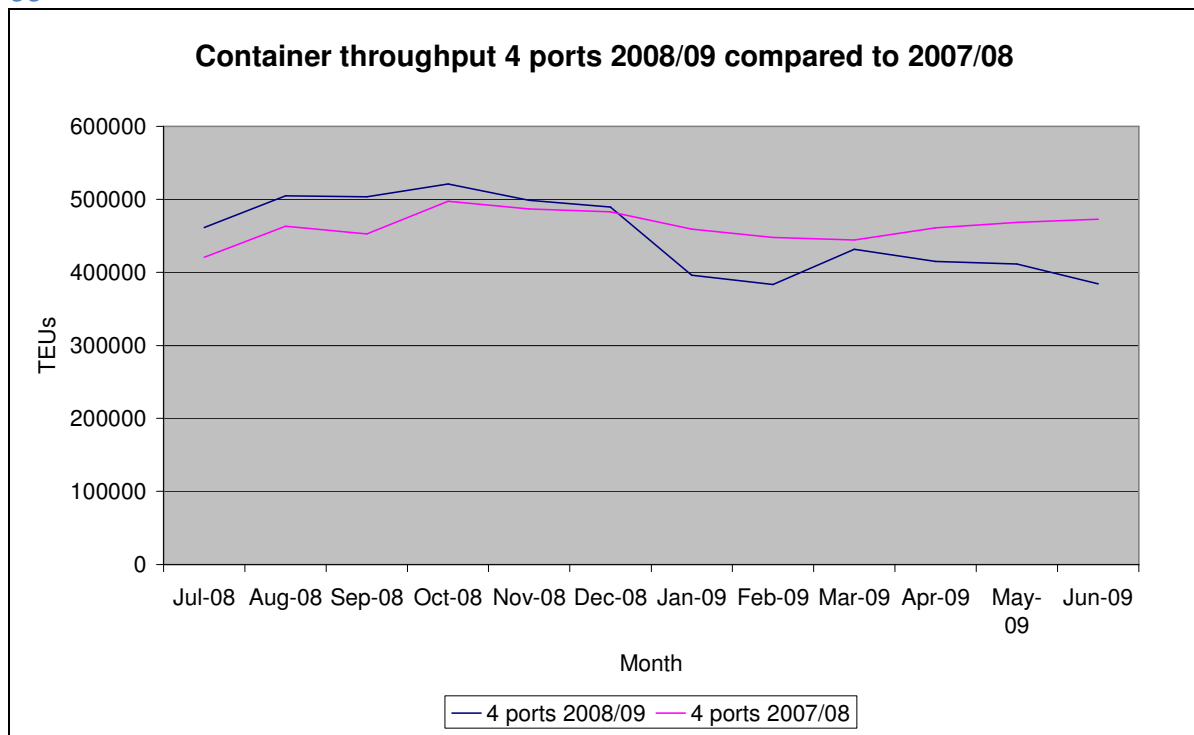


Interpretation

The data shows that container throughput in the 3rd quarter of 2009-10 has a continued decline since October 2009 at the Port of Brisbane. There has been a general downward trend up to March 2010.

Aggregated four port data

Chart 9: Container throughput 4 ports Qs 1,2 and 3 2009-10 compared to 2008-09



Charter 10: Contain throughput 4 ports Qs 1,2 and 3 2009-10 compared to 2008-09

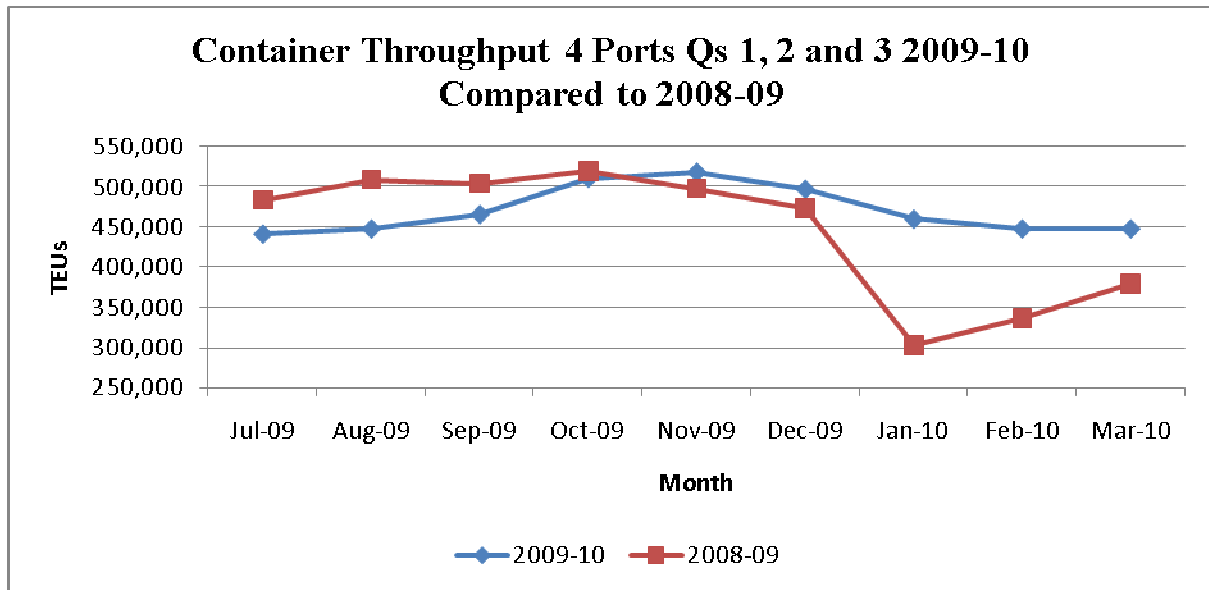
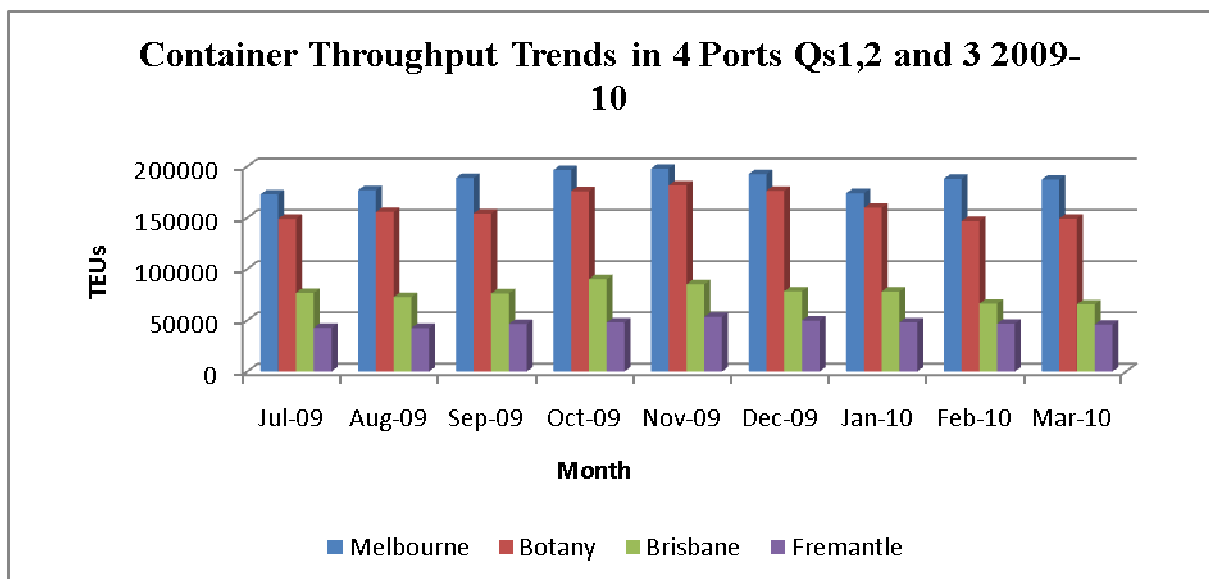


Chart 11: Container throughput trends in 4 ports Qs 1, 2 and 3 2009-10



Source: MUA, aggregation of individual port data

Part II: Report on Coal Exports from Port of Newcastle and Dalrymple Bay Coal Terminal

The background

Global port congestion has hit fresh highs, with 380 bulk carriers now at anchor at ports around the world, including 215 in Australia. Major disruptions at east coast coal ports in Australia, particularly at Dalrymple Bay Coal Terminal and neighbouring Hay Point, have pushed waiting times and delays to new records.

There are over 100 capesize, panamax and handymax bulk carriers in the area in far north Queensland at anchor². Waiting times for each vessel there have now surpassed a month, according to the Global Port Congestion Index.

There are lengthy queues at the thermal coal export port of Newcastle, where the opening of a new terminal in March 2010 has failed to ease capacity constraints.³

Shipping queues in Australia have steadily worsened since September as traditional coal buyers such as Japan and South Korea returned to the market, coinciding with a doubling in Chinese demand that is testing already struggling rail and port infrastructure. Furthermore, Chinese thermal coal demand is tipped to surge at the first quarter 2010 on the back of drought conditions in the country's southwest which have restricted hydropower production.

In the context, Issue 7 of the Ports Update Report continues our observation on the performance of port of Newcastle in relation to congestion and the impact of the Capacity Framework Agreement after its enforcement. In addition, in view of the similar congestion problem in Dalrymple Bay Coal Terminal, we also report its average monthly coal export tonnage (M Tonne) and the average daily total vessels in queue.

Section A: Port of Newcastle

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.

² 'Global port congestion worsening', DCN Lloyd's List Tuesday 6 April 2010

³ By Michelle Wiese Bockmann – DCN Lloyd's List Wednesday 7 April 2010

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		Quarter 3 2009-10		Quarter 4 2009-10	
Dec-2010	10	Jan -10	16	Apr-10	16
		Feb-10	18	May-10	11
		Mar-10	17		

Table 2: Average Monthly Number of Vessels in Queue

Baseline data		Quarter 3 2009-10		Quarter 4 2009-10	
Dec-2010	33	Jan-10	54	Apr-10	36
		Feb-10	45	May-10	35
		Mar-10	47		

Table 3: Number of Vessels Sailed

Baseline data		Quarter 3 2009-10		Quarter 4 2009-10	
Dec-09	89	Jan-10	98	Apr-10	97
		Feb-10	87	May-10	95
		Mar-10	76		

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

Baseline data		Quarter 3 2009-10		Quarter 4 2009-10	
Dec-09	93	Jan-10	95	Apr-10	96
		Feb-10	99	May-10	96
		Mar-10	93		

Section B: Dalrymple Bay Coal Terminal

Dalrymple Bay Coal Terminal (leased from the Queensland Government by Prime Infrastructure Trust) is one of the two coal export terminals of the port of Hay Point - the world largest coal export.

Table 1: Average Monthly Vessel Waiting Time (Days)

Baseline data		Quarter 3 2009-10		Quarter 4 2009-10	
Dec-09	35	Jan -10	31	Apr-10	
		Feb-10	30	May-10	
		Mar-10	37		

Table 2: Average Daily Total Vessels in Queue (Vessels)

Baseline data		Quarter 3 2009-10		Quarter 4 2009-10	
Dec-09	60	Jan-10	50		
		Feb-10	50		
		Mar-10	61		

Table 3: Number of Vessels Sailed (Vessels)

Baseline data		Quarter 3 2009-10		Quarter 4 2009-10	
Dec-09	61	Jan-10	57	Apr-10	
		Feb-10	42	May-10	
		Mar-10	46		

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

Baseline data		Quarter 3 2009-10		Quarter 4 2009-10	
Dec-09	5.5	Jan-10	4.94	Apr-10	
		Feb-10	4.11	May-10	
		Mar-10	4.44		

Attachment A**Port of Melbourne 2010 (TEUs)**

Month	Export	Import	Total	Previous	%
Jan-10	85649	88300	173949	154976	1.13
Feb-10	95821	92181	188002	152000	1.24
Mar-10	94303	92824	187127	166079	1.13

Port of Fremantle 2010 (TEUs)

Month	Export	Import	Total	Previous	%
Jan-10	24600	23358	47958	45663	1.05
Feb-10	22698	24135	46833	44144	1.06
Mar-10	22387	23523	45910	47250	0.98

Port Botany 2010 (TEUs)

Month	Export	Import	Total	Previous	%
Jan-10	78855	80830	159685	144261	1.11
Feb-10	72935	73846	146781	117557	1.25
Mar-10	79223	69884	149170	135083	1.11

Port of Brisbane 2010 (TEUs)

Month	Export	Import	Total (including transhipped)	Previous	%
Jan-10	38033	36853	78098	72261	1.08
Feb-10	32501	32031	66150	59631	1.11
Mar-10	33640	30334	65551	66885	0.98