

PORTS UPDATE REPORT

ISSUE No.9

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

14 December 2010

PORTS UPDATE REPORT No 9

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

14 December 2010

Introduction

World trade volumes have slowed significantly in the first quarter with growth of just 0.9% for the three months ending 30 September 2010.

This is the lowest quarterly growth figure since the last quarter of 2009/10, and is a huge fall from the 5.2% growth reported in the three months ending 31 March this year. [Source: Lloyd's list, 24 November 2010].

It is now widely believed that the Global Financial Crisis (FGFC) has fundamentally changed trade flows and business, which demonstrates that global trade is in a 'new' normal phase, where there is a significant split between mature and emerging markets. Container throughput volumes in ports worldwide in emerging markets, such as in ports in Asia, Africa, Latin America and Eastern Europe, are likely to dwarf volumes in the mature markets of Europe and US. Over the past five years the volume growth rate in emerging markets has been approximately 5%-7% higher than in mature markets. [Source: Lloyd's list, 15 Oct 2010].

Benefiting from being geographically positioned in the Asia Pacific region, container trade in the 4 major Australian container ports continued to show a strong growth in the 1st quarter of financial year 2010-11 i.e., to 30 September 2010.

The 9th Ports Update Report continues to present and analyse container throughput in 4 major container ports in Australia. This report covers port performance in 4 ports over the 1st quarter of the financial year 2010-11. 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.

The Report also contains data on coal export performance in the Port of Newcastle and the Dalrymple Bay Coal Terminal. The purpose is to monitor the prolonged coal port congestion, vessel queuing and related issues.

From our observations over calendar year 2010, when we commenced reporting on coal exports, the Capacity Framework Agreement (CFA), from which the ACCC expects to promote port efficiency at Newcastle Port and, as a by product, reduce shipping queues, has not had a perceptible impact on easing the congestion in the Newcastle coal terminal, although average monthly coal export tonnage has improved by over 10% since January 2010. While it could be asserted that that the CFA has had some effect on the landside supply chain, it nevertheless has very little impact on reducing shipping queues where the nature of the contracts for sale controls the timing of ships arrival, which is the main cause of ship queues.

Accordingly, we put the view that the ACCC's views in its Container Stevedoring Monitoring Report No.12, where the ACCC again argues for improved competition by encouraging new entrants, is not a panacea to all issues in ports. In particular, in the coal port context, a new

terminal entrant will not by itself be able solve the shipping queue phenomena, which has been commonly understood to be due to the shipping elements of typical contracts for sale of coal, known as FOB terms¹.

Part I of the Report contains a graphical representation of container throughput in each of the 4 key 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 the 2009-10 financial year compared to the same period one year ago. The third chart for each port shows the trend over the 1st quarter of the 2010-11 financial year followed by a short interpretation of the quarterly 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 tables showing coal export performance from the Port of Newcastle and the Dalrymple Bay Coal Terminal. The four indicators of performance reported 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.

¹ **Free on Board** (FOB) means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. FOB sales terms requires the seller to clear the goods for export. The buyer is responsible for all the costs incurred after the cargo has been loaded on board.

Part I: Container throughput in four container 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

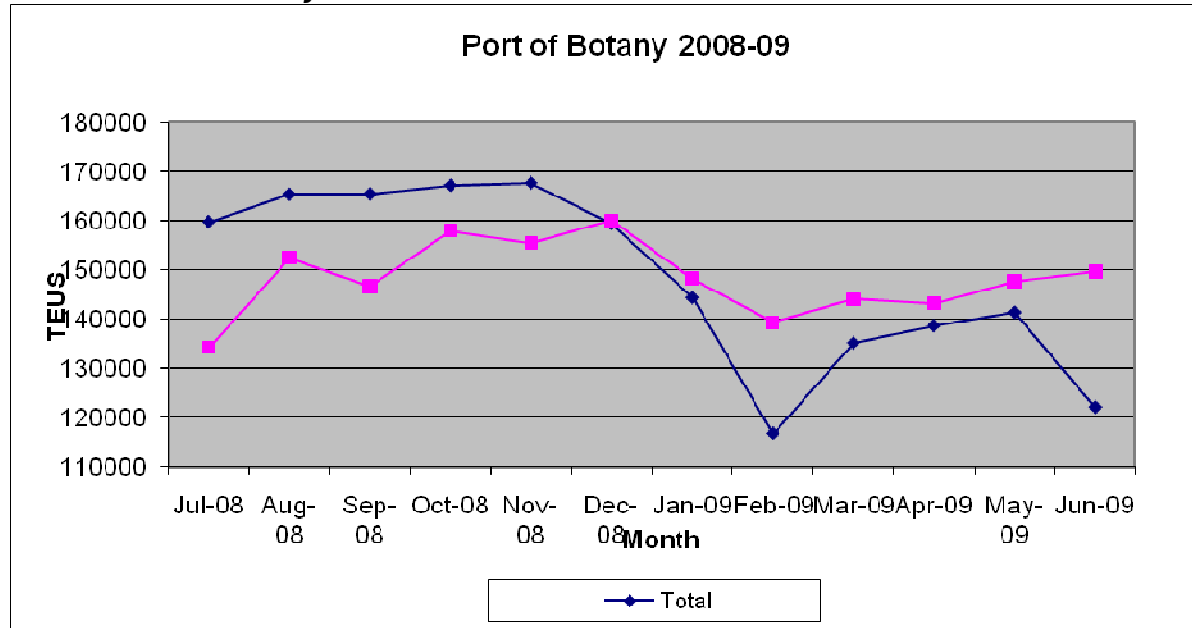


Chart 2: Port Botany 2009-10

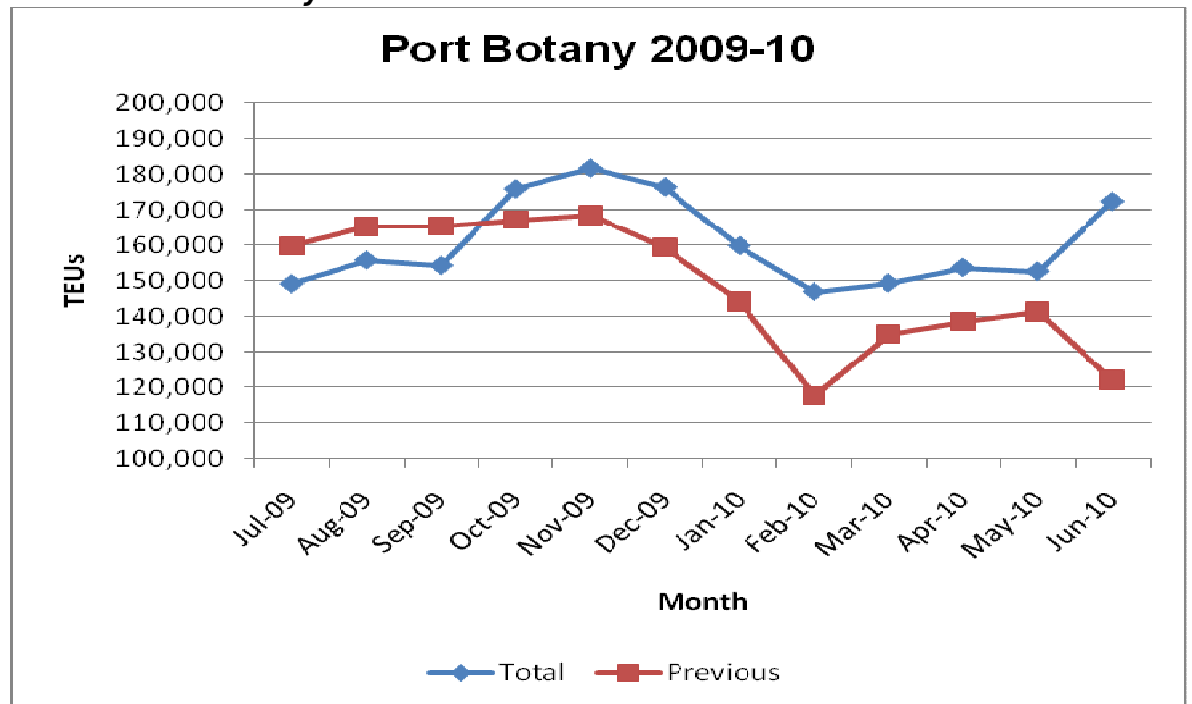
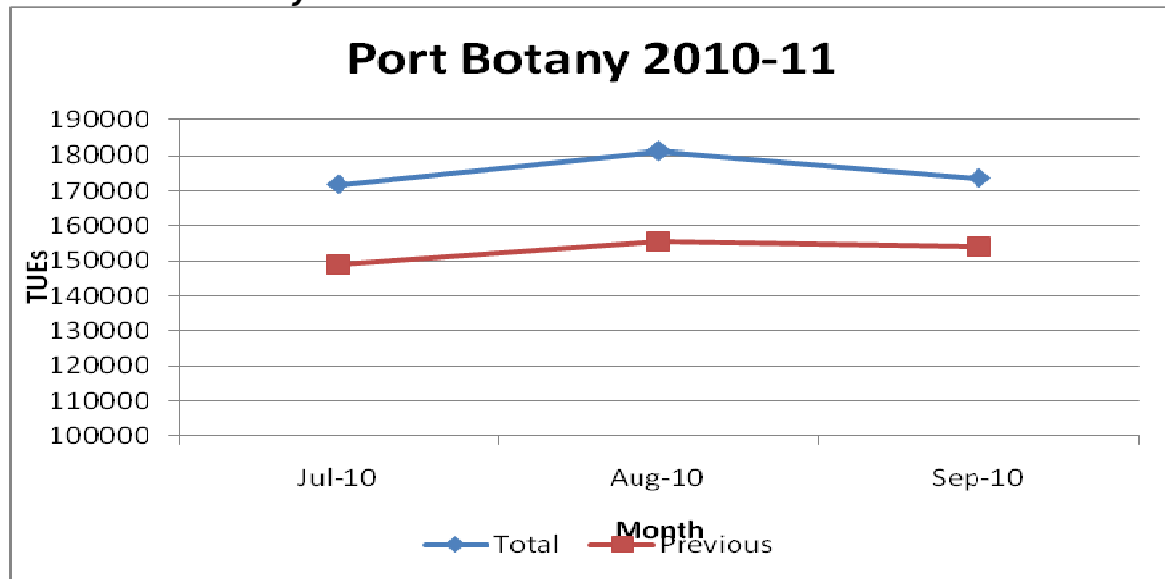


Chart 3 Port Botany 2010-11



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

Interpretation

The first quarter of the financial year 2010/11 has seen container trade reach 527,000 TEUs for the quarter, up 14.8% on the same quarter last financial year in the Port of Botany. Container throughput shows 3 consecutive months of growth compared with the previous year. August is the highest month in the quarter, reaching over 180,000 TEUs.

In summary, for the financial year to date i.e. to 30 September 2010/11:

- Total trade was 7.5 million mass tones — an increase of 8.4% compared to the same period last year.
- Full containerised exports reached 37,500 TEUs, up by 8.9% in September 2010 compared to the same month last year.
- Full container imports for September 2010 were 86,000 TEUs, up 9.7% on the same period last year.
- The key commodities with the highest growth are textile fabric (up 162.9%), chemicals (up 17.8%), paper products (up 9.8%) and machinery and transport equipment (up 16.6%).
- The leading import regions were dominated by East Asia (47.3%), Europe (15.4%) and South East Asia (14.5%), which combined accounted for 77.2% of total full container imports.

[Source: Sydney Ports Corporation Trade Statistics Bulletin]

Port of Fremantle

Chart 4: Port of Fremantle 2008-09

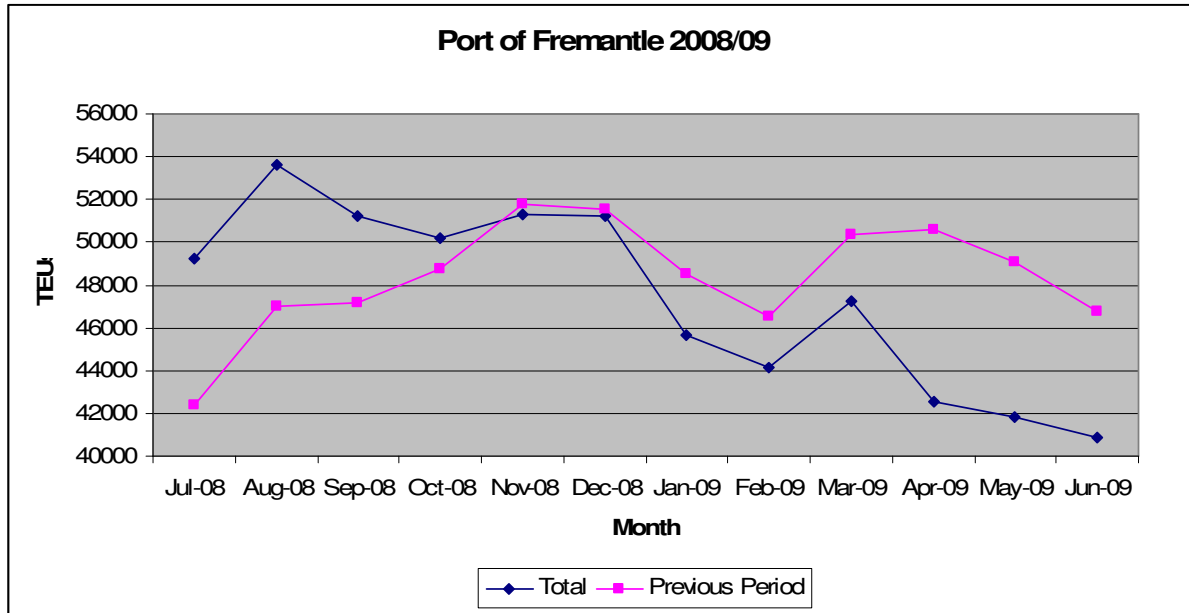


Chart 5: Port of Fremantle 2009-10

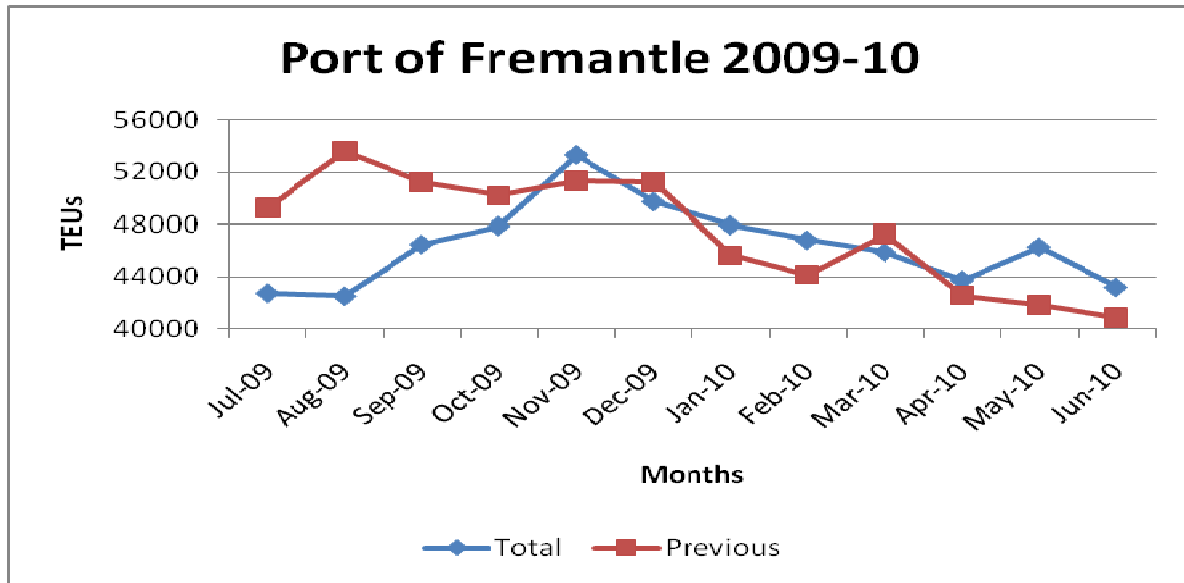
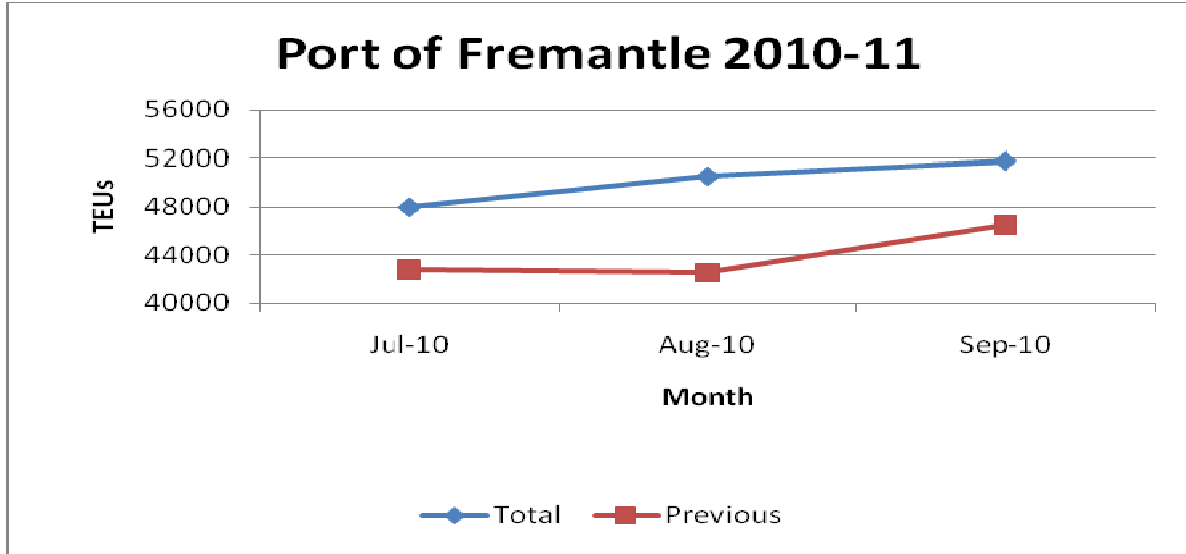


Chart 6: Port of Fremantle 2010-11



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

Interpretation

Container throughput in the Port of Fremantle has been steadily increasing during the 1st quarter of financial year 2010-11, with a surge during July/August then continuing growth. The quarter shows much better performance year over year.

Port of Melbourne

Chart 7: Port of Melbourne 2008-09

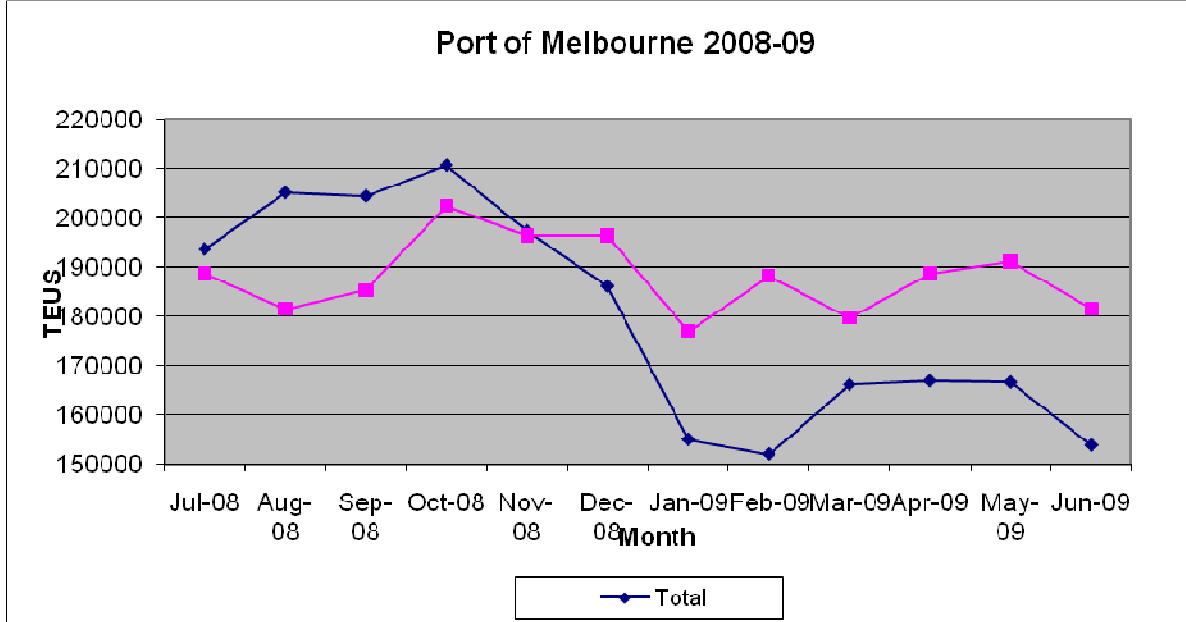


Chart 8: Port of Melbourne 2009-10

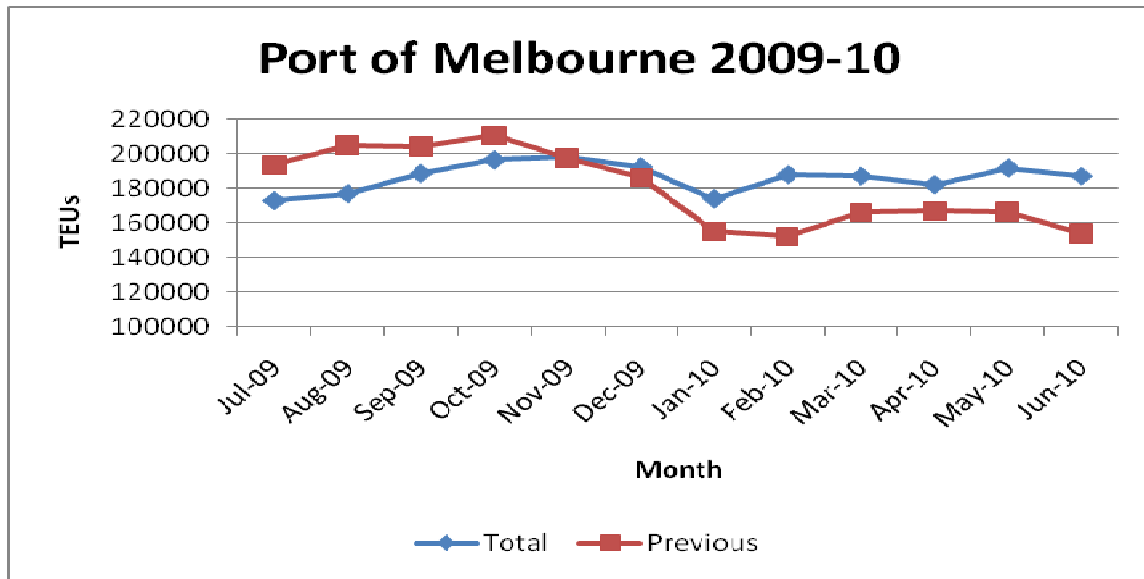
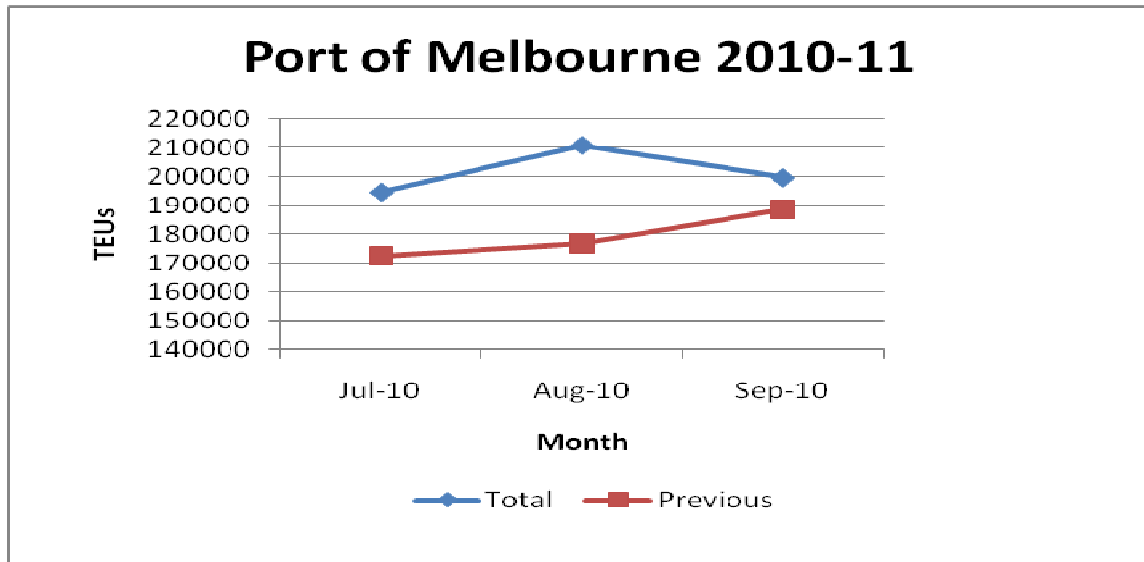


Chart 9: Port of Melbourne 2010-11



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

Interpretation

Container throughput in the Port of Melbourne has continued an upward trend since February 2010 with a surge in August.

The Port has set a new Australian monthly container record, moving 210,985 TEUs during August, which came off a 17% lift in overseas container exports to 53,603 TEUs and a 16% rise in imports to 87,035 TEUs, compared to the same month in the previous year.

For the financial year to date i.e. to 30 September 2010/11:

- Container throughput has bounced back to pre GFC levels with a rise of 3.7% to 2.2m TEUs compared with the same period in the previous year.

- The total number of loaded containers shipped to and from the port increased 6.4% to a record of 1.8 million TEUs.

[Source: Port of Melbourne Corporation]

Port of Brisbane

Chart 10: Port of Brisbane 2008-09

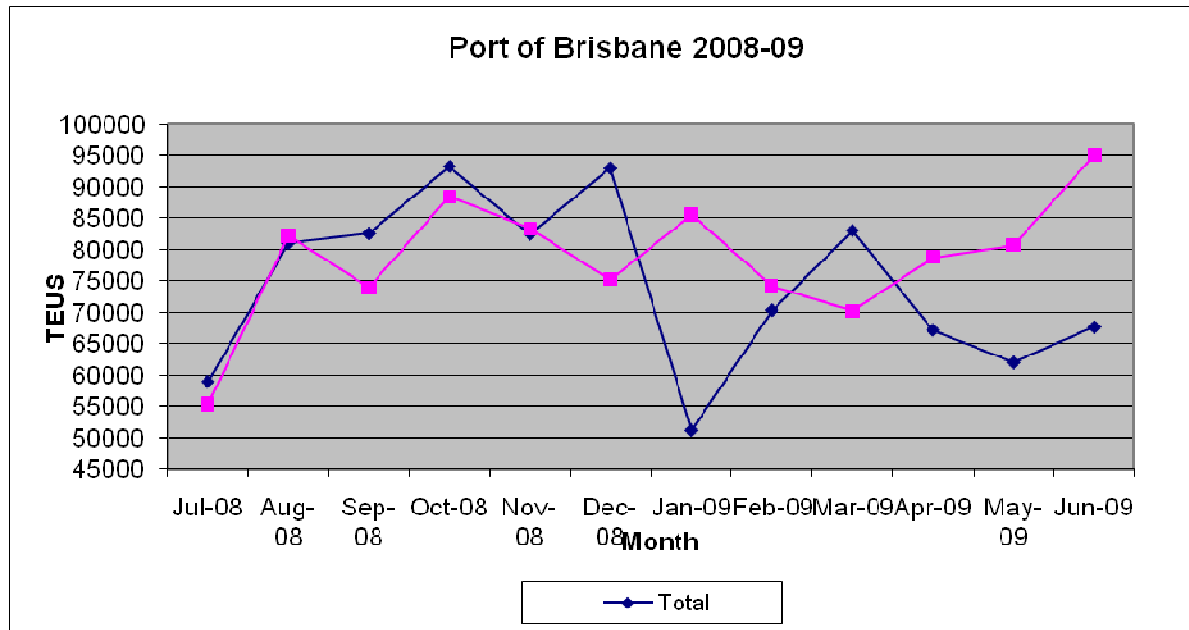


Chart 11: Port of Brisbane 2009-10

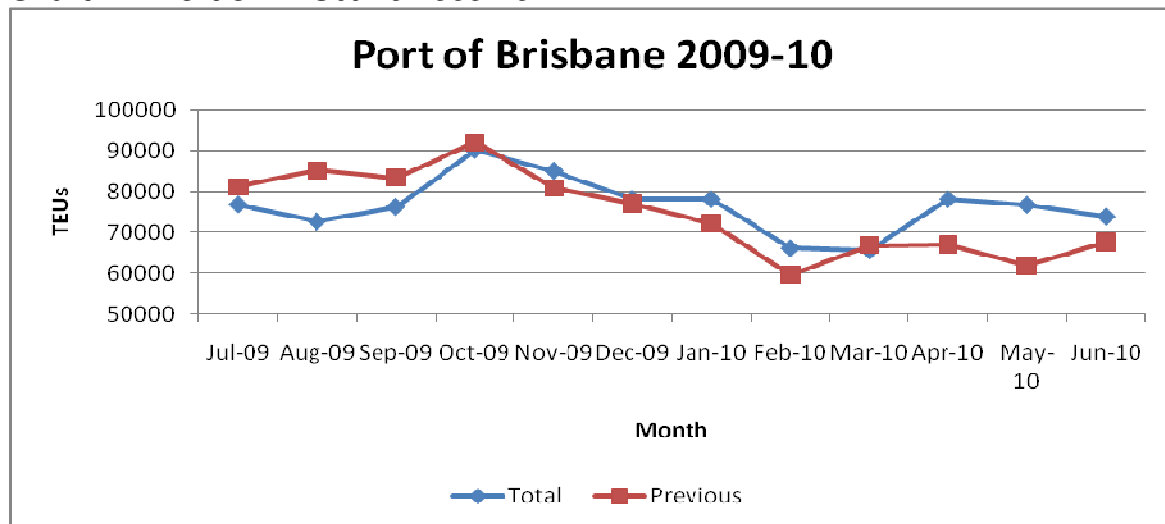
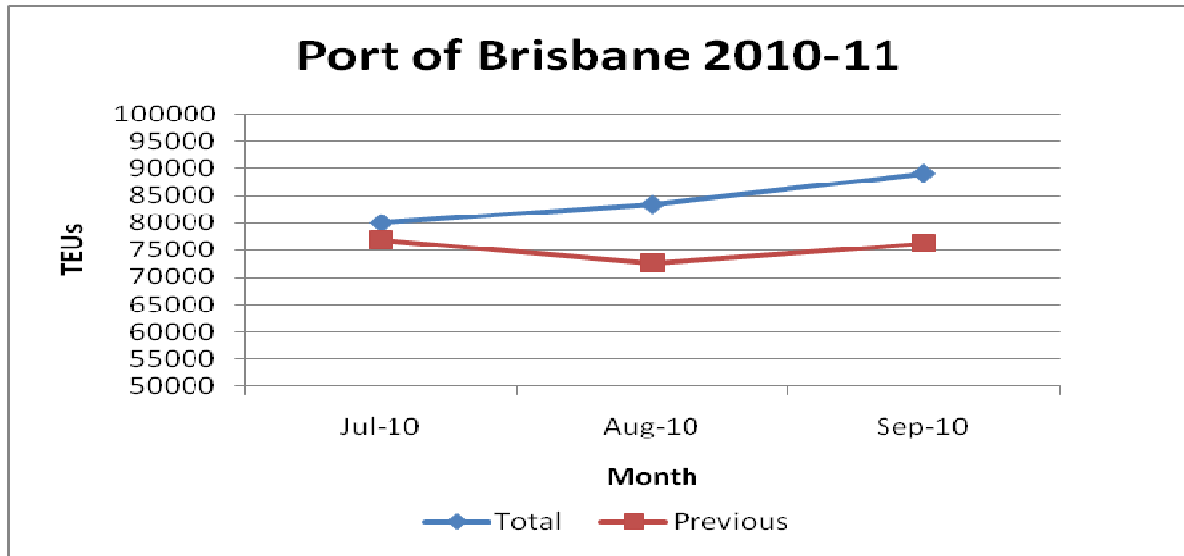


Chart 12: Port of Brisbane 2010-11



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

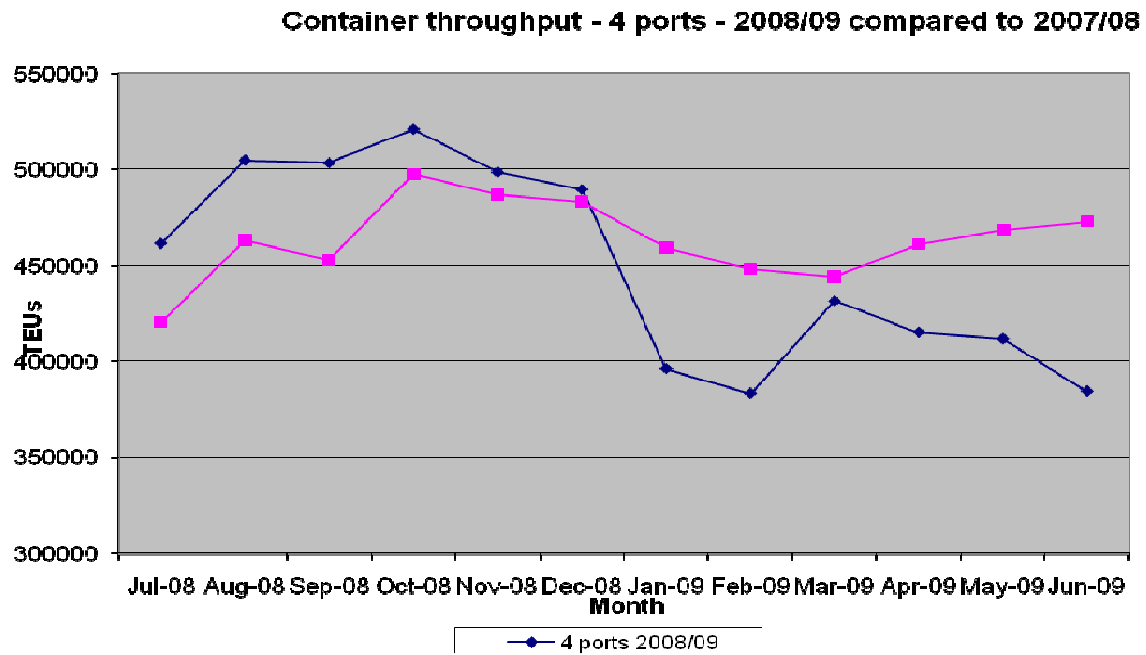
Interpretation

Container throughput in the Port of Brisbane has showed strong growth since June 2010 with an average 84,211 TEUs per month for the 1st quarter of financial year 2010-11.

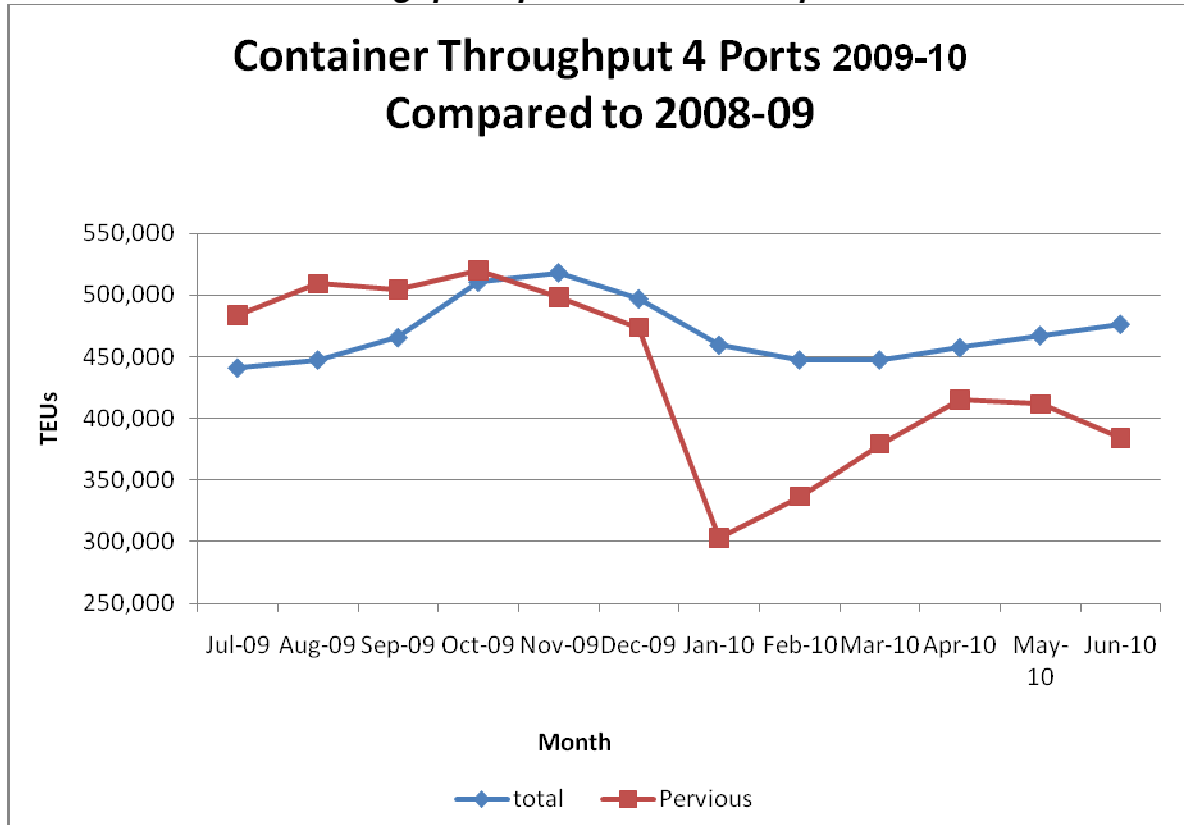
Household items were believed to have caused a 7.9% rise in container imports.

Aggregated four port data

Chart 13: Contain throughput 4 ports 2008-09 compared to 2007-08



Charter 14: Contain throughput 4 ports 2009-10 compared to 2008-09



Charter 15: Contain throughput 4 ports 2010-11 compared to 2009-10

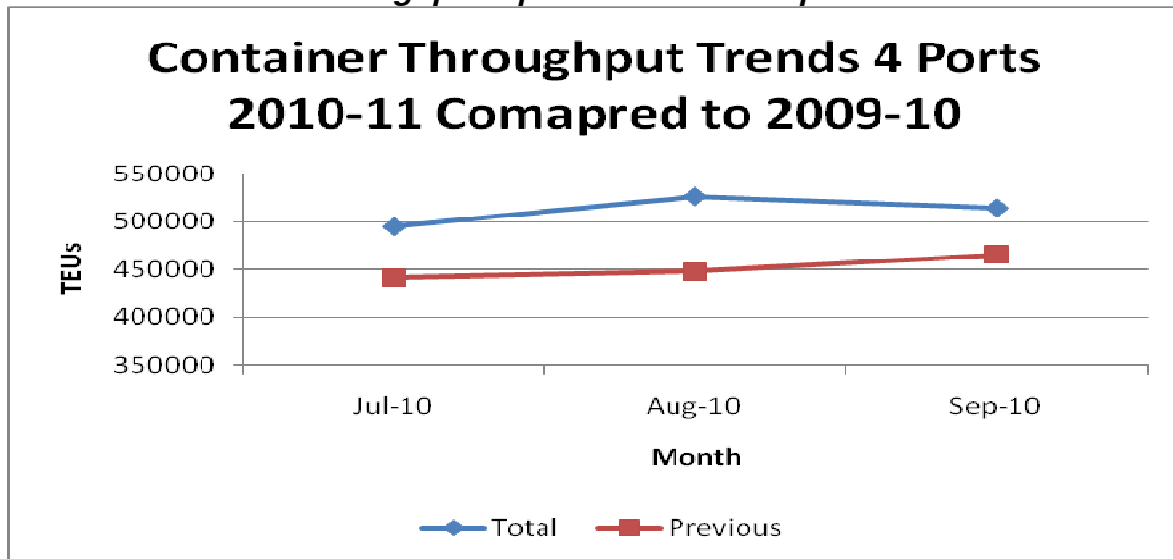


Chart 16: Container throughput trends in 4 ports 2009-10

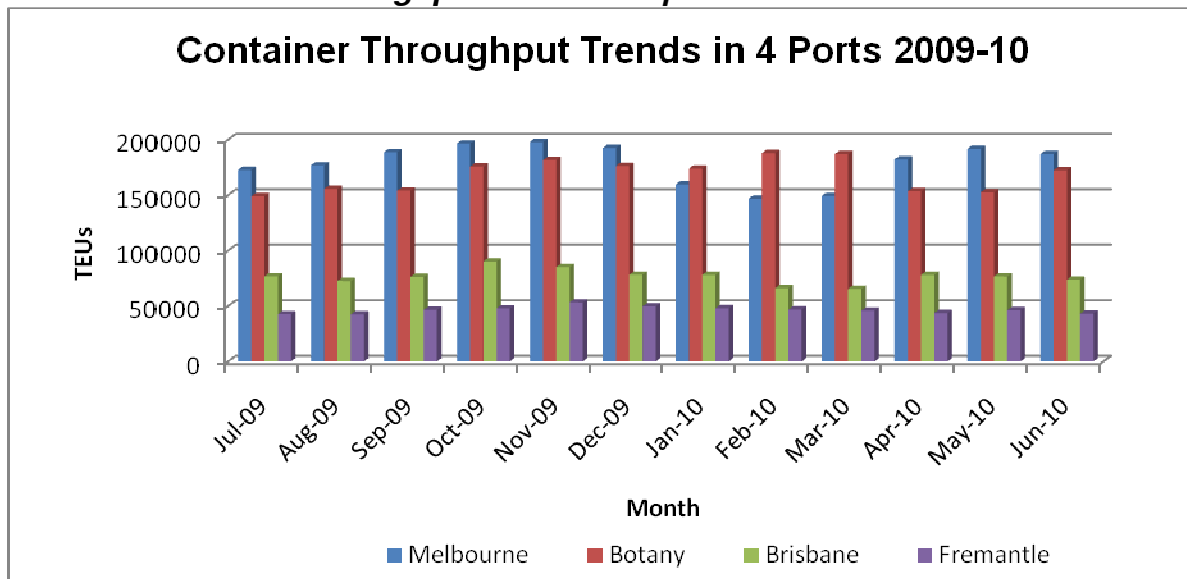
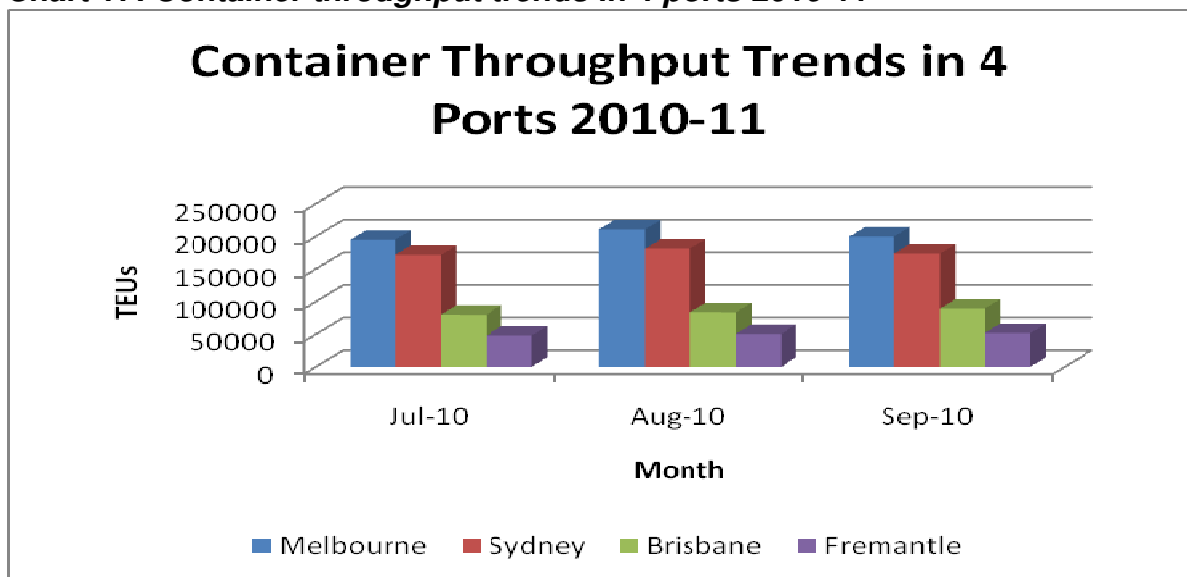


Chart 17: Container throughput trends in 4 ports 2010-11



[Source: MUA, aggregation of individual port data]

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

This Issue continues to report on congestion and the status of ship queues in the Port of Newcastle and Dalrymple Bay Coal Terminal. Four indicators of port performance are utilized:

- 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 A: Port of Newcastle

Table 1: Average Monthly Vessel Waiting Time (Days)

Year	Month	Days	Average
2009-10 (Benchmark)	Dec-09	10	
2009/10	Jan -10	16	
	Feb-10	18	
	Mar-10	17	
	Apr-10	16	
	May-10	11	
	Jun-10	14	
			15.33
2010/11	July-10	9	
	Aug-10	12	
	Sep-10	12	

Table 2: Average Monthly Number of Vessels in Queue (Vessels)

Year	Month	Vessels	Average
2009/10 (Benchmark)	Dec-09	33	
2009/10	Jan -10	54	
	Feb-10	45	
	Mar-10	47	
	Apr-10	36	
	May-10	35	
	Jun-10	47	
			44
2010/11	July-10	44	
	Aug-10	40	
	Sep-10	41	

Table 3: Number of Vessels Sailed (vessel)

Year	Month	Vessels	Average
2009-10 (Benchmark)	Dec-09	89	
2009/10	Jan -10	98	
	Feb-10	87	
	Mar-10	76	
	Apr-10	97	
	May-10	95	
	Jun-10	87	
			90
2010/11	July-10	94	
	Aug-10	86	
	Sep-10	87	

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

Year	Month	MTs	Average
2009-10 (Benchmark)	Dec-09	93	
2009/10	Jan -10	95	
	Feb-10	99	
	Mar-10	93	
	Apr-10	103	
	May-10	99	
	Jun-10	97	
			97.67
2010/11	July-10	99	
	Aug-10	99	
	Sep-10	111	

[Source: <http://www.hvccc.com.au>]

Interpretation

For the 9 months since the Capacity Framework Agreement (CFA) came into operation, i.e., from 1 January to 30 September 2010, the data from the Port of Newcastle shows the following:

- Average monthly vessel waiting days increased from 10 days at the baseline to an average 13.89 days, 38% deterioration in waiting times.
- Average monthly number of vessels in the queue increased from 33 vessels at the base line baseline to an average 43.23 vessels. This represents a 33% increase in the number of queued vessels.
- Number of vessels sailed has slightly increased from 89 vessels at the baseline to an average of 89.67 vessels. This represents a 1% improvement.

- Average monthly coal export tonnage shows a modest increase from 93M Tonnes at the baseline to an average of 99.45 MTonnes, a 10.7% improvement.

From our observations over calendar year 2010 when we commenced reporting on coal exports, the Capacity Framework Agreement (CFA), from which the ACCC expects to promote port efficiency at Newcastle Port and, as a by product, reduce shipping queues, has not had a perceptible impact on easing the congestion in the Newcastle coal terminal, although average monthly coal export tonnage has improved by over 10% since January 2010.

While it could be asserted that that the CFA has had some effect on the landside supply chain, it nevertheless has very little impact on reducing shipping queues where the nature of the contracts for sale controls the timing of ships arrival, which is the main cause of ship queues.

Section B: Dalrymple Bay Coal Terminal

Table 1: Average Monthly Vessel Waiting Time (Days)

Year	Month	Days	Average
2009-10	Dec-09	35	
2009/10	Jan -10	31	
	Feb-10	30	
	Mar-10	37	
	Apr-10	33	
	May-10	33	
	Jun-10	29	
			32.5
2010/11	July-10	35.8	
	Aug-10	32.5	
	Sep-10	26	

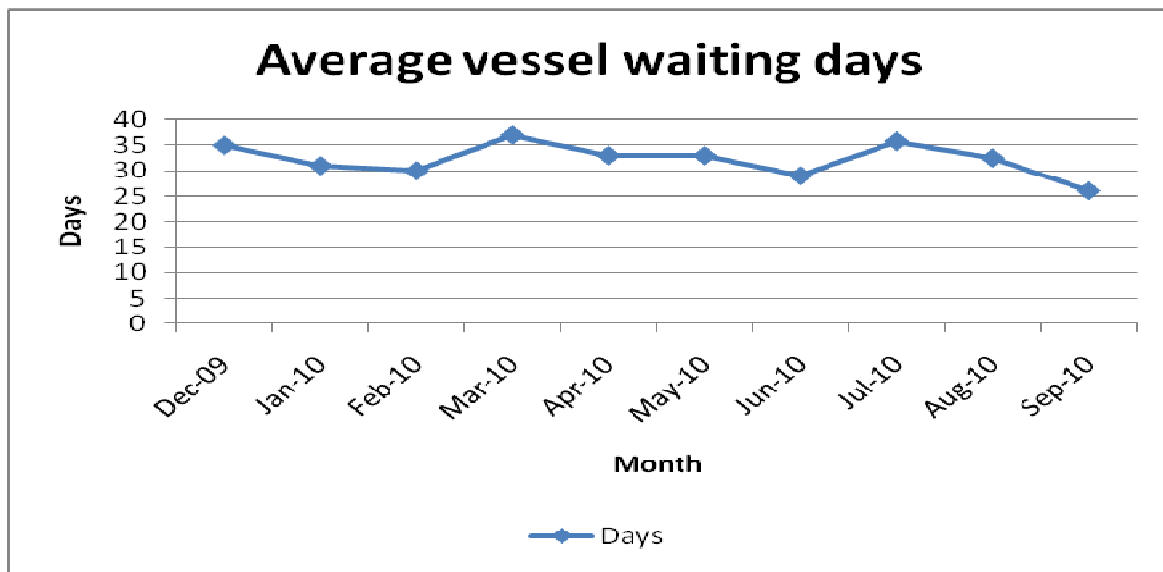


Table 2: Average Monthly Total Vessels in Queue (Vessels)

Year	Month	Vessels	Average
2009-10	Dec-09	60	
2009/10	Jan -10	50	
	Feb-10	50	
	Mar-10	61	
	Apr-10	61	
	May-10	62	
	Jun-10	48	
			56
2010/11	July-10	55.5	
	Aug-10	54.9	
	Sep-10	38	

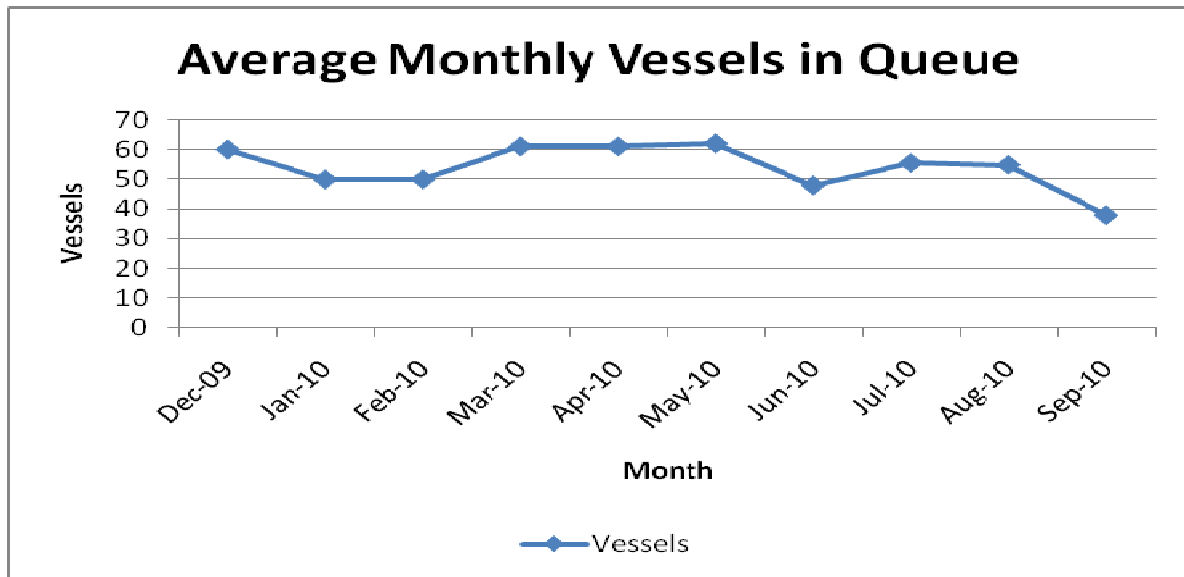


Table 3: Number of Vessels Sailed (Vessels)

Year	Month	Vessels	Average
2009-10	Dec-09	61	
2009/10	Jan -10	57	
	Feb-10	42	
	Mar-10	46	
	Apr-10	67	
	May-10	64	
	Jun-10	66	
			57.58
2010/11	July-10	48	
	Aug-10	61	
	Sep-10	54	

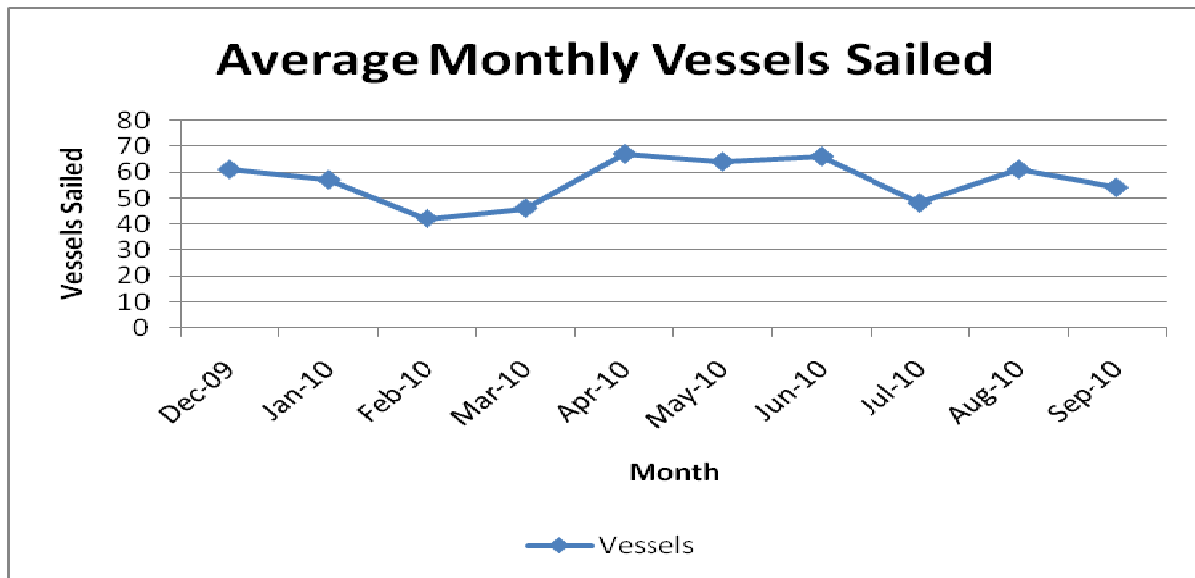
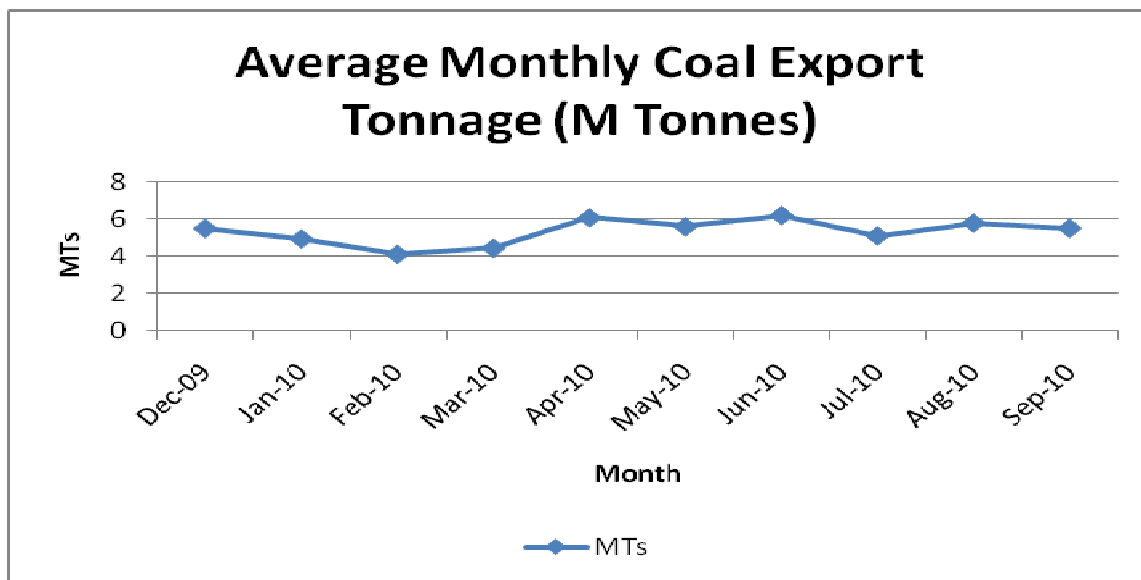


Table 4: Average Monthly Coal Export Tonnage (M Tonnes)

Year	Month	MTs	Average
2009-10	Dec-09	5.5	
2009/10	Jan -10	4.94	
	Feb-10	4.11	
	Mar-10	4.44	
	Apr-10	6.07	
	May-10	5.59	
	Jun-10	6.20	
			5.27
2010/11	July-10	5.1	
	Aug-10	5.79	
	Sep-10	5.51	



[Source: www.primeinfrastructure.com]

Interpretation

Ten months have elapsed since we started to collect data on coal exports from Dalrymple Bay Coal Terminal commenced in December 2009, i.e., from 1 January to 30 September 2010. The data from the Dalrymple Bay Coal Terminal shows the following:

- Average monthly vessel waiting days has fluctuated from 26 to 36 days with no obvious improvement.
- Average monthly number of vessels in the queue significantly dropped from 62 in May 2010 to 38 in September 2010.
- Number of vessels sailed has remained relative stable around 63 from April to August 2010 although with a plunge to 48 in June 2010.
- Average monthly coal export tonnage seems not to have fluctuated significantly with an average of 5.33 MTs, a high of 6.20 MTs in June 2010 and a low of 4.11 MTs in February 2010.

Table 1

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
Apr-10			182178	166838	1.10
May-10			191845	166541	1.16
Jun-10			187110	153806	1.22
Jul-10	97592	97194	194786	172761	
Aug-10	106282	104703	210985	176909	
Sep-10	98761	100957	199718	188755	

Table 2

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
Apr-10			43752	42573	1.03
May-10			46303	41834	1.11
Jun-10			43200	40834	1.06
Jul-10	21733	26224	47957	42752	
Aug-10	23715	26643	50538	42528	
Sep-10	25016	26763	51779	46512	

Table 3**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
Apr-10			153593	138601	1.11
May-10			152484	141314	1.08
Jun-10			172339	121972	1.42
Jul-10			171768	148999	
Aug-10			181209	155613	
Sep-10			173592	154107	

Table 4**Port of Brisbane 2010 (TEUs)**

Month	Export	Import	Total (including transshipped)	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
Apr-10			78111	67146	1.17
May-10			76722	61953	1.24
Jun-10			73857	67605	1.10
Jul-10	40225	39794	80019	76797	
Aug-10	39673	43790	83463	72672	
Sep-10	44184	44968	89152	76262	