Shipping Australia Limited

14 November 2011

For Immediate Release

Port Botany Inhibiting Growth

"The serious congestion at Port Botany over the last eighteen months has resulted in significant cost impacts not only on the exporters and importers of NSW but also on Australia as a whole", Llew Russell, CEO of Shipping Australia said today.

"In a seven week period from 1 September to 20 October this year, twelve of our container carriers alone lost $12.12 million over 84 voyages in additional fuel costs as a result of delays waiting at the berth and/or speeding up in an attempt to maintain schedule integrity.

Extrapolating over twelve months the cost would be in the vicinity of $156 million for only twelve container shipping lines let alone all the container carriers serving the Australian trade. An important issue is the cascading effect on other ports of call in Australia", Mr Russell said.

"This cost impact is only the tip of the cost iceberg. In addition, there are both direct and indirect costs, arising from major congestion in one port, for example:

- Requirement to omit both Australian and overseas port calls on occasion to recover the sailing schedule.
- Omitted port calls create real headaches for repositioning containers to meet future demands.
- Re-stow costs because programmed loading/discharge is completely disrupted.
- There are land bridging costs if another Australian port is used such as Port Kembla. This can result in loss of competitive advantage for the shipping line concerned.
- Additional handling charges and transhipment costs.
- Additional charter hire costs for delays waiting for berths.
- Vessel bunching waiting for a berth.

- Great pressure on empty container parks as a result of container terminals restricting empty container handling as a result of congestion." he said.

Another member container line advised that over a nineteen week period Sydney port calls had to be omitted nine times. The average cost for transhipment for omitting Sydney was $110,056 with a high of $163,300. On the occasions Sydney could not be omitted it was decided to endure the delay which resulted in Melbourne having to be omitted twice and overseas ports six times in an attempt to get the vessel back on schedule. The cost of transhipping alone over the nineteen weeks for all port omissions totalled approximately $1.4 million. Sixty four vessels in the same period were delayed for a combined total of one hundred and four days resulting in additional charter hire costs that equate over $US1.56 million. For one member alone it has directly cost them over $US3 million in nineteen weeks for transhipment and additional chartering costs.

"Whilst there are direct costs on shipowners, there are many millions of indirect costs as far as exporters and importers are concerned. At the very least there are additional inventory costs but just in time deliveries are not possible and missing major tradeshows/sale times etc create serious problems."

Mr Russell pointed out that whilst a number of lines have introduced congestion surcharges, these recoveries do not compensate for all direct costs incurred or past losses.

"The causes of this congestion are many and varied but the serious industrial disruption has only added to the operational and equipment failure problems encountered. A light on the horizon is the ending of the twelve month negotiation of a new EBA between Patrick and the Maritime Union of Australia but the real effect or incurred productivity is yet to be confirmed.

Furthermore, we are currently facing industrial disruption as DP World goes through the hoops of negotiating a new EBA", he said.

"Shipping Australia has urged the Sydney Ports Corporation to negotiate effective Key Performance Indicators with Patrick's stevedore along the lines of those previously negotiated with DP World which would result in financial penalties being applied for non-performance.

Importantly, penalties paid for non-performance, should be paid to the shipping lines connected to the stevedore concerned as practical compensation for the cost of delays." If both stevedores are covered, this could definitely reduce the pressure to introduce congestion surcharges." Mr Russell said.

"In the short-term, more radical solutions may need to be considered. These could involve investing in new container facilities at Port Kembla, as a number of vessels have been diverted to that port, fast-tracking Enfield and a new inter-modal terminal at Moorebank and expanding capacity on the M5 East.

More freight on rail must be a priority and in this respect, SAL will be releasing a paper on the commercial and practical problems in utilizing intermodal terminals in metropolitan Sydney and Melbourne in early December. That paper will include recommendations on how to progress these initiatives." Mr Russell said.

Mr Russell added that failure to urgently address these issues by Government, Unions and industry will result in a continuation of the serious undermining of the economic growth potential of this country.

Editor's note:

For additional information please contact Llew Russell, CEO on 0414 958 247.