Sydney Ports Corporation

Submission to the Review of Port Competition and Regulation in NSW

Conducted by PricewaterhouseCoopers

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1. EXECUTIVE SUMMARY

Sydney Ports Corporation's (SPC's) vision is to be an internationally respected commercial port manager in all operational and environmental aspects, and to provide facilities to promote and support trade growth for the benefit of the New South Wales economy.

SPC recognises its position as a monopoly supplier of port lands and in the provision of navigation and pilotage services.

However, SPC believes that the current NSW port regulatory framework, legislation and structure, in conjunction with the goals and objectives of the Corporation, ensure consistency with the relevant principles set out in the Competition and Infrastructure Reform Agreement (CIRA), and therefore, further economic regulation of the activities of the Corporation are not warranted.

The current system, in the opinion of SPC, delivers on the following principles;

- Fair, competitive access to port facilities;
- Prevents abuse of market power;
- The Corporation's prices, rents and terms & conditions reflect acceptable commercial outcomes; and
- Provides for investment in strategic port infrastructure.

Evidence supports that there is no abuse of monopoly power. Commercial outcomes and third party access to services provided by the Corporation are developed on the basis of negotiated terms and conditions.

The legal framework under which SPC was established allows it to operate as a commercial organisation which achieves appropriate rates of return when compared to its key competitors interstate. It demonstrates an appropriate dividend and retained earnings policy in conjunction with the NSW Government, which enables appropriate investment in the provision of infrastructure, and operates in a transparent manner as evidenced for example in the publishing of public accounts and corporate plans.

SPC does not compete with port users and key stakeholders.

Rents and leases are subject to commercial negotiation between landlord and tenant and reflect prevailing market conditions. Port charges are determined by SPC with reference to its cost of capital, the cost of providing the services, the levels and types of infrastructure investment, the competitive environment that the Corporation operates in and also reflect appropriate commercial rates of return all, of which are overseen by the Portfolio and Shareholding Ministers.

Historically SPC can demonstrate a steady downward trend of its statutory port charges. Port charge increases are premised on cost based, user pays principles.

In its approach to port development SPC can demonstrate a transparent and equitable approach to the release of scarce port land to the market, utilising open public tender and expressions of interest processes.

SPC plans for and provides port infrastructure appropriate to historical and forecast growth rates. There are significant examples of planning for infrastructure and investment ahead of capacity constraints. Such examples include the imminent expansion at Port Botany, the planning for an Intermodal Logistics Centre at Enfield and planning for a second Bulks Liquid Berth at Port Botany.

In recognising the natural monopoly nature of the provision of pilotage services, the Corporation has, through the creation and operation of its fully owned subsidiary company, Sydney Pilot Service (SPS), acted to make the cost of the service transparent to industry and to ensure there is no misuse of market power.

SPC has also shown willingness to participate on occasions where the private sector is unwilling or unable to make the required long term investments, for the benefit of port users. In such situations, SPC has responded to the needs of the market as part of its core business strategy by purchasing land for the benefit of current and future port users. Examples of this include the purchase of the Cooks River Rail Yards for the ongoing provision of empty container facilities by third parties and the purchase of 60 hectares of land at Enfield in preparation for the planned intermodal facilities.

The Australian Competition and Consumer Commission (ACCC) noted in its Container Stevedoring Monitoring Report No. 8 (November 2006) that, “The role of port managers in managing land-side connections would appear to be important in achieving efficient logistics chains. If the organisation of logistics chains is left to individual firms it is likely that firms in the chain that have relatively greater market power will pursue their own commercial objectives, including greater profitability, which may come at the cost of overall chain efficiency”. SPC supports this conclusion by the ACCC, and it will continue to actively seek to be involved in trade facilitation.

2. INTRODUCTION

2.1 Objectives of the Corporation

SPC is a State Owned Corporation (SOC) established under the *Ports and Maritime Administration Act (PMAA) 1995*. SPC seeks to be an internationally competitive and respected commercial port manager in all operational, health & safety and environmental aspects. SPC provides facilities to promote and support trade growth for the benefit of the New South Wales economy.

The principal objectives of SPC, as set out in Section 9 of the *Ports and Maritime Administration Act 1995*, are:

a. To be a successful business and, to this end:
   i. to operate at least as efficiently as any comparable business; and
   ii. to maximise the net worth of the State's investment in the Port Corporation; and
   iii. to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate those interests when able to do so; and
b. to promote and facilitate trade through its port facilities; and
c. to ensure that its port safety functions are carried out properly.

As a port manager, SPC acts to meet all of these objectives and the needs of its customers. The key issues for stakeholders and customers are capacity for growth, port security, business confidence in port leadership and efficient port performance. SPC addresses these key issues by:

- providing positive leadership in port management, port development and landside logistics;
- planning for the future to ensure that Sydney's ports possess sufficient land and capacity to accommodate demand without congestion rising beyond acceptable limits;
- facilitating trade through the port by working closely with the stevedoring companies and transport operators to provide an efficient transportation chain;
- pricing its own services competitively;
- assisting private port service providers to improve their efficiency; and
- working with government and industry bodies to improve the road and rail links the ports.

SPC operates within a service chain focussed on the needs of cargo owners;

- as strategic manager of port development and planner of port infrastructure;
- as manager of port properties;
- as manager of shipping traffic and operator of the pilotage service;
- as a manager providing appropriate security;
- as an emergency response force with environmental protection responsibilities;
- as a facilitator, working with others to improve road and rail links to the ports; and
- as a business development and trade facilitator.

2.1 Trade and Facilities

Sydney's ports play a major role in Australia's international gateway, accounting for some 30% of the nation's container trade and generating some A$1.5 billion a year in economic activity. Port Botany is Australia's second largest container port after Melbourne. In the financial year 2006/07, 1.62 million Twenty-foot Equivalent Units (TEUs) were handled at Port Botany, representing almost one third of the nation's container traffic. This trade was 12.1 per cent above the result for 2005/06.

Whilst container trade accounts for almost 50% of SPC's trade by volume, other key cargoes handled at Sydney's ports include bulk liquids, dry bulk, motor vehicles and cruise ships. Total trade through Sydney's ports in 2006/07 was 27.8 million tonnes (up 7.3% compared to 2005/06).

Details of SPC's trade can be obtained from its Trade Report 2006/07 at www.sydneyports.com.au/trade_services/trade_information.

A detailed description of SPC's port facilities at Port Botany and Sydney Harbour is provided at Attachment 1 & 2.

3. COMMERCIAL RELATIONSHIPS AND OPERATING ENVIRONMENT

3.1 Shipping Lines

Sydney's ports have developed specialist precincts to cater for the needs of distinct trades (for example, containers and bulk liquids exclusively at Port Botany, motor vehicles and dry bulk products at Glebe Island). Berthing location is therefore dictated by the type of product to be exchanged and, in the case of container vessels, by contractual agreements between shipping lines and the stevedore.

Shipping lines enter into commercial arrangements with the container terminal operators for the provision of stevedoring services. To a large extent, the decision of a shipping line to choose Sydney as a port of call is determined by factors outside the control of SPC.

Stevedoring is available at either leased facilities or common-user berths. The container terminals at Brotherson Dock, Port Botany are leased to DP World (formerly P&O Ports) and Asciano Ltd (formerly Patrick Corporation). Common-user berths are provided by SPC for cargo types that generally have lower volumes and do not warrant leased facilities e.g. bulk liquids (Port Botany Bulk Liquids Berth), dry bulk cargoes (Glebe Island) and cruise ships (Overseas Passenger Terminal and Darling Harbour Wharf 8).

A Navigation Service Charge is levied against each ship calling at the port and charged according to its size. Pilotage services are similarly charged against each ship movement in and out of port based on vessel size.

Other than lease arrangements, all of SPC's fees and charges are applied on a non-discriminatory basis, in accordance with strict guidelines set out by Act of Parliament and published in openly available tariff rate schedules.

SPC does not have a direct contractual relationship with any individual shipping line. It does, however, have a healthy working relationship with individual shipping companies and with their peak shipping body – Shipping Australia Ltd (SAL). SAL is represented on the Sydney Ports Users Consultative Group (SPUCG) and Cargo Facilitation Committee, providing ongoing and active engagement at the strategic, corporate and operational level.

3.2 Ancillary Services

SPC has no direct contractual arrangements with the providers of ancillary services, including towage and linesmen services, except for the provision of leases to allow berthing of tugs and lines boats. Nor are these services provided under exclusive or non-exclusive licence to SPC, as is the case in Gladstone, Fremantle and Bunbury.

There are two private towage operators in Sydney Harbour and Port Botany – Adsteam and Australian Maritime Services.

The towage industry was reviewed by the Productivity Commission and a report *"Economic Regulation of Harbour Towage and Related Services"* released in August 2002. The review found enduring competition within most Australian ports was low due to low levels of demand, "lumpy" investment and economies of scale.

The Productivity Commission found that there was no case for economic regulation of mooring (linesmen) services.

3.3 Pilotage

In accordance with s.78 of the *Ports and Maritime Administration Act 1995*, pilotage is compulsory in all NSW pilotage ports for seagoing vessels of 30 metres and over in length, unless the Master holds a current Pilotage Exemption Certificate. Pilotage services in the ports of Sydney Harbour and Botany Bay are provided on a 24 hours per day/seven days per week basis.

SPS was incorporated as a wholly-owned subsidiary of SPC on 25 October 2002. Prior to this (between 1992 and 2002), the service was provided under a 3-year contract to SPC, initially by Sydney Ports Pilot Service (1992 - 1995) and then by Sydney Sea Pilots Pty Ltd (1995 - 2002).

In making this decision, SPC had determined that the most effective mechanism to isolate the cost of the pilotage service from the other lines of business was to establish a separate subsidiary with a separate set of financial accounts, annual reporting requirements and Board of Directors. Doing so removed the possibility of cross-subsidisation by other lines of business and made the cost of the service completely transparent to the shipping industry. The CEO of SAL is a member of the Board of Directors of SPS.

It is worth noting that, in the 5 years since SPS commenced providing the pilotage service, the increases in the pilotage charge totalled 12% (the last increase of 7% occurred on 1 December 2006 and included a fuel surcharge to be applied when the cost of diesel exceeds $1.00/litre ex. GST).

Pilotage is a non-contestable service in Sydney's ports, as it is in other NSW, Australian and international ports, predominantly because of the local knowledge component of a pilot's training. Compulsory pilotage is essentially a safety requirement and as such marine pilots undertake stringent and onerous training requirements to maintain their accreditation.

Currently, trainee pilots must possess a Master Mariner (formerly Master Class 1) qualification for 5 years and have at least 1 year in command of a commercial trading vessel in the last 4 years. Trainees proceed through 6 months of training to achieve a limited pilot's licence and 2 more years to obtain an unlimited pilot's licence. In order to achieve the status of check pilot (training supervisor), a pilot must have been an unlimited pilot for 5 years. Therefore, once established, a pilotage service becomes self-generating with no alternative source of training available to potential entrants.

With the reduction in the number of locally based shipping lines, there has been a consequent reduction in the number of Australian-based sea-going personnel, thus reducing a source of pilots. In addition, the pilot industry is characterised by an ageing workforce with restricted rejuvenation available through training – the result is a national and international shortage of marine pilots. Since incorporation of SPS in 2002, 12 of the original 18 pilots have retired, which has necessitated a significant recruitment program. SPS currently employs 18 pilots of average age 46. Of these, only 6 are qualified as check pilots able to supervise training. Pilots are highly trained and consequently highly paid. Salaries and wages constitute 70% of SPS' total operating costs.

3.4 Stevedores

The relationship between SPC and the stevedores, DP World and Patrick (Asciano), is that of landlord and tenant. SPC has no regulatory power in relation to the stevedores' operations at Port Botany. The only contractual arrangement between stevedores and SPC is through the existing leases, issued nearly thirty years ago, which state *"That the Lessee will do nothing within the demised premises to restrict free and full access and the movement of containers by road and rail to and from the demised premises during normal working hours PROVIDED that the lessee shall not be restricted from applying its normal operating rules to facilitate cargo handling."*

SPC's ability to dictate operational practices and performance measures to the stevedores or to enforce remedies is limited under the lease documentation. SPC possesses no powers under legislation to regulate port-related road or rail activity or at the interface with the stevedoring terminals. It cannot enforce changes in behaviour outside of the provisions within the lease.

3.5 SPC's Tenants

SPC owns a portfolio of 349 hectares of property at Sydney Harbour, Botany Bay, Enfield and Cooks River. SPC acts as a landlord, leasing its properties to private sector operators who provide the direct services involved in handling and storing cargo.

Land in Sydney and Port Botany is scarce and highly sought after. Therefore, it is expensive in relation to port land in other capital cities. Because of the significant capital cost to fit out and equip a port related development site, leases within the port have historically tended to be long term (20-25 years) in comparison to other industries (10-15 years). The existence of long term leases within a land-constrained port means that the release of port development sites to the market occurs on an infrequent basis.

When a site becomes available for lease, SPC offers the site to the market on a fully contestable and transparent basis. Sites are offered to the market through a competitive public tender process.

Examples of recent tenders for port property include:

- Expression for tenders for land at Molineux Point, 1998;
- Tenders for restaurants at the Overseas Passenger Terminal, 2000
- Expression of interest for land at Glebe Island/White Bay in 2001; and
- Expression of interest for land at White Bay Berth No 6 in 2003.

Public tenders are undertaken to ensure all of SPC's' probity obligations are met. In relation to major developments such as the Port Botany Expansion and Enfield Intermodal Logistics Centre (ILC), independent probity advisors have been or will be engaged to oversee the tender process.

Lease commencement rent is typically determined by the market through the competitive procurement process and operates in accordance with agreed lease terms.

SPC has also shown willingness to provide key infrastructure for the benefit of port users on occasions where the private sector is unwilling or unable to make the required long term investments. In such situations, Sydney Ports has responded to the needs of the market as part of its core business strategy by purchasing land for the benefit of current and future port users. For example, the purchase of Cooks River Rail Yard in October 2005 anticipated a growing requirement for empty container storage close to the port that is not being met by the private sector. The high land values near Port Botany make alternative, non-port uses far more attractive for return on investment purposes.

Even in this case, SPC does not and will not act as the operator of the site. Instead, it leases the land to a private operator in a similar manner to the leased wharves/port land.

3.6 Private Berth Operators

Private berth facilities are owned by Shell Australia Pty Ltd in Gore Bay and Caltex (Refining) Pty Ltd at Kurnell. Shell Australia owns its dry land at Gore Bay and leases wetland from NSW Maritime for its berths. Caltex, similarly, leases wetland from NSW Maritime for its berth in Botany Bay.

Ships (lines) calling to private berths pay scheduled Navigation Services and Pilotage Charges. On the basis that Sydney Ports provides no direct or indirect berth services to these customers, private berth owners do not pay wharfage. However, a Port Cargo Access Charge (PCAC)] is applied to all private berth owners under s. 52 of the PMAA 1995. This is a charge collected by the Port Corporations on behalf of the NSW Government.

3.7 Road and Rail Operations

Road

Road services are highly contestable. There are around 240 road carriers servicing container operations at Port Botany. These could be regarded as a disparate group, ranging from large carrier firms to the small owner-driver organisations. Even with this situation the top 20 carriers undertake more than 50% of the work. The fragmented industry means that at times the carriers have different requirements, different motivations and different operational flexibility.

Road transport accounts for 80% of the movement of containers at Port Botany or some 1.3 million TEUs per annum.

The present system for the container trucks to enter the stevedoring terminals at Port Botany is not working at an optimum level. The road carriers and freight forwarders believe that the stevedores implement the terminal access arrangements in a manner that does not take into account the needs or impacts on the wider industry, thereby potentially creating additional transport costs.

Logistics from the port could be improved through reforming the road access arrangements at the stevedores. This would help to remove real and perceived barriers for road carriers and allow for a better public policy outcome.

Sydney Ports Corporation has suggested some principles to guide the operation of such a system in its submission to the IPART inquiry. The IPART inquiry into landside operations at Port Botany is investigating this issue at present. The principles proposed by Sydney Ports Corporation in respect to road access are:

1) *Transparency* – the vehicle booking system operated by the tenant is open and applied in a consistent manner to all applicants;
2) *Fair and equitable outcomes* – the truck vehicle time slot allocation reflects the volume demand and vehicle booking system slots required and are appropriate for each applicant;

3) *Efficient operations* – the allocation of truck vehicle timeslots should be done in such a way as to drive efficient operational practices across the transport system; and
4) *Competitive advantage* – the tenant must not conduct itself in a discriminatory manner in the allocation of truck vehicle time slots at the terminals and such allocation must be on reasonable commercial terms.

Rail

Presently there are four rail operators servicing Port Botany – Patrick PortLink, Independent Rail of Australia, Southern & Silverton and Australian Railroad Group (a subsidiary of Queensland Rail). A number of changes in rail services to Port Botany from metropolitan Sydney and regional NSW in recent times reflect the increasingly competitive rail environment generated by open access requirements and privatisation of government rail freight operations over recent years. The current rail services servicing the port include the following operators:

- Macarthur Intermodal Shipping Terminal at Minto is using Independent Rail as its train provider for its Port Botany shuttle;
- Australian Railroad Group (QR National) is operating the Manildra Group's Manildra and Nowra rail services;
- Pacific National and QR National operate east coast interstate container services between Melbourne, Sydney and Brisbane;
- Patrick PortLink, Southern & Silverton and Independent Rail are servicing clients in the Central West, including Bathurst, Blayney, Dubbo, Forbes and Warren;
- Patrick PortLink, Southern & Silverton and Independent Rail are servicing clients in the North West, including Moree, Narrabri and Wee Waa;
- Mannway Intermodal Terminal at Villawood and Road Sea Rail Logistics at Leightonfield use Southern & Silverton as its rail operator for Port Botany shuttles.
- Patrick Logistics at Yennora and Camellia uses Patrick PortLink as its rail operator for Port Botany shuttles; and
- Maritime Container Services at Cooks River uses Independent Rail as its rail operator for Port Botany shuttles.

Rail volumes through Port Botany in 2006/07 increased to approximately 300,000 TEUs, an increase of around 10,000 TEUs from the previous year. The rail volumes for 2006/07 represent a rail mode share of 20% of all containers transported to and from Port Botany.

SPC supports the need for a transparent approach to managing rail operators that wish to service Port Botany. IPART is currently conducting an inquiry into landside operations at Port Botany including the rail interface with stevedores. Sydney Ports Corporation believes the following principles should guide rail access at Port Botany:

1. *Compatibility with rail paths* – the stevedores need to work with RailCorp/Australian Rail Track Corporation (ARTC) to ensure that the allocated rail windows at the terminals align with the rail paths to/from Port Botany;

2. *Open access* – the provisions of the stevedoring lease require open access to rail operators (the same principles of a truck vehicle booking system should be applicable to rail);

3. *Transparency* - the allocation process is open and applied in a consistent manner to all applicants;

4. *Fair and equitable outcomes* – the outcomes reflect the volume demand and train paths required and are appropriate for each applicant;

5. *Flexible to changing commercial positions* – the rail environment is in a state of flux and both new entrants and changes in rail cargo/service providers must be able to be accommodated in the short term and long term;

6. *Efficient operations* – the application of rail access should be done in such a way as to drive efficient operational practices across the rail transport chain; and

7. *Competitive advantage* – the allocation of access at the terminals should not be the source of competitive advantage between different rail operators.

<u>Operational Issues</u>

A Rail Operational Committee involving RailCorp, the stevedores, SPC and port rail operators meets on a weekly basis to examine train performance and resolve operational issues concerning the efficient movement of containers by rail into and out of the port.

However, SPC has a number of concerns regarding the limitation of the current arrangements that may lead to inefficiencies and additional transport costs for a number of industry parties. These include the following:

- The re-allocation processes for rail paths to the port and rail windows to the stevedores are not consistent. A rail operator applies to RailCorp and/or ARTC for a rail path to the port, generally aligned with a rail window at the stevedores. This rail path may be granted on a permanent or ad-hoc basis. If the rail operator keeps paying the rail path fee, it effectively 'owns' the rail path, whether used or not, and may be able to use it as a source of competitive advantage.

- A rail operator applies to the stevedores for a rail window (for cargo exchange for the train), generally compatible with the rail path. A rail operator, once they have obtained a stevedore rail window, may adjust trains and services to utilise this window. The rail operator effectively 'owns' the rail window while paying fees, whether the window is being fully utilised or not. Therefore this may become a source of (unfair) competitive advantage.

There is no transparent process to accommodate changes in rail paths and changes in rail windows. A one-to-one relationship between rail paths and stevedore rail windows should be a key element in the port rail logistics chain.

Strategies to Increase the Use of Freight Rail

The NSW Premier's announcement on 31 May 2007 of the NSW Government's plan to support the increase of freight on rail is most welcome, but it does focus attention on the necessity to improve rail performance servicing Port Botany.

Several studies and reports conducted by SPC and the NSW Government have indicated that there is a combination of infrastructure and operational improvements required in order to maximise the efficiency of transporting containers by rail and the capacity of the freight rail network to handle an increasing rail mode share of up to 40%.

This new port rail operating regime should encompass six main aspects :

(1) Improved rail siding capacity at the container terminals;

(2) Increased rail capacity at Botany rail yard;

(3) Expansion of the dedicated rail freight networks;

(4) Completion of the duplication of the rail track from Cooks River to Botany;

(5) Increased intermodal capacity; and

(6) Establishment of a Botany Rail Corridor Governance Council.

Sydney Ports Corporation is working with Government to progress these items through
the relevant agencies, and through the Port Botany Logistics Taskforce.

3.8 Government

As a SOC under the *State Owned Corporations Act (1995)*, SPC is subject to rigorous financial oversight by its Board of Directors and its Shareholding Ministers and the oversight of other matters by the Board of Directors and the Portfolio Minister. SPC, as a SOC, prepares an annual Statement of Corporate Intent (SCI) and Corporate Plan which are approved by the Board of Directors and the Shareholding Ministers (one of which is the NSW Treasurer). Annual reports and financial statements, audited by the NSW Auditor General, are prepared and issued publicly, on an annual basis. SPC agrees with its Shareholding Ministers, via the SCI, the financial targets that it will meet every financial year, including rates of return on its assets and dividend targets.

There are many Treasury Circulars, guidelines and policies, as well as relevant Premier's memoranda, which apply to the Corporation.

Also, SPC's' 'Projects of State Significance' are subject to the scrutiny of the full Budget Committee of Cabinet (BCC).

SPC understands there may be some industry concern that pricing increases are not utilised to improve or provide port facilities, but instead be applied to increasing the dividend paid to the NSW Government. SPC believes this concern is not justified.

SPC's dividend practice, which is the subject of annual negotiation and agreement between SPC and the NSW Government, is in line with commercial standards. More importantly, historical dividend payout ratios have enabled SPC to increase its level of retained earnings in preparation for the major infrastructure projects that the Corporation plans to fund e.g. the Port Botany Expansion.

SPC's investments form part of a wider strategy determined by the NSW Government for the overall logistics chain. The infrastructure development proposals sought by SPC are impacted by the broader considerations of the NSW Government.

4. SPC'S LEADERSHIP AND FACILITATOR ROLE

While SPC has no direct regulatory power, it is actively involved in working with port stakeholders to effect enhancements to logistics chain. SPC actively pursues a leadership role in discussions between the stevedores, road and rail operators. A port authority is in a unique position to influence, to some extent, the behaviour of key stakeholders even without any regulatory power.

SPC's involvement in landside activities is extensive, ranging from involvement in the ports strategic committee, the SPUCG; the port operational committee, the Sydney Ports Cargo Facilitation Committee; the rail committee; the Botany Rail Steering Group, the Sea Freight Council of NSW and the Australian Logistics Council. These forums have proved very successful in bringing together the relevant parties with an "independent and impartial" chair to consider operational impediments.

The stated objectives of the SPUCG are as follows:

- Provide a forum for senior members of the port community to address strategic issues;
- Serve as an informal advisory body to the Board of SPC on port needs and performance;
- Foster close relations among port users and between users and SPC;
- Promote Sydney's ports through joint communications on the Group's activities.

The Sydney Ports Cargo Facilitation Committee's business rules are as follows:

- Facilitate the efficient exchange of trade through the port at Sydney Harbour and Port Botany and other areas as required.

- Respond and anticipate to industry needs in resolving port operational problems and the interface with the land transport infrastructure servicing consignees and shippers.

- Work to improve communications and promote an understanding of operational procedures and practices between the shipping/transport industry and shippers/consignees.

- Provide a forum for discussion on port and inter-related industry matters.

- Give advice on matters related to shipping and transport operations.

The majority of work in landside logistics is the leadership and the liaison role with all parties in the logistics chain with the objective to improve port efficiency/and or overcome impediments in the transport chain. The parties involved include shipping companies, stevedores, road and rail operators, intermodal operators, freight forwarders and customs brokers, importers and exporters, industry bodies together with the Federal Government agencies of Customs, Australian Quarantine Inspection Services, ARTC, Department of Transport and Regional Services; and other NSW State Government organisations including Ministry of Transport, RailCorp, Roads & Traffic Authority, NSW Police, Department of State and Regional Development, NSW Maritime and the Department of Planning, as well as the relevant local councils.

To facilitate the efficient transfer and movement of trade within the port precincts, SPC also heavily invests in projects for which there is no direct financial return. For example, in recent years, SPC has invested $3m in the upgrade of Bumborah Point Road, Port Botany, a road which the Corporation does not own but which is a major transport link within the Port Botany precinct for the benefit of all port users in general.

5. PORT CHARGES

Port charges are determined under Section 51 and 52 of the PMAA (1995). Variation to port charges occurs with the approval of the Minister for Ports and Waterways. For the schedule of port charges, please refer to:

http://www.sydneyports.com.au/port_operations/port_charges.

SPC regularly reviews its charges to ensure they remain current and appropriate. Where there is a requirement for variations (increases or decreases) to current port charges, a recommendation is made to the Portfolio Minister only after a rigorous internal review process resulting in formal approval by SPC's Board of Directors. At no time can, or has, SPC unilaterally introduced or changed its port charges.

SPC's pricing structure is covered by Part 5 of the PMAA, of which there are five divisions. These are:

- Division 2 Navigation Service Charges
- Division 3 Pilotage Charges

- Division 4 Port Cargo Access Charges
- Division 5 Site Occupation Charges and Wharfage Charges; and
- Division 6 Berthing Charge

SPC maintains a current pricing policy which addresses Divisions 2, 4, 5, & 6 of the PMAA. The Division 2, Pilotage Charges, pricing policy is maintained separately by SPS.

Navigation Service Charge

The Navigation Service Charge (NSC) is levied to ensure the safe navigation of vessels in Sydney's ports, including the provision of the following services and facilities to vessels:

- Channels & Berthing Boxes (Maintenance Dredging)
- Hydrographical Surveys
- Navigation Aids
- Ports Operations (communications, traffic control and Integrated Vessel Surveillance System)
- Port Safety
- Port Security
- Emergency Response Service
- Environment Control (environmental protection and pollution control)
- Harbour Master's Duties and Responsibilities

All commercial vessels entering Sydney Harbour or Port Botany, including cargo and passenger vessels, piloted fishing vessels, research vessels and piloted tugs are required to pay a NSC on a non-discriminatory basis. NSCs are applied on the basis of the Gross Tonnage (GT) of the ship as the best indicator of its cargo carrying capacity. The NSC has not been adjusted since 1992 when it was increased to $0.429 (inclusive of GST) per gross tonne.

The Navigation Services Charge is a declared Government Monopoly Service charge under the Independent Pricing and Regulatory Tribunal Act (Part 4, Section 1) 1992. To date, there have been no grounds for IPART to consider or conduct an investigation of the Navigation Services Charge.

Similar ship based charges are applied in all international and Australian ports.

Wharfage and Site Occupation Charges

Wharfage and Site Occupation Charges are raised for the provision of some or all of the following services and facilities:

- Trade facilitation
- Transport co-ordination
- Infrastructure development
- Breakwaters & Revetment Walls
- Berth-specific dredging
- Wharf structure
- Serviced land

- Pavements and security fencing
- Utilities
- Berth Facilities
- Wharf and area patrol
- Wharf and area maintenance (where applicable)
- Port communications
- Port Security

Wharfage is applied to all cargo imported or exported through Sydney Harbour or Botany Bay (excluding cargo at Private Berths). Wharfage is applied to containerised cargo on the basis of a Twenty Foot Equivalent (TEU) basis. Non-containerised cargo is charged on a per revenue tonne basis. Wharfage is not applied to private berth owners on user pays principles as the port corporation does not provide any berth related services.

Similar cargo based charges are applied in all international and Australian ports.

Site Occupation
Site Occupation is payable for the time a vessel or its cargo occupies a common user or non-leased berth in Sydney Harbour or Port Botany, such as the Oversees or No 8 Darling Harbour Passenger Terminals, Bulk Liquids Berth or lay up berths at White Bay. These berths are available to all ships and rates are non-discriminatory.

Port Cargo Access Charge
The Port Cargo Access Charge (PCAC) is a charge on all cargo imported or exported from all NSW commercial ports, including private berth owners. It is applied under s. 56 of the PMAA Act and is payable is respect of port access for cargo at the interface between the vessel and land-based facilities for the purpose of stevedoring operations. It is collected by the port corporations as an agent on behalf of the NSW Government.

Pilotage Charges
Pilotage charges are applied under s. 53 of the PMAA. SPS currently levies the bulk of these charges on the basis of the gross tonnage of the ship. Pilotage charges are applied in a non-discriminatory manner to all commercial trading ships unless the Master has a Pilotage Exemption Certificate. All variations to pilotage charges must be approved by the Minister for Ports and Waterways.

Any pilotage price variations are communicated to shipping lines at least 2 months in advance of implementation to permit alteration of terms with their customers. Pilotage charts are applicable to all commercial vessels

In addition, SPC provides ‘value-add’ services for which no direct charge is applied. Examples include:

- The provision of an online booking system called ShIPS. This system allows for the electronic lodgement of manifests and Dangerous Goods notification, as well as online berth and ancillary services bookings. This system was developed and is maintained by SPC and continues to provide great economic and financial benefits to port users.
- The provision to industry, stakeholders and customers of a free trade statistics service provided by SPC, which supports/enables planning/forecasting processes.

With reference to Part 5 of the PMAA, SPC applies a 10-point test to determine the commercial value of all its charges. These are:

- Trade Maximisation: To provide incentives for maximising both trade and passenger throughput.
- Efficient Port Usage: To encourage the efficient use of port facilities and services with particular emphasis on managing cargo flow.
- Cost Minimisation: To minimise the cost of trade to port users.
- Competitive prices: To remain competitive with other Australian and international ports.
- Return on Assets: To seek the achievement of an appropriate rate of return on the value of the Corporation's investment.
- Full cost recovery: To recover the costs of providing facilities and services to port users.

- User Pays: To structure the pricing framework in order that port users have to pay port charges on the basis of the services used by them or provided for their benefit. The Corporation applies equitable prices for the same lines of business given the costs incurred in providing facilities and services.
- Simplicity: To structure prices so that they are clear, transparent, and easily explained, with fewer individual rates and simpler administrative procedures.
- Port User Satisfaction: To satisfy port users by applying a pricing policy that responds to their needs.
- Port Security: To provide the ports of Sydney with adequate port security measures.

5.1 Review and Approval Process

SPC undertakes regular formal reviews of its pricing policy, based on the above guidelines. SPC publishes a Schedule of Port Charges which is a current, public document identifying all of its port management charges (except leases).

In addition, where new variations to charging come into effect due to other legislative changes, such as *Maritime Transport and Offshore Facilities Security Act 2003*, or to changes to the landholding of the Corporation that affect the application of some/all charging divisions, the Pricing Policy and Port Pricing Schedule (a public document) is amended to reflect these new circumstances.

Changes to SPC's charges undergo a rigorous internal and external approval process to ensure that it satisfies the guiding considerations of SPC's pricing policy as well as the broader public good. Where new pricing or variations to existing pricing has been identified and analysed, SPC develops a full business case to demonstrate the purpose, need and justification of any variation to charges.

Business cases are presented to the CEO for consideration. This may lead to either further analysis and business case preparation for reconsideration, or abandonment. Where a business case is accepted in principle, it is then submitted to the SPC Board of Directors for consideration.

In addition, the CEO formally recommends the proposal to the Portfolio Minister, as has been the process for all the NSW port corporations since 1995. It is common for there to be further clarification of SPC's requirements which may be provided as additional briefing advice to the Portfolio Minister before a Ministerial decision to approve or not approve the proposed pricing changes is made. The Portfolio Minister has and may choose to apply conditions to an approval.

Once new charges are approved, SPC does not rush them to market, unannounced. The Corporation has pursued a practice of providing industry with at least two months formal notice of any variations to its charges prior to its introduction. In relation to industry communication, SPC has provided face-to-face advice on these variations as well as written advice to key stakeholders. In addition, SPC's Schedule of Port Charges is also updated and published simultaneously to allow industry the best possible preparation time for the new charges.

SPC considers that there has been no evidence, over 12 years of corporatisation, that the Portfolio Minister does not provide a sufficient check on port charges. This view is supported by the absence of any significant level of complaints from stakeholders about port charges and the reduction in revenues, in real terms per TEU. In these circumstances it is difficult to see that there is any commercial imperative for imposing the administrative and cost burden of introducing price monitoring on SPC's charges by an independent regulatory authority.

6. COMPETITIVENESS AND COMMERCIAL ASPECTS OF PORT CHARGES

6.1 Interstate Competition and Price Comparison

The three Australian East Coast port corporations derive most of their revenue from cargo-based charges, primarily wharfage. Comparative wharfage charges are shown in the following table:

Comparative East Coast Port Corporation Wharfage Charges [Cost per TEU ($) excluding GST][1]			
	Sydney[2] (2007/08)	**Brisbane[3] (2007/08)**	**Melbourne[4] (2007/08)**
Import	$81.50	$69.25	$35.50
Export	$46.50	$69.25	$35.50
Empty	$10.00	$15.45	$9.00
Transhipment	$15.00	$35.25	$17.75
Includes security charge of:	$1.50 (not applicable to empty charge)	$1.25	Cannot be separately identified

Notes:

1. All charges are current as at 1 September 2007.
2. For SPC, wharfage charges include the Port Cargo Access Charge (PCAC), which represents a charge applied by, and remitted to, the NSW Government.
3. Port of Brisbane Corporation's charge of $69.25 per TEU consists of harbour dues of $42.00/TEU, wharfage of $26.00/TEU and a security charge of $1.25/TEU.
4. Port of Melbourne Corporation has announced forthcoming price increases, which are expected to be of the order of $25.00 to $30.00/TEU, relating to its channel deepening project.

As can be seen from the table, in relation to market prices for wharfage vis-à-vis other major Australian ports, SPC's' wharfage on full container imports is currently higher than both Brisbane and Melbourne, whereas SPC's wharfage on full container exports is mid-range between Brisbane and Melbourne (being 31% higher than Melbourne and 33% lower than Brisbane). However, the interstate differentials for wharfage at any point in time are largely explained by where each port is in its investment cycle. Specifically, Melbourne will need to significantly increase its charges to fund a channel deepening project which has a capital cost estimate of over $600m.

SPC encourages and supports NSW exporters. SPC is the only major port in Australia to differentiate its import and export wharfage charges to the benefit of exporters.

Wharfage charges (exclusive of GST) in Brisbane and Melbourne are standard at $69.25/TEU and $35.50/TEU respectively for both imports and exports. SPC's charge at Port Botany on full container exports remains at $46.50/TEU (including the port security levy).

SPC is mindful that agricultural exports are more contestable than import trade. In an effort to encourage agricultural exports through Port Botany, particularly from areas such as the Riverina and North-west NSW, where land transport costs are generally similar for Melbourne/Sydney and Brisbane/Sydney respectively and exporters generally use the port that best meets their specific service needs.

6.2 Discussion in Relation to Recent Wharfage Increases

Consistent with the Ministerial approval, SPC announced on the 22 June 2007 that wharfage charges on overseas full import containers will increase by $20.00 per TEU (Twenty foot Equivalent Units) from $61.50 to $81.50 (excl GST) and a charge on all empty containers reinstated at $10.00 per TEU (excl GST) with effect from 1 September 2007.

The wharfage rate increases are required to support the funding of SPC's share of the infrastructure investment at Port Botany and for other increasing costs of port operations.

There was no increase to full export or transhipped containers and no change to wharfage charges for other commodities handled through Sydney Harbour or Port Botany (eg. Wharfage on Bulk Cargo and Bulk liquids).The proposed increases will be applied therefore to those port users who stand to gain the most benefit from the terminal expansion.

Since 1992, in real terms, SPC wharfage charges per TEU for imports have fallen by 62% (export wharfage charges have fallen by 55%). Inflation over the corresponding period has risen by 40%, equivalent to a compound annual growth rate of 2.3%. In fact, in September 1991, the wharfage charge for overseas import containers was $100/TEU which was reduced to $98/TEU in 1992, $65/TEU in 1993 and $60/TEU in 1995. Overseas export container wharfage charges were $60/TEU in 1991.

Wharfage is a charge for infrastructure and because investments are substantial and "lumpy" in nature, it is common for wharfage to have periods of stability followed by substantial rises.

The Port Botany Expansion delivers efficiency benefits and lower overall costs for importers and exporters. Access Economics (source: Port Botany Expansion EIS) estimated that port congestion costs, if the port were not to be expanded, would be between $75 to $100 per container by 2025 (or 4 to 5 times the wharfage price increase). In addition, economic evaluation of the project shows a very positive benefit/cost ratio.

Typically, imported containerised trade is in higher value commodities such as machinery, chemicals, manufactured and electrical goods, paper products, timber, food, beverages and tobacco. The wharfage charge is not significant relative to the value of the products within the container. SPC estimates the average 20 foot container would carry goods valued in excess of A$30,000. A $20.00 per TEU increase therefore represents 0.07% of the value of the imported goods.

Wharfage comprises a comparatively small component of the overall shipping and transportation cost. The $81.50 wharfage charge on full direct overseas import containers would add less than 3% to the total container transportation cost. For example the current total cost for a TEU from Shanghai to Western Sydney is approximately A$2,500 per container.

By comparison, the shipping industry regularly implements significant increases in price to reflect the availability of space on ships on specific routes. Shipping lines regularly introduce peak season surcharges of the order of $US250 to $US300.

Shipping rates have risen substantially in some cases by up to $800/TEU over the past 4 years. They also have sizeable variability, swinging by +/-$450/TEU within the space of a few months.

Since the primary driver for the Port Botany Expansion is growth in demand from overseas import containers, it is considered appropriate to weight the price increases towards that sector of the market. To exemplify, in the 5 years since 2001/02 full export container trade has increased 12% from 307,000 to 345,000 TEUs while full import container trade has increased 42% from 507,000 to 720,000 TEUs.

SPC has already invested significantly in progressing the Port Botany Expansion to its present stage. Approximately $10M has been spent to take the project from concept design, through Environment Assessment, EIS and to approval stage. This expenditure has been met from the normal operating budget of SPC.

The wharfage rate increases are partly necessary to assist SPC in meeting its debt servicing obligations, which will increase substantially in self-funding this critical new investment.

A significant increase in debt to part-fund the expansion will extend SPC to the limits of its debt capacity and its ability to retain its investment-grade credit rating. Maintenance of an investment-grade credit rating is a significant factor in overall cost of capital and SPC seeks to have commercially reasonable income streams to enable it to meet debt criteria and debt obligations.

During 2006, SPC undertook analysis using the Capital Asset Pricing Model principles and the Weighted Average Cost of Capital methodology in order to assess the proposed wharfage price increases. This analysis demonstrated that the proposed increases are justified on the basis that they are required to make an appropriate return on the capital employed, having regard to the risk profile of the organisation in the context of other comparable organisations, including regulated ports.

The wharfage rate increases are required to provide adequate funding to cater for SPC's share of the Port Botany Expansion project which will ensure sufficient port capacity to beyond 2030 as well as assist in funding the ever increasing port operating costs.

6.3 Discussion in Relation to the Re-introduction of a $10 per TEU Wharfage Charge on Empty Containers

The infrastructure demands of the port need to be funded and SPC believes it has arrived at a responsible charge mix. Transporting empty containers benefits from the same port infrastructure as the movement of full containers and ought to make a contribution to future port development needs.

The charge on empty containers was reduced on 1 January 1999 from $10 per TEU to nil. The decision to set the empty container rate at nil provided a significant benefit to shipping lines as the rate historically had been as high as $25 from 1 February 1995 and $10 per TEU from 1 July 1996.

The imbalance of trade between import and export containers to Port Botany has required increasing management of empty containers in recent years. Empty containers are more frequently exported and repositioned overseas to facilitate imports. At 26% of the port's container trade in 2005/6, empty containers require increasing management from a logistics perspective and represent an important part of SPC's business and the demand on capital infrastructure.

Between 2001/02 and 2005/06 empty containers have grown 95% (from 195,000 TEU to 380,000 TEU). This compares to 12% growth for full exports and 42% growth for full imports during the same period. This strong growth is due to the imbalance between import and export trade and results in an increasing need for port facilities.

SPC is reinstating the empty container wharfage charge at the same nominal rate, $10 per TEU, that was effective in 1999. In real terms, this represents a 28% reduction on the 1999 charge [1] .

During the eight years that the empty container rate has been set at nil, savings of over $24.7 million have been enjoyed by the shipping industry.

7. SPC's STRATEGIC DEVELOPMENT PLAN

To meet the foreshadowed trade growth requirements and the strategic direction of the NSW Government's Ports Growth Plan, SPC has a development strategy broadly comprised of the following key elements:

1. Expansion of Port Botany for future container and bulk liquids trade;
2. Establishment of an Intermodal Logistics Centre at Enfield, linked by existing dedicated freight rail to Port Botany and Glebe Island/White Bay, to facilitate the movement of containers and cargo;
3. Planning for a second bulk liquids berth at Port Botany; and
4. Continued operation of facilities in Sydney Harbour for non-containerised trade.

[1] Real cost reduction calculated over the period from 1998/99 to 2006/07.

7.1 Port Botany Expansion

Port Botany currently handles one third of Australia's container trade and generates $1.5 billion in economic activity. Between 1994/95 to 2004/05 the NSW economy grew steadily at a rate of 3.2% and Sydney's population grew at 1.1% pa. Over the same period container trade has been averaging 7.6% per annum.

Projections show Sydney can expect continued strong growth in container trade of between 5-6% per annum. Additional container handling facilities are required to service the growing consumer market in Sydney and secure the sustained and ongoing growth of the NSW economy.

In the financial year 2006/07 Sydney's ports handled 1.62 million TEUs, a 12.1 per cent increase over the previous year.

SPC will expand Port Botany to significantly increase its container handling facilities to provide the flexibility to accommodate new stevedoring operators and provide adequate capacity to cater for the longer term container trade growth. Key features of the Port Botany Expansion are:

- a new container terminal with approximately 63 ha of land extending approximately 550m west and 1,300m south of the existing container terminal currently leased to Patrick Corporation;
- approximately 1,850m of additional wharf face with five new shipping berths;
- dredging to create channels and berth boxes and provide approximately 7.5 million cubic metres of fill material;
- dedicated road and rail access; and
- reclamation adjacent to Foreshore Road to create a tug and support vessel berth facility.

SPC received approval in May 2006 to proceed with the expansion of the Port Botany container terminal by way of a 'Design and Construct' (D&C) contract for construction of the basic terminal infrastructure. Two prospective D&C contractors have been short-listed and were announced by the Minister for Ports and Waterways in December 2006 as being:

- Leighton Contractors/Van Oord Joint Venture; and
- Baulderstone Hornibrook/Jan De Nul Joint Venture.

Tenders for the final Design & Construction contract closed on 14 August 2007 with a contract expected to be awarded toward the end of 2007. Reclamation and construction of the facility is expected to commence early 2008, with a completion/commissioning target of mid 2011 for hand-over to the successful terminal operator to complete "fit-out" in time for a scheduled commencement of operations by late 2011, early 2012.

The key aspects of the D&C / Landlord delivery strategy are:

- Retain Government control over strategic port assets.
- Facilitate an integrated, whole of Government, approach to the port and its

supporting infrastructure.

- o Facilitate competition.
- o The D&C / Landlord model will enable SPC to apply a consistent wharfage pricing structure across all three terminals.

Under the D&C / Landlord model, SPC will fund the construction costs associated with the project. This will enable SPC to deliver basic terminal sub-structure including dredging, reclamation, wharves and terminal area to deck level, (including crane-rail foundations), drainage, external road and rail linkages as well as all environmental and community enhancement works.

A probity auditor has been engaged and provides procurement and probity expertise and guidance to ensure that the project tender and procurement processes are fair, transparent, practical and robust. The probity auditor will continue to review the project procurement policies and processes and audit the implementation of these policies and procedures.

The terminal has been designed to support a whole-of-Government and industry approach toward optimal operation and efficiency, particularly in relation to increasing the volume of container moving to and from the port by rail to the target of 40 per cent.

7.1.1 Third Terminal Operator

SPC is cognisant of the need to ensure both the integrity of the tender process and the need to elicit the most competitive bids.

SPC believes that the key commercial terms of the lease and operational arrangements for the third terminal (including rental payments and term) should be subject to the full competitive impact of market forces via a transparent competitive tender.

SPC supports the use of multiple selection criteria. The final tender process remains to be finalised.

7.2 Proposed Enfield Intermodal Logistics Centre

SPC purchased the Enfield Marshalling Yards in 2000 at a cost of $48M recognizing the significance of the site as a future inland port or intermodal terminal.

SPC has a strategy to manage the growth of containers being moved through Port Botany which includes supporting the NSW Government's target of moving 40% of the containers by rail by 2012. The NSW Ports Freight Plan announced by the Minister for Infrastructure, Planning and Natural Resources in December 2004 set the stage for progression of this strategy.

A Development Application (DA) for development of the Enfield Intermodal Logistics Centre (ILC) was lodged with the Minister for Planning in December 2005 and an Independent Panel has provided a report to the NSW Department of Planning. Subsequently, discussions were initiated between the NSW Government and the

Commonwealth Government regarding the development of an intermodal terminal at the ex-Defence site at Moorebank.

The proposed Enfield ILC project encompasses the development, design and construction of the basic infrastructure required to convert a 60 hectare 'brownfield' site, sufficient for tenant occupation and development of the following subdivided sites – Intermodal Terminal, Empty Container Storage, Warehousing and Light Industrial/Commercial and associated works, including rehabilitation of a 6 hectare ecological area.

The Enfield ILC will be a vital element in a network of intermodal facilities across Sydney, enabling the efficient transfer of containers from road to rail for transport by freight train to and from Port Botany.

On 31 May 2007, the NSW Government announced its new Freight Initiative which is designed to streamline trade through the expanded Port Botany. The Freight Initiative, inter alia, endorses plans to establish new intermodal freight terminals at Moorebank subject to discussions with the Commonwealth and Enfield.

Planning approval for the Enfield ILC was granted by the NSW Government on 6 September 2007.

The Enfield ILC will provide an opportunity to deliver containers via a dedicated freight line closer to the market, reducing the number of trucks of roads. Proximity to the market will also reduce truck travelling times.

7.3 Proposed Second Bulk Liquids Berth

The existing Bulk Liquids Berth (BLB), located at the southern end of Brotherson Dock, was the first facility to be commissioned in the construction of the original port facilities at Port Botany. Commissioned in 1979, the BLB was designed to handle a variety of bulk liquid products and to operate as a common-user facility.

The product mix moving across the BLB can be broken down into three key product groupings:

- Hydrocarbons, such as LPG and olefins;
- Chemical products, such as organic chemicals and caustic soda; and
- Petroleum products, such as petroleum, diesel, naptha and jet fuel.

Demand for these products continues to grow and, in order to cater for this, tank farm operator Vopak Terminals (Australia) Pty Ltd (Vopak) has constructed additional tank storage capacity and has development approval for additional tank storage which will effectively triple the existing storage capacity for refined products.

Additional tank storage operations will drive additional trade volume through the BLB. To this end, SPC is seeking to provide planning certainty in anticipation of the need for a second BLB which, based on current product throughput projections, could arise as early as 2009.

Accordingly, SPC has commissioned Vopak to prepare an EA and submit a DA in accordance with SPC's requirements for the proposed second BLB at Port Botany for lodgement in the fourth quarter of 2007.

7.4 Empty Container Parks

SPC identified the Cooks River Rail Yard site as strategic to future port use and purchased the site in October 2005 for $35m in anticipation of growing demand for empty container parks.

Cooks River Rail Yard is a 17 hectare site used predominantly as an empty container terminal, but located within the dedicated Botany/Enfield rail-freight corridor, providing shipping lines with a rail-based empty container site from which containers can be sourced for key exports from regional NSW areas. The site also provides the opportunity to move empty container in “stack-runs” to the container terminals for empty export shipment.

Every import container becomes an empty container so the provision of sufficient empty depot capacity is fundamental to an efficient supply chain. Container parks are low-margin businesses. Revenue per container is low and therefore container parks require high volumes to generate an adequate return on investment. However, once they exceed operational capacity levels, which are 70% - 80% of stated capacity currently, efficiency problems such as truck turnaround delays occur.

8. CONCLUSION

SPC believes that the current NSW port regulatory framework, legislation and structure, in conjunction with the goals and objectives of the corporation, ensure consistency with the relevant principles set out in the Competition and Infrastructure Reform Agreement (CIRA), and therefore, further economic regulation of the activities of the Corporation are not warranted.

Appendix 1 – SPC-owned Facilities in Sydney Harbour

- Darling Harbour Berths 3 to 7 - providing some 965 metres of quay line and 17 hectares of terminal area. Designed to accommodate a range of container, general and break-bulk, roll-on/roll-off motor vehicle imports and dry-bulk cargoes, Darling Harbour Berths 3 to 7 will be decommissioned for commercial freight use in October 2007. Under the NSW Ports Growth Plan of 2003, those cargoes handled at these facilities will be transferred to Port Kembla during early 2008.

- White Bay Berths 2 to 6 - providing some 1,119 metres of quay line and 14.2 hectares of terminal area. Previously handling a similar range of cargoes to Darling Harbour Berths 3 to 7, White Bay Berths 2 to 6 saw most of that cargo transfer to Darling Harbour from late 2003. Current activities include receival of parcel tanker loads of vegetable oils and lubricating oils for local delivery, as well as over-flow motor vehicle storage. Future uses of these facilities for maritime purposes are subject to an ongoing planning process.

- Glebe Island Berths 1 and 2 – 468 metres quay line and 12.3 hectares of terminal land. Originally developed as one of Sydney's early container terminals, Glebe Island 1 & 2 has operated as a dedicated motor-vehicle import and processing facility for some 15 years. In line with the NSW Ports Growth Plan of 2003, the motor vehicle import trade will transfer its operations from Glebe Island to Port Kembla at or around September 2008.

- Glebe Island Berths 7 and 8 – with 349 metres of quay line, Glebe island Berths 7 and 8 are common-user bulk dry cargo discharge facilities serving dedicated storage silos owned by SPC and leased separately to Cement Australia Ltd, Sugar Australia Ltd and Gypsum Resources Australia Ltd.

Sydney Harbour is also a leading destination and base-port for cruise shipping, with two dedicated passenger vessel berths and terminal facilities located at the Overseas Passenger Terminal at Circular Quay and at Darling Harbour Wharf 8, both owned and managed by SPC.

Private facilities in Sydney Harbour are:

- Blackwattle Bay – 120 metres of quay line, Blackwattle Bay has a marine berth owned operated by Hanson Australia Pty Ltd for the discharge and storage of bulk aggregates.

- Gore Bay Terminal – owned and operated by Shell Australia, the Gore Bay Terminal with two wharves and 25 hectares of land is used for the import and storage of oil products, mostly crude oil destined for the Shell Oil Refinery at Clyde in Sydney's west.

Appendix 2 – SPC-owned facilities in Port Botany

Located some 12 kilometres from Sydney's Central Business District, Port Botany, on the northern side of Botany Bay, was developed as a major port complex in the late 1970s. On the southern side of the bay are berths to serve the oil refinery at Kurnell has been developed as a major port complex, predominantly serving the container and bulk liquids trades.

The port facilities at Port Botany consist of two container shipping terminals, complemented by support business with direct access to road and rail networks. Port Botany also hosts a common-user bulk liquids berth and supporting storage and distribution facilities.

On the opposite, south side of Botany Bay, Caltex Australia operates a privately owned jetty with two berths and a multi-buoy mooring, primarily for crude oil imports, as well as other petrochemical products, serving the nearby Caltex Oil Refinery,

SPC-owned facilities at Port Botany are:

- Brotherson Dock North – operated by Patrick Stevedores, berths 1, 2 & 3 have a quay line of 1,006 metres with a depth range from 14.2 to 14.9 metres. The Patrick terminal has a total area of 46.3 hectares and operates 24-hours a day, seven day a week. The Patrick terminal is currently equipped with 8 quay-cranes and employs a straddle-carrier terminal operation. Patrick has recently installed five new Rail Mounted Gantries to facilitate the transfer of containers to trucks and rail, which will be commissioned in the near future. The site is accessible by truck via Pehrhyn Road and via rail by two 600 metre rail sidings.

  Brotherson Dock South – operated by DP World, berths 4,5 & 6 have a quayline of 936 metres with a depth range from 14.0 to 14.8 metres. The DPW terminal has a total area of 38.6 hectares and operates 24-hours a day, seven day a week. The DPW terminal is currently equipped with 7 quay-cranes and employs a Rubber-Tyre Gantry terminal operation. The site is accessible by truck via Friendship Road and also has three 350 rail sidings (two currently operational) to service rail operations.

- Port Botany Freight Station (4 Bumborah Point Road) – operated by P&O TransAustralia, Port Botany Freight Station, located adjacent to the DP World container terminal, is a 7.1 hectare site providing a range of container related activities including pack/unpack, storage handling and distribution including some 13,000 square metres of warehousing and storage capacity for 5,000 TEUs.

- Patrick Logistics "Botany Park" (60 Friendship Road) – operated by the Patrick Group, located on the southern side of Brotherson Dock, is a 6.5 hectare site specialising in empty container storage, handling and repair. The facility has storage capacity for some 4,000 TEUs.

- Patrick Logistics “Botany Depot” (55 Friendship Road) – also operated by the Patrick Group, is located on the southern side of Brotherson Dock, is a 5.0 hectare site catering for LCL pack and unpack with some 1.5 hectares of the site dedicated to warehouse storage.

- Austate Warehouse facility – located at Molineux Point at the southern tip of the Port Botany precinct, Austate occupies a 10 hectare site incorporating some 31,000 square metres of warehousing for container pack/unpack, storage, handling and distribution. Austate has a storage capacity for some 850 TEUs and connected by road to the port estate.

- Vopak – currently leases three sites from SPC. Site A at 49 Friendship Road is 4.1 hectare has 36,000 cubic metre of storage capacity and is used for chemical storage. Fuels are stored at Site B at 20 Friendship Road which is 6.0 hectares and has 100,000 cubic metre of storage capacity. Additional capacity is planned for an adjacent site at 1-9 Friendship Road which is 2.5 hectares.

- Origin (47 Friendship Road) – the Origin Energy Terminal has a (pressure) capacity of 4,500 tonnes LPG in 18 sand-moulded tanks. The Terminal is a major supplier of high-purity aerosol-grade LPG propellant to the Sydney market and which it services with dedicated equipment and a truck fleet. LPG is discharged through the Port Botany common user Bulk Liquids Berth and piped to the site. Total terminal area is 3.78 hectares.

- Terminals facility – located at Friendship Road has 65 bulk liquid storage tanks with a 53,000 cubic metre capacity and provides bulk liquid storage, handling and repackaging services, import and export shipping of hazardous and non-hazardous liquid chemicals. The total terminal area is around 7.1 hectares.

- Warehouse Solutions – located at 11 Bumborah Road provides warehousing and distribution services to importing and exporting companies. There is around 16,000m2 of storage capacity on a terminal site of 3.5 hectares.

- Elgas – located at 30 Bumborah Road comprises a 65,000 tonnes storage cavern for high purity propane (LPG) in a purpose-built unlined rock cavern. There are three road tankers loading bays with two catering for B doubles. Total terminal area is 7.1 hectares.

- Orica – located at 39 Friendship Road, has three storage tanks with a combined storage capacity of 28,800 cubic metres for imported refrigerated propane, butane and ethylene. Total terminal area is 7.25 hectares.

- Bulk Liquids Berth (BLB) at Charlotte Road is a common user berth servicing the discharge and load requirements of the petrochemicals industry in NSW. The BLB comprises a piled approach roadway and pipeline support structure with “T” head mooring and berthing dolphins. It can accommodate vessels up to 75,000 tonnes and an LOA of 243 metres and a berth depth of 18.3 metres.

More than 110 hectares of additional port land has been acquired by SPC since it was corporatised in 1995, taking the total land-holding to 348.9 hectares.