

Wednesday 3 June 2009

Port Botany Landside Improvement Strategy – 4th Industry Briefing

Presentation by

Lachlan Benson, Executive General Manager, Industry Relations
Sydney Ports Corporation

We welcome your feedback on the Peak Period Pricing presentations via email across June:
landsideimprovement@sydneyports.com.au

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Port Botany Rail Update

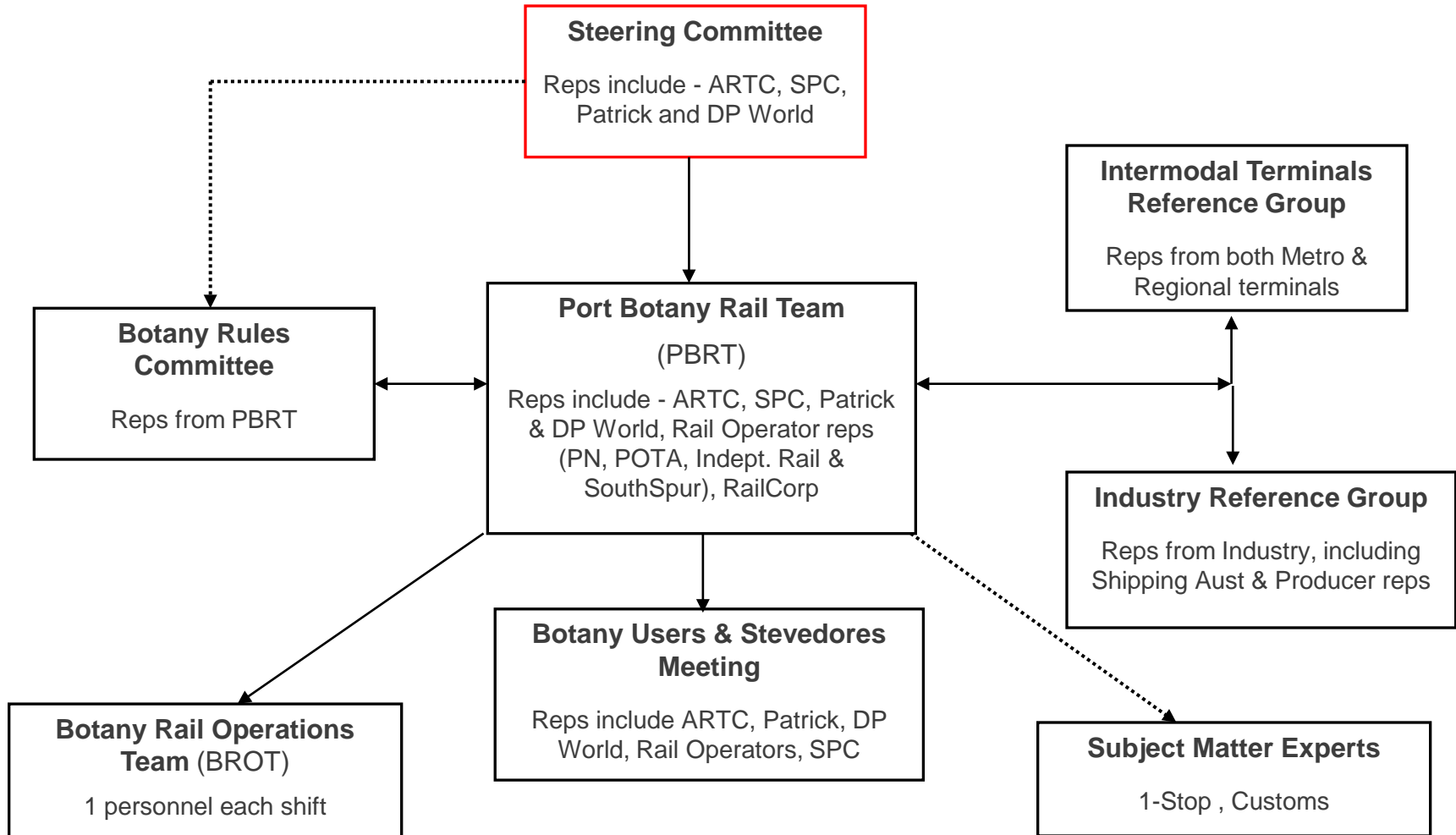
Presentation by

Arthur Smith
Sydney Ports Corporation

Work Completed

1. PBRT Structure formalised and functional
2. Performance Reporting agreed and available on-line
3. Botany Yard Protocol issued
4. PBRT Rail Website operational
5. Initial review of Train pathing undertaken

Rail Supply Chain Management Structure



Section Menu

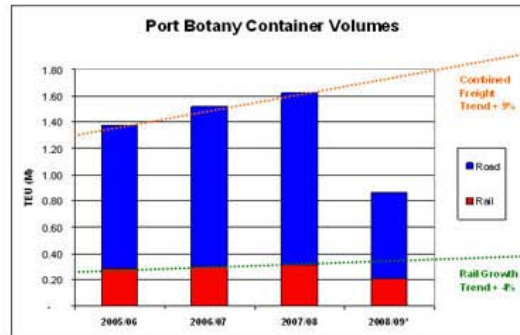
Landside Improvement

- Project Background
- Performance Reports
 - Industry Trial 1 (16 Feb - 1 Mar)
 - Industry Trial 2 (13 Apr - 26 Apr)
 - November Data Collection
 - Daily Terminal Operational Reports
 - Port Rail Volumes
 - Road Taskforce
 - Rail Team
 - Industry Briefings
 - Questions & Feedback
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Port Rail Performance Reports

Current Performance (Updated Quarterly)



	% Rail	% Road	Total TEU (M)
2005/06	21.0%	79.0%	1.37
2006/07	19.6%	80.4%	1.52
2007/08	19.1%	80.9%	1.62
2008/09*	24.0%	76.0%	0.86

* ytd Dec 08

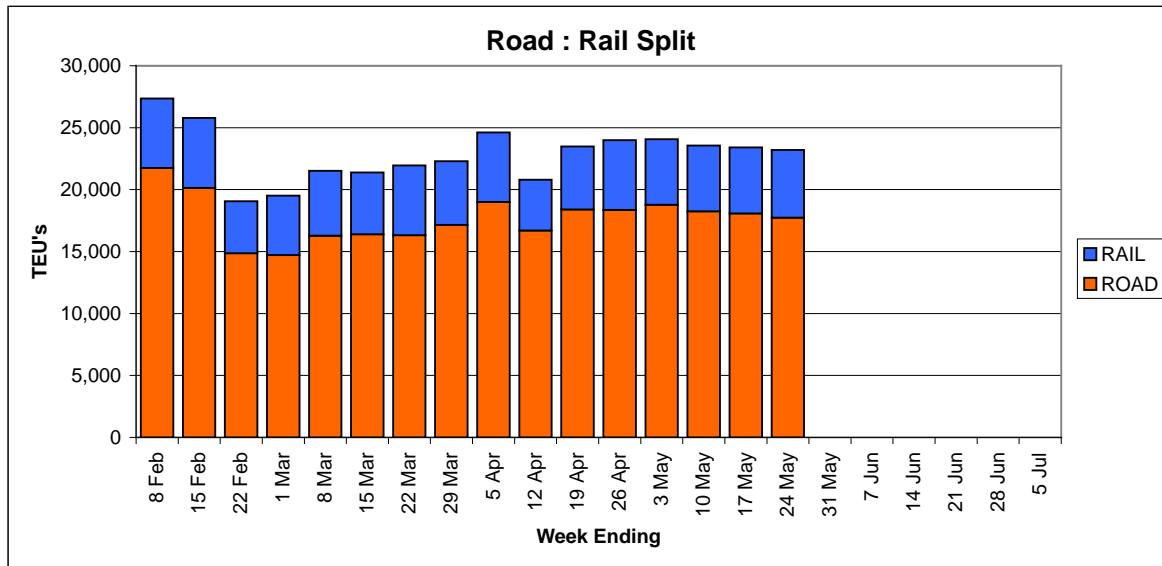
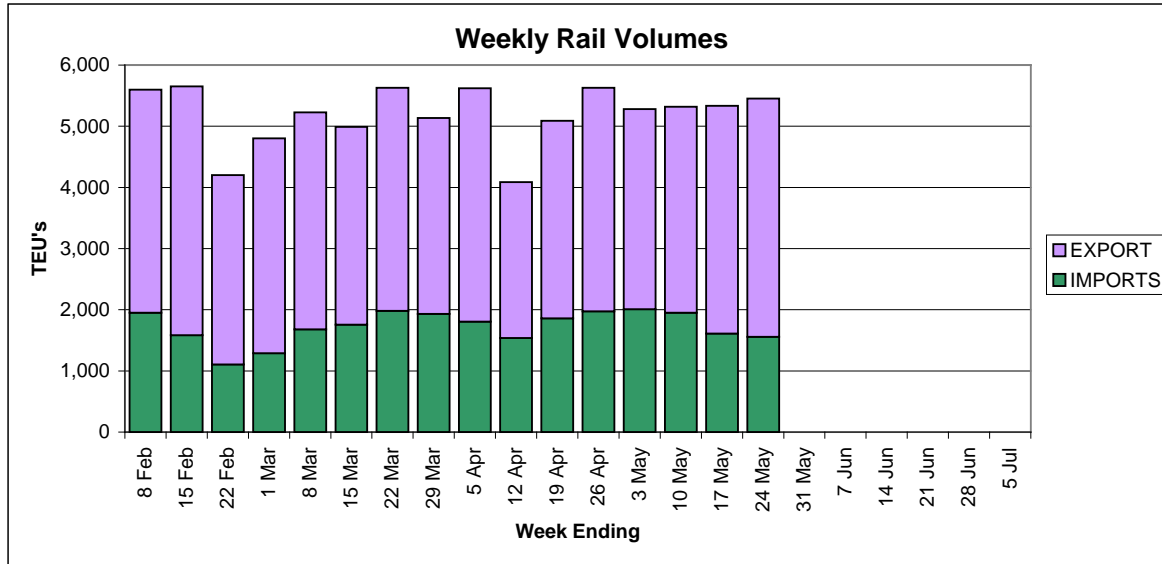
Note: Trans-shipments are excluded from the above freight volumes.

3-Month Rolling Average Volume Reports

-  Rail Performance Report Month-1
-  Rail Performance Report Month-2
-  Rail Performance Report Month-3

Weekly Rail Freight Volumes Performance Reports

-  Week 1
-  Week 2
-  Week 3



*Note: Above excludes transshipment volumes

Botany Yard Protocol

Objective - To provide reliable turnaround of shuttles at the port

Principals that apply are:

- Healthy Trains have precedent
- ARTC maintain control of Botany Yard train movements
- Trains to target windows into terminals
- Completed trains to promptly depart ports

Supply Chain Improvement Strategy

A program of initiatives that will improve the efficiency of the operation

Objectives:

- To achieve the repeatable train working required to provide access for the maximum number of containers to be moved
- Initiatives to provide for delivery of the shuttles to the rail system to agreed pathing access
- Appropriate train utilisation levels
- Industry agreed protocols and procedures for the prioritisation of terminal access

The Development of Supply Chain Rules

Operational performance monitoring needs to be in place before rules can be Applied.

Progress:

- Development of the Supply chain performance reporting underway
 - Rail volumes (Annual, weekly & 3 monthly) = available on Website
 - Train On-Time Running (OTR) = for selected locations, available from next month
- Develop procedures- underway at the Port/Rail Interface
- Next Steps
 - Develop protocols-as above
 - Develop and implement rules
- The same will be required to be repeated across the entire supply chain

600m Shuttles

Background:

- Recommendation from FIAB report 2005

Objectives:

- More efficient supply chain – removes shunting time, improves safety and increases yard capacity

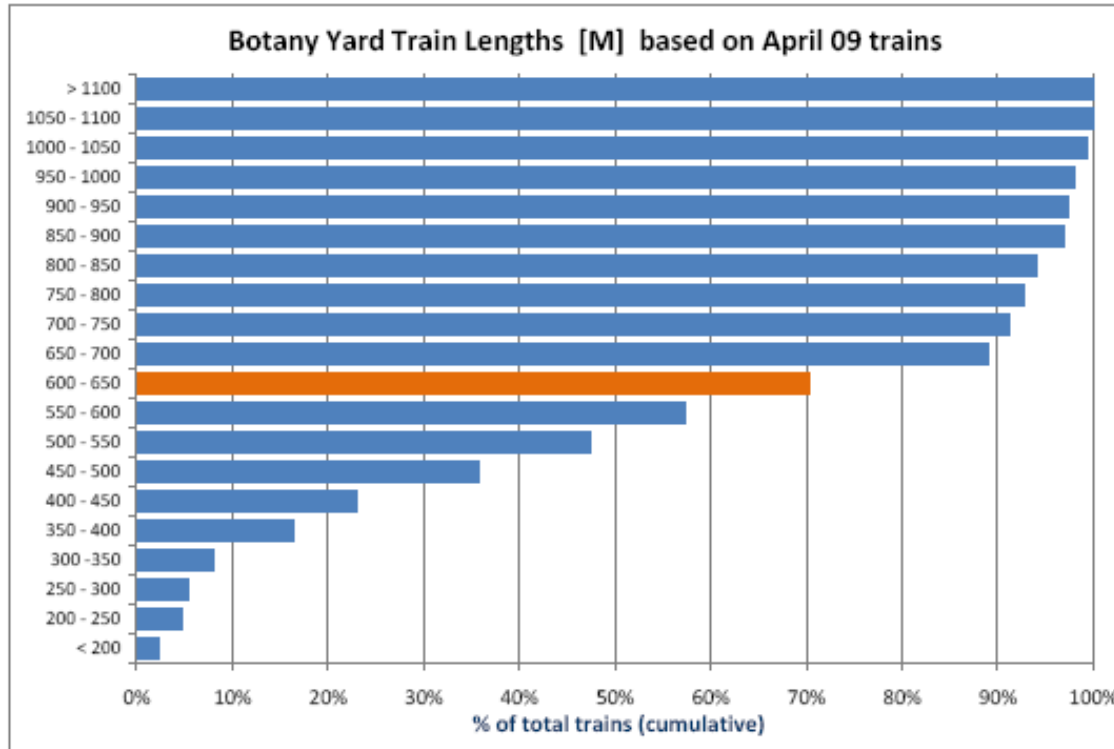
Current Position:

- ARTC Botany Yard upgrade works about to commence
 - First stage – trackwork infrastructure (based on 600m trains)
 - 2nd Stage – signalling works

Issues being discussed in PBRT:

- 600m sidings
- Staging areas

600m Shuttles



Arrivals Length	No. in range	Cul %
< 200	7	2.3%
200 - 250	7	4.7%
250 - 300	2	5.4%
300 - 350	8	8.0%
350 - 400	25	16.4%
400 - 450	20	23.1%
450 - 500	38	35.8%
500 - 550	35	47.5%
550 - 600	29	57.2%
600 - 650	39	70.2%
650 - 700	56	89.0%
700 - 750	7	91.3%
750 - 800	4	92.6%
800 - 850	4	94.0%
850 - 900	9	97.0%
900 - 950	1	97.3%
950 - 1000	2	98.0%
1000 - 1050	4	99.3%
1050 - 1100	2	100.0%
> 1100	0	100.0%
Total #	299	

- 70% of trains fit the standard (600-650m)
- 90% of trains are within 50m of the standard

Shipping Lines – Rail Administration Charge

Currently a number of shipping lines charge \$10-\$55 per box for rail designated containers

- The PBRT sees this as disadvantageous to Rail, and
- The PBRT would like this charge removed

Next Steps:

- Enhancing the Performance Monitoring Regime
- Commencement of Botany Yard upgrade
- Implementation of Supply Chain Improvement Strategy
- Development of Business Rules

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Port Road Taskforce Update

Presentation by

Mark Ripka, General Manager, Trade & Logistics
Sydney Ports Corporation

Scope and Period of Trial 2

Similar to Trial 1, the scope of Trial 2 was to collect operational data at Port Botany, with the aim of validating and forming a baseline for the agreed performance indicators

The following list of performance indicators were monitored:

Trial 1

- VBS Slot Availability & Utilisation
- Late Arrivals & Early Arrivals
- No Shows
- Truck Turnaround Time
- Dual Slots
- Container Dwell Time
- Electronic Processing
- Industry Communications
- Empty Container Parks
- Customs

Trial 2 (in addition to Trial 1)

- Stack Runs – Empty and full
- Random Trucks (Trucks with no bookings)
- Job Complete to Out Gate Time
- Empty Container Parks (queues etc)
- Dual running
- Customs

The Trial was conducted between April 13 to April 26 2009 inclusive.

Trial Methodology: Sample Size

The Trial analysed approximately 94.5% of the trucks reported by both terminals, slightly improved from Trial 1 (92.8%) despite a higher volume in truck traffic.

The other 5.5% of trucks had to be excluded due to incomplete data caused by either the stevedores' systems or by the manual process used to capture additional data points currently not recorded by the terminals.

	DPW	Patrick	Overall
Total trucks recorded	7,462	8,084	15,546
Total Trucks Analysed	6,776	7,915	14,691
% of Sample Size	90.8%	97.9%	94.5%

Summary of Analysis (1/4)

	Trial 2	Trial 1
Total Trucks	15,546 trucks recorded	11,510 trucks recorded
Slot Availability	24,287	26,018
TTT (Queue Arrival to Out Gate)	Average 52.5 mins	Average 40 – 45 mins
Achievement of Service Timeframe	75 – 76%	83 – 87%

Summary of Analysis (2/4)

	Trial 2	Trial 1
Job Complete to Out Gate	7 – 7.5 minutes	Not Analysed
Truck Arrival	85% within timeframe 3% arrived early 7% arrived late	81% within timeframe 9% arrived early 4% arrived late
Electronic Processing	41% processed through paperless system	40% processed through paperless system

Summary of Analysis (3/4)

	Trial 2	Trial 1
Random Trucks (trucks with no bookings)	5% arrived with no bookings	5% arrived with no bookings
Dual Slots	62.7% of the total possible	58% of the total possible
Container Dwell Time	5% import containers left 3 days	5% import containers left 3 days
Empty Container Park Utilisation	61% of total operating capacity of 8 participating container parks were utilised	65% of total operating capacity of 8 participating container parks were utilised

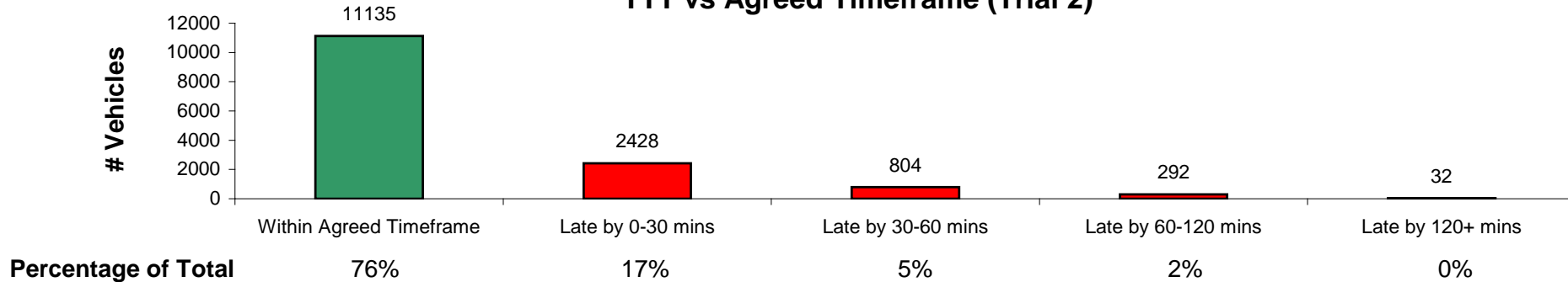
Summary of Analysis (4/4)

	Trial 2	Trial 1
TTT at Empty Container Parks	16 minutes per truck (average)	Not recorded
Stack Runs	> 50% of stack runs at DP World were scheduled during day shift Patrick, evenly distributed throughout the day	Not recorded
AQIS	0.2% of trucks were sent away by AQIS for off-site cleaning	Not recorded

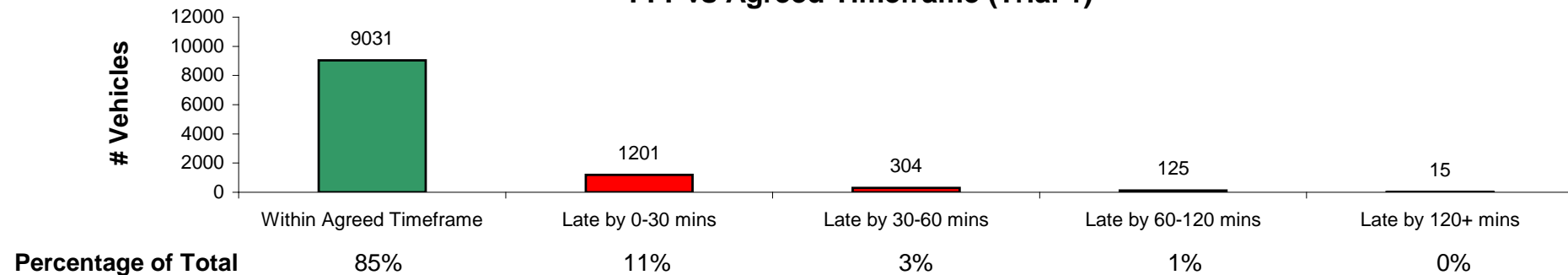
... and negatively impacted terminal capacity to process trucks within the trialled timeframe

During Trial 2, the terminal processed 76% of trucks within trialled timeframe, compared to 85% in Trial 1, under the same timeframe.

TTT vs Agreed Timeframe (Trial 2)



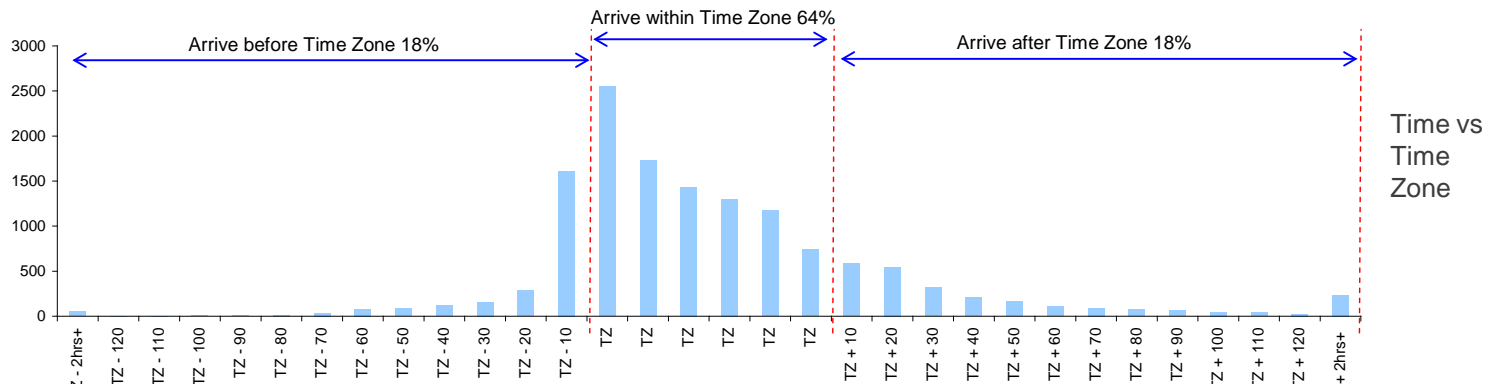
TTT vs Agreed Timeframe (Trial 1)



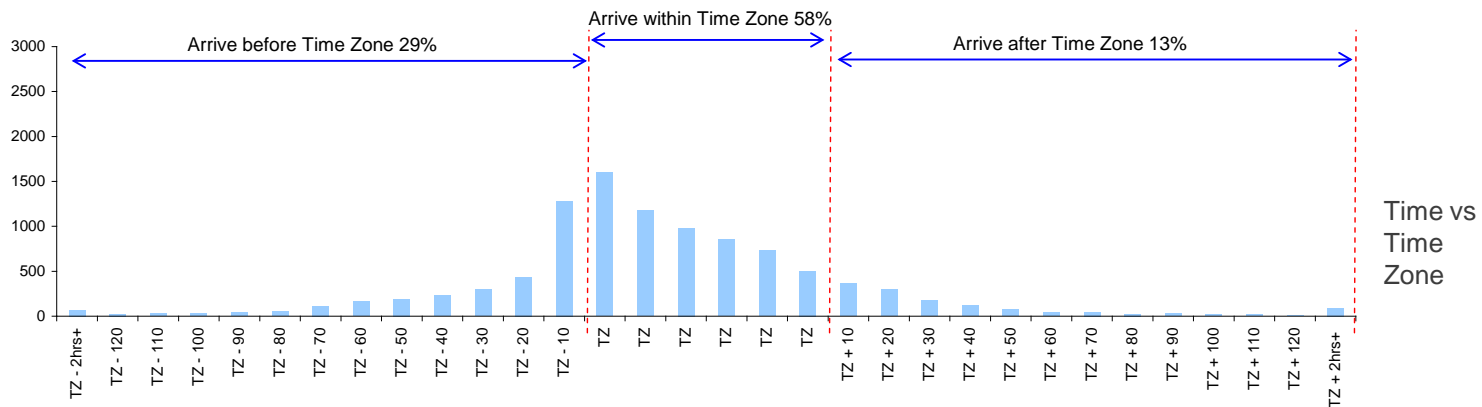
Truck arrivals within booked time zone improved from Trial 1

(due to managing trucks that arrive too early at gate)

Truck Arrival Distribution at Trial 2



Truck Arrival Distribution at Trial 1



Trial Wrap-up

- Full results on the Sydney Ports' website
- Overall both trials have been very worthwhile
 - Large amount of data was collected
 - Provided a unique opportunity to gain insight into Port Botany operations
- Sydney Ports received full support and corporation from different stakeholders who provided daily operational data critical to the success of these trials
- Thank you to all who participated

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Peak Period Pricing

Presentation by

Mark Ripka, General Manager, Trade & Logistics
Sydney Ports Corporation

Contents

- **Program Background**
- Approach to Pricing
- Solution Operation and Implementation Timetable
- Incentive Scheme
- Peak Period Price

Port Botany Roadside Problems Faced Today

- Unpredictable servicing of trucks
 - Under utilisation of port capacity during off-peak periods
-
- Many opportunities to improve efficiency
 - Lack of transparency in data / information
-
- Predicted increase in trade volumes (in mid to long term)
 - Road congestion during daily peak periods

Current operation is lacking:



Consistency & Efficiency

Transparency

24 x 7 operations

Agreed Vision for Port Botany Roadside Reform

To improve the road side logistics of Port Botany's container terminals by reducing road congestion and promoting more predictable landside service by stevedores. This will achieve efficiencies across the broader logistics chain and reduce the total cost of operations.

Achieved by:

- Performance Management Framework
- Creation of an infrastructure improvement fund
- Reforming the business rules for terminal access
- Peak Period Price

Improving:

Consistency & Efficiency

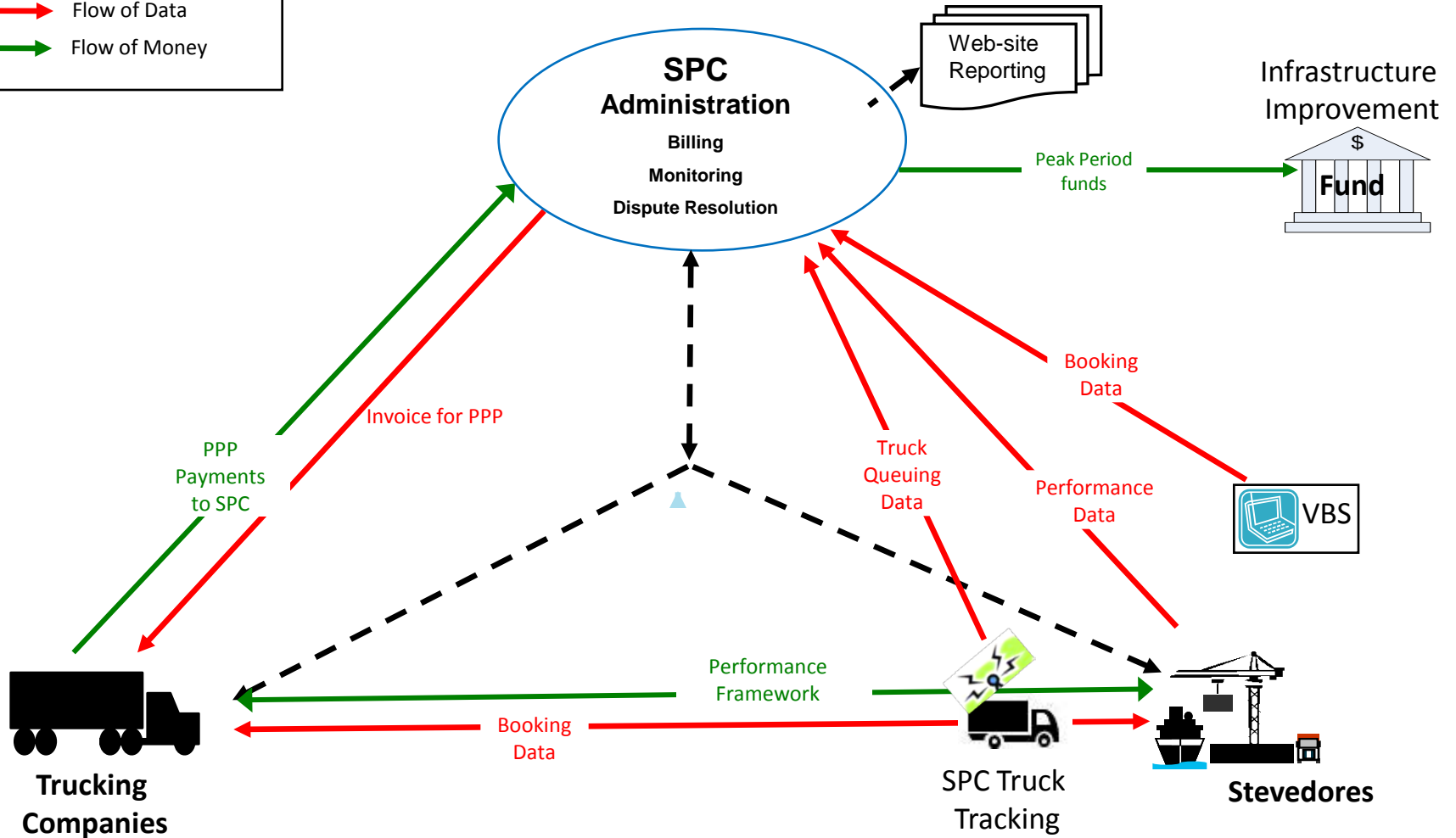
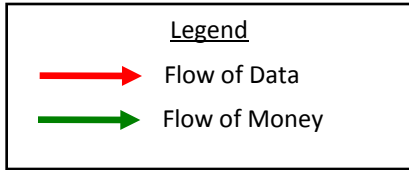
Transparency

24 x 7 operations

Resulting in:

- Avoidance of detention charges from truck queues & reduced costs
- Greater certainty of access to port terminals for carriers
- Reforming port terminal access for transparency & equity for all
- Shifting of demand from daily peak

PBLIS Taskforce - Solution Overview



Solution - Roles & Responsibilities

Stevedores

- Performance Management
- Reporting
- Account Management (settle penalties / VBS charges)
- Communication / correspondence with industry
- Implement port terminal access rules

Carriers

- Review weekly / monthly performance reports
- Settle penalty breaches
- Raise queries / issues / dispute claims with Stevedore or escalate to SPC
- Settle PPP

SPC

- Account Management (PPP)
- Monitoring and reporting of performance management (including spot checks & audits)
- Reviewing performance management benchmarks (through industry group) & PPP
- Dispute resolution – arbitration role
- Force Majeure approval and liaising role
- Administer infrastructure fund in consultation with Industry Advisory Forum

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- **Approach to Pricing**

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Port Botany Reform Program – Pricing Approach

IPART and the NSW Government identified the use of ‘Price’ as the appropriate mechanism to address economic efficiency in the current port access issues, and as a mechanism to address congestion

IPART recommendation 16

referred to Pricing to drive change –

“Prices for firm slots would be set through descending bid auctions separately for each stevedore”

PBLIS Solution

- Industry rejected an auction approach
- Pricing to achieve behavioural change to encourage 24x7 operation
- Will use an administratively set Peak Period Price (PPP)

Pricing Approach

Goal : To determine an initial Peak Period Price to achieve a shift in demand

Pragmatic approach building on

- Previous studies
 - IPART
 - FIAB
- Trial data
 - Trial 1 & Trial 2
- Global examples
 - PierPass



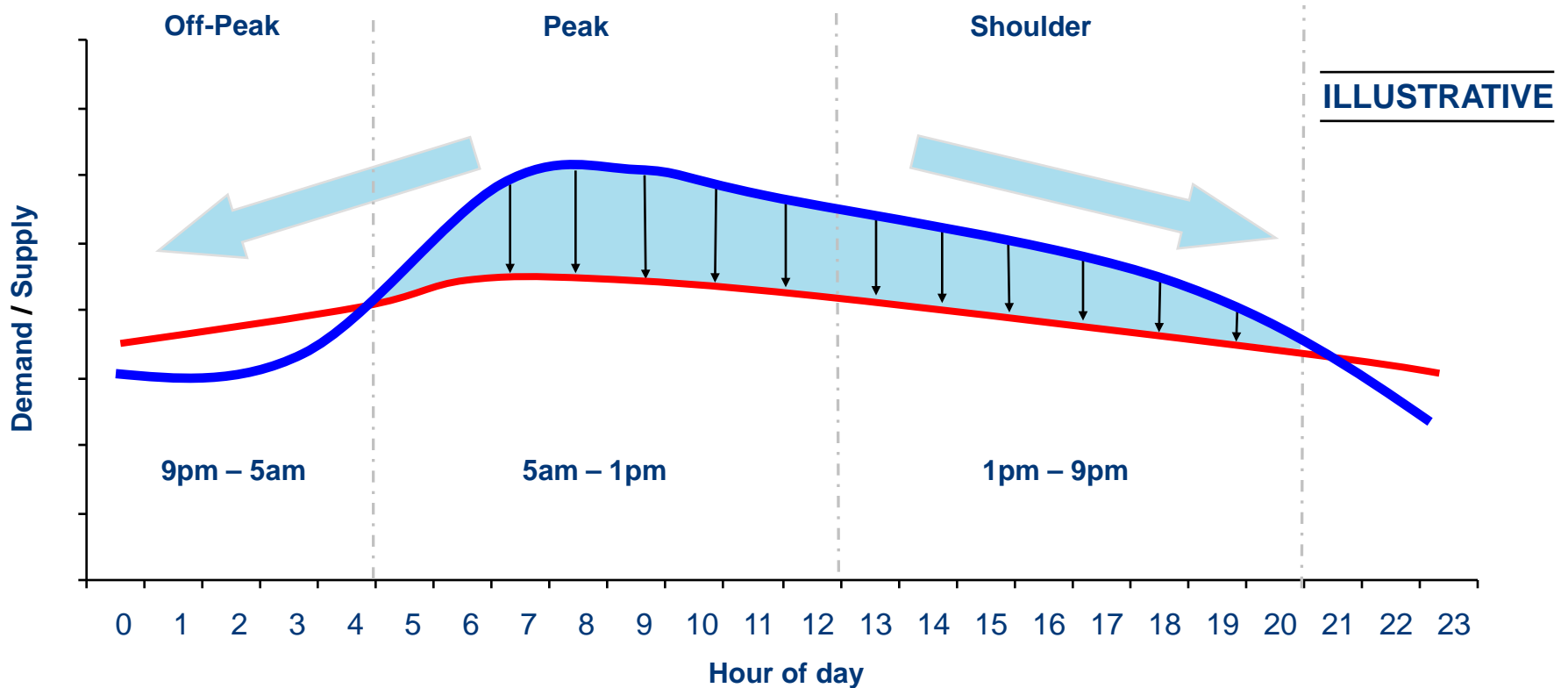
Analysis Undertaken

- Current demand
- Future demand
- Supply capacity
- Desired peak / shoulder demand reduction
- Container transport cost analysis
- Behavioural change sensitivity
- Off-peak hurdles

Shift Demand to Off-Peak Periods

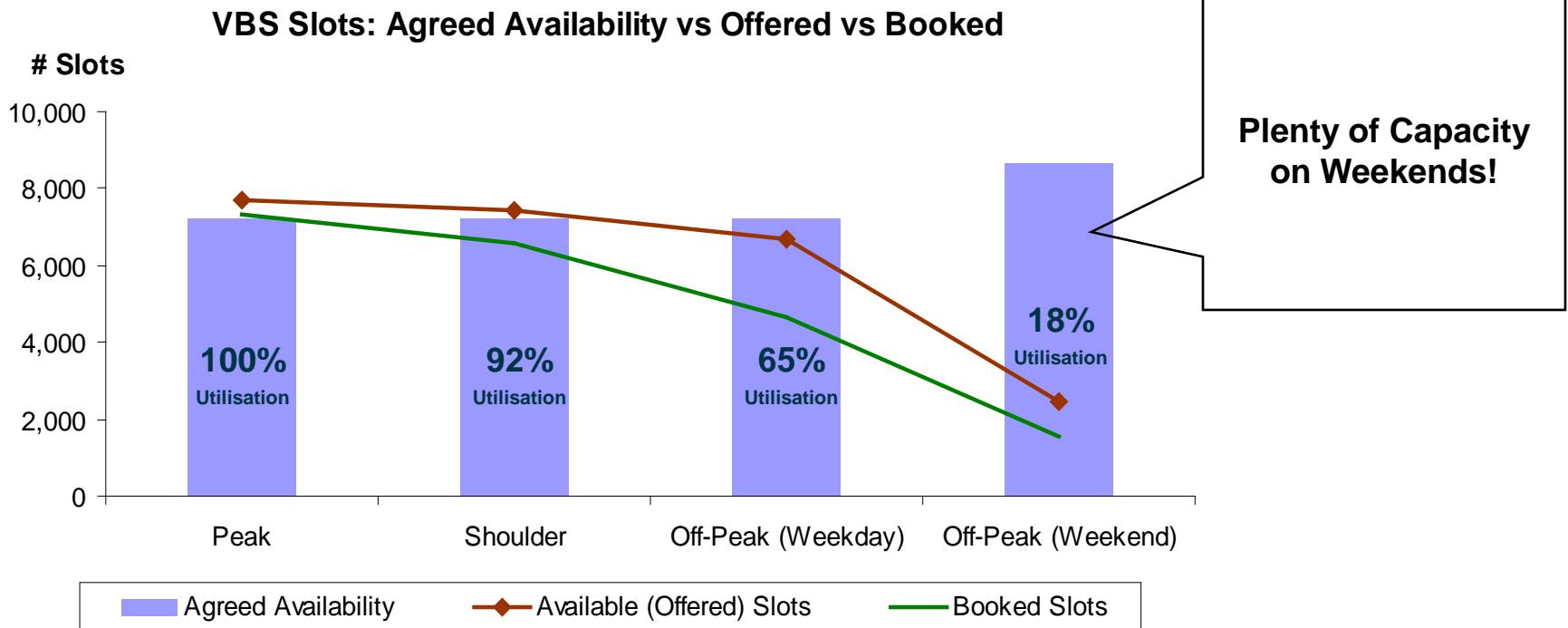
To encourage 24x7 operations the PPP will need to 'smooth' demand – reduce from peak and shoulder periods and shift to off-peak periods

- Current Demand
- Future Demand / Supply



Supply Capacity - VBS Slots Utilisation

Trial 2 slot bookings shows there is much more capacity available during off-peak times. Current overall supply of slots is not a constraint

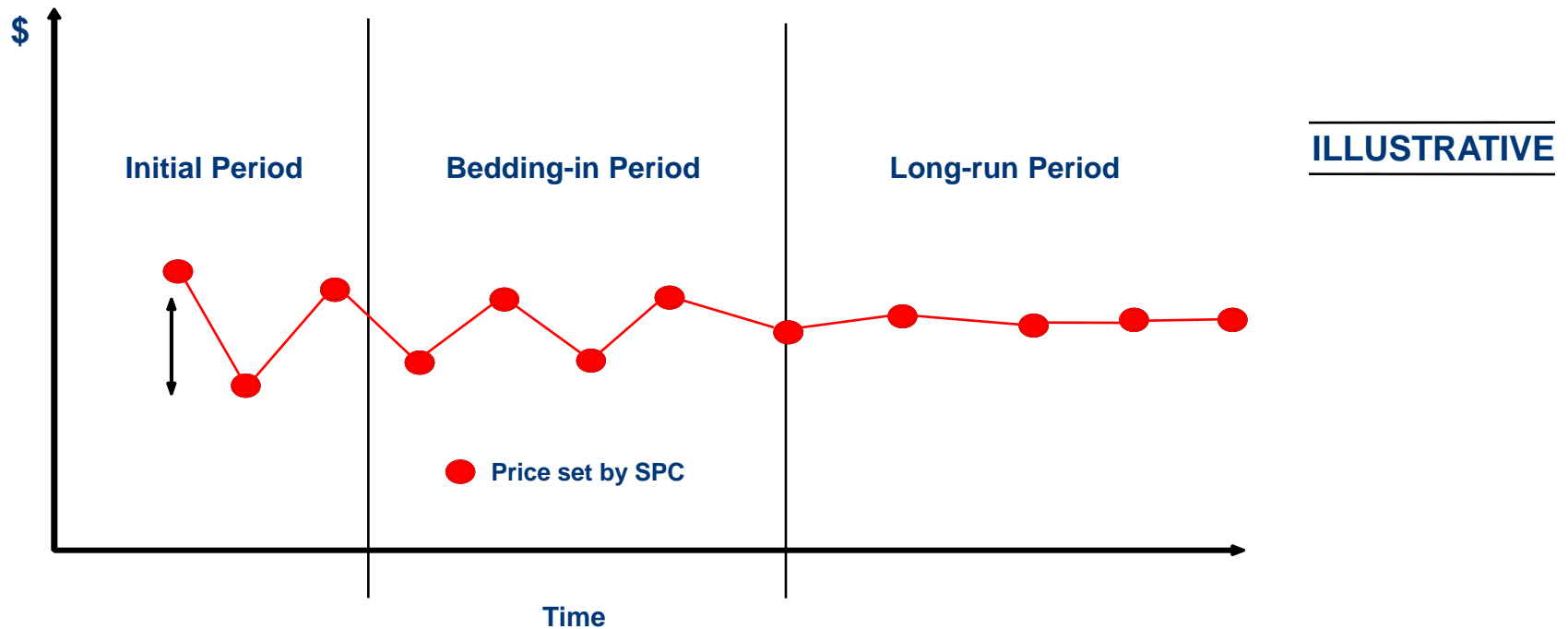


Many Additional Issues Considered

- Global Financial Crisis – general downturn in trade
- Overcoming cost hurdles for operating in off-peak times
 - Additional cost of staging containers (full or empty)
 - Driver wage rates and shift times
- Council restrictions on truck road activity during off-peak times
- Importer / exporter receiving hours and lack of interim storage capacity
- Operating hours of empty parks
- Time required to change behaviour (change demand)
- Using a pricing signal as an incentive
- Numerous stakeholder viewpoints

Pricing Amounts Will Be Reviewed Regularly

Prices will be changed by Sydney Ports based on observed peak demand shifts



A range of indicators will be used to inform the analysis



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Solution Operation

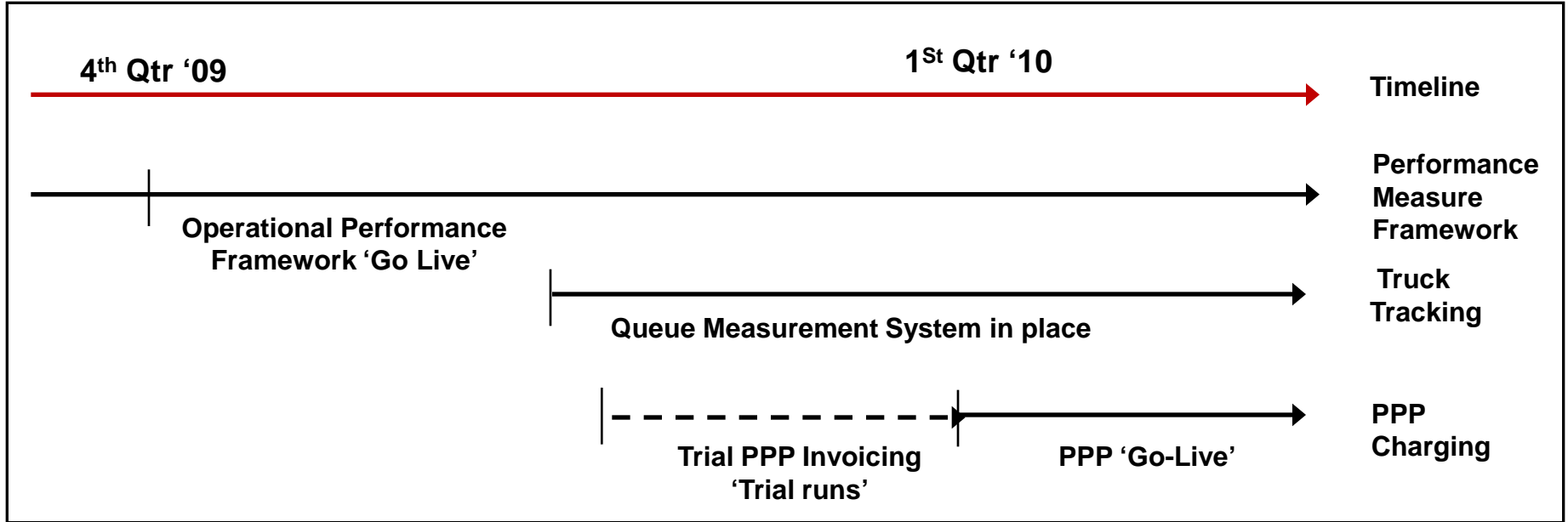
Technology will be used which will ensure transparency and efficiency

Solution Mechanics

- Charge will be set by Sydney Ports per truck
- Charge will be applied to carriers based on VBS slot booking time zone
- Sydney Ports will manage the billing process
- Invoices will be sent to carriers by Sydney Ports
- Invoices will show number of containers on each truck movement
- Number of containers per truck can be verified online
- Sydney Ports truck tracking at Port Botany will provide Integrity for billing

Planned Implementation Timetable

A phased implementation approach will be followed



- Performance Framework with full penalties planned to be in place from 4th Qtr 09 depending on stevedores technology
- PPP Pilot planned to begin in Dec/Jan providing 'trial' or 'sample' invoices for PPP, showing impact if PPP was in place (instead of a Trial 3)
- PPP is expected to be operational 1st Qtr 2010 (subject to ACCC authorisation)

Note: Any contact, arrangement or understanding between members in relation to the Operational Performance Framework and PPP will be subject to analysis under the Trade Practices Act 1974 (Cth) (TPA) to ensure no breach of the TPA will occur and, if considered necessary by any member; relevant authorisation being given by the ACCC

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Incentive Scheme (Weekend)

Incentive scheme will be introduced – Carriers will receive a credit for weekend terminal bookings

Rationale

- Provides a 'pull' approach (carrot) along with the 'push' of a peak period price
- Required to lift weekend utilisation (18% of slots)
- Will partially overcome cost hurdles for operating during weekends
- Benefit for carriers to utilise weekend off-peak

Impact

- A lower charge required for peak and shoulder times (to achieve the same reduction in demand)
- The 'pull' effect of weekend off-peak payments will complement the 'push' effect of Peak and Shoulder charges

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- **Peak Period Price**

Peak Period Price and Incentive – Per Truck*

PPP

\$160

5am – 1pm Weekdays

Shoulder

\$80

1pm - 9pm Weekdays

Off-peak

\$0

All other weekday times
(incl. public holidays)

**Weekend Incentive
(offset) \$20**

Saturday & Sunday (midnight -midnight)

* How charges are recovered will be up to normal commercial processes

Cost Per Container - Summary

In Port Botany the average TEU per Truck is 2.1 (Waterline 45)

Average cost per TEU = \$76

For Example

- **1 Export (FEU) & 2 Imports (TEU) = \$40 per TEU**
- **2 Exports (TEU) & 2 Imports (TEU) = \$40 per TEU**
- **Fully loaded B-Double (6 TEU) = \$27 per TEU**
- **Fully loaded Super B (8 TEU) = \$20 per TEU**

Feedback

We welcome your feedback on the Peak Period Pricing presentations via email across June:

landsideimprovement@sydneyports.com.au

Thank you

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