

Port Botany – Empty Container Incentive Scheme

Purpose

The purpose of the Port Botany Empty Container Incentive Scheme (ECIS), introduced with effect from 1 July 2021, is to actively encourage shipping lines to achieve a balance of imports and exports, thereby avoiding a build-up of empty containers in greater Sydney. The desired outcome is that the logistics industry achieves a sustained supply chain balance which enables empty container flows to be handled efficiently through Sydney's empty container parks and container terminals.

Need for the ECIS

The root cause of empty container congestion in NSW is the imbalance in the ratio of the total number of full or empty containers loaded (for export) relative to the total number of full or empty containers discharged (for import) – known as the Load / Discharge ratio (L/D ratio). Empty container congestion became particularly acute in the last 6 months of 2020, over which the L/D ratio was 0.95 across Port Botany, having fallen to as low as 0.83 for the month of July 2020. Over the equivalent 6-month period in 2021, the L/D ratio improved to 0.99 and congestion eased considerably.

Notably, in the 5-year period from FY17-FY21, the average L/D ratio was 0.98. A sustained ratio of 0.98, or greater, is assessed to reflect a balanced supply chain, recognising that a proportion of imported containers are repurposed in NSW or leave the state via a route other than Port Botany. If the container shipping industry sustains a L/D ratio below this level over a period of time, it adds pressure to the empty container storage system and creates congestion. Based on current volumes, a drop of 0.02 in the L/D ratio assessed over a year would add approx. 25,000 TEU of empty containers for storage in Sydney's empty container parks which, in 2022, have a total capacity of approx. 65,000 TEU.

If congestion occurs, the logistics industry suffers from costly inefficiency and NSW Ports incurs substantial costs in addressing empty container supply chain issues. In 2020, such costs included a \$4 million investment in additional empty container capacity at Port Botany and ongoing costs to safely manage trucks queuing at Port Botany to access congested empty container parks. In addition, NSW Ports has committed a further \$16.7M to develop additional empty container capacity at Port Botany. Developing additional empty container storage capacity on scarce port land is not sustainable in the long term, as the volume of empty containers is forecast to grow. Maintaining a balance of imports and exports is key to catering for NSW's growing trade volumes.

To encourage consistency and improvement of L/D ratios, NSW Ports implemented the ECIS (with effect from 1 July 2021) under which higher wharfage charges are imposed on container shipping lines for sub-optimal L/D ratios and wharfage rebates are awarded if L/D ratios are close to, or exceed, 1.0.

Application of the ECIS

■ Quarterly Load / Discharge ratio

On a quarterly basis, NSW Ports calculates the L/D ratio for each container shipping line (or group, in the case of commonly owned shipping lines).

The L/D ratio, within the given quarter, is a measure per shipping line (or group, where applicable) of:

The total number of full or empty TEU loaded at Port Botany (excluding transhipments and flat racks)

divided by

The total number of full or empty TEU unloaded at Port Botany (excluding transhipments and flat racks)

This calculation will be derived from the same manifest data from which volumes are derived for invoicing purposes.

■ Invoicing process

Shipping lines will be invoiced, per normal procedures, for empty container exports at the base rate (being \$17.99 per TEU (excl GST) from 1 July 2022. Following the end of each calendar quarter, NSW Ports will advise each shipping line of their L/D ratio (or the L/D ratio of their group, as applicable) for that quarter and of the amount which is payable by or to that shipping line based on the wharfage charges set out in the below table.

NSW Ports will generate and send to each container shipping line an invoice or credit note relating to the relevant quarter.

■ Applicable empty container export wharfage rate

The applicable export wharfage charge for individual shipping lines (or groups, where applicable) for the relevant quarter will be determined by the L/D ratio achieved by that shipping line (or group) over the relevant quarter according to the following scale:

Load/Discharge Ratio Range	Percentage change to \$17.99 base rate	\$/TEU (Ex GST) Applicable from (1 July 22 – 30 June 23)	\$/TEU (Ex GST) Applicable from (1 July 21 - 30 June 22)
0 - 0.899	+100%	\$35.98	\$34.76
0.90 - 0.949	+50%	\$26.98	\$26.07
0.95 - 0.979	+25%	\$22.49	\$21.73
0.98 - 0.989	0%	\$17.99	\$17.38
0.99 - 0.999	-20%	\$14.39	\$13.90
1.0 +	-40%	\$10.80	\$10.43

Questions and further information

For any further information, or answers to specific questions regarding the application of the ECIS, please contact:

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