Patrick Container Ports

Reforming Port Botany’s links with inland Transport

Submission to IPART
December 2007
# Table of Contents

1. **Executive Summary** ........................................................................................................ 1

2. **Recommendations** ......................................................................................................... 3
   2.1 Recommendation 1 ........................................................................................................ 3
   2.2 Recommendation 2 ........................................................................................................ 4
   2.3 Recommendation 3 ........................................................................................................ 4
   2.4 Recommendation 4 ........................................................................................................ 6
   2.5 Recommendation 5 ........................................................................................................ 6
   2.6 Recommendation 6 ........................................................................................................ 10
   2.7 Recommendation 7 ....................................................................................................... 11
   2.8 Recommendation 8 ....................................................................................................... 11
   2.9 Recommendation 9 ....................................................................................................... 12
   2.10 Recommendation 10 .................................................................................................. 13
   2.11 Recommendation 11 ................................................................................................. 14
   2.12 Recommendation 12 ................................................................................................. 15
   2.13 Recommendation 13 ................................................................................................. 16
   2.14 Recommendation 14 ................................................................................................. 16
   2.15 Recommendations 15 & 16 ..................................................................................... 19
1. Executive Summary

Patrick is pleased to have the opportunity to comment on IPART’s “Reforming Port Botany’s Links with Inland Transport – Review of the Interface between the Land Transport Industries and the Stevedores at Port Botany”. Patrick is encouraged by the approach taken by IPART and congratulates IPART on a well researched and thorough document.

Patrick agrees with IPART that if nothing is done to address the current problems at Port Botany with the landside interface, the result will be unacceptably long and extensive truck queues and congestion in five to ten years time\(^1\).

Patrick is also encouraged that IPART has gone beyond the often repeated claim from transport operators that the solution is to put more slots into the VBS at peak times. This is analogous to putting more toll booths on the Harbour Bridge as a solution to the increasing congestion at peak hour.

As Patrick has stated in the past\(^2\), it is our belief that the issues facing the efficient movement of freight will not be addressed by focussing solely on the operation of the Vehicle Booking System at Sydney’s container terminals. Instead, increases in throughput will only be handled by focussing on three key areas:

(a) **Improving the efficiency of road freight movements** through the continued use of existing measures (including the VBS, no show charges and storage charges) plus other measures aimed at eliminating the mismatch of hours (such as expanding the hours of operation of carriers and enhancements to the VBS aimed at greater efficiency from carriers, for example) and addressing misaligned incentives along the supply chain.

(b) **Improving the efficiency of rail into and out of Port Botany**. Patrick regards the achievement of 40% rail modal share as being hampered by constraints outside the terminal. The difficulties for rail to gain significant modal share are enormous. As the AusLink “Sydney Urban Corridor Strategy” Paper\(^3\) notes constraints on rail freight operations are common to all lines and include limitations on freight rail operators due to

---

1. IPART at p.45


the high volume of passenger services, the limited number of train paths available and congestion at junctions and restrictive track layouts, to name just a few.

(c) **the greater use of inland terminals** away from the scarce and expensive port land using rail or dedicated land bridging from the ocean terminal to the inland port where road operators can deliver or pick up the containers. By this means, the potential of a bottleneck at the ocean terminal can be avoided, containers can be temporarily stored at a lower cost and there can be greater flexibility for users of the inland terminals.

Patrick notes that the majority of IPART’s recommendations are aimed at addressing the areas mentioned in (a) and (b) above. Patrick believes that all measures aimed at improving the efficiency of road freight movements and rail freight movements in Sydney and NSW should be encouraged and supported.

Patrick is generally supportive of IPART’s recommendations. In particular Patrick supports recommendations 1-8, and 10-13. The key recommendation 14, to have a two tier VBS system allocated via an auction system, is a novel attempt to solve some of the issues facing Port Botany. Patrick believes the suggestion has some merit but the detailed design of the system will determine whether or not it ultimately succeeds or fails.

If other stakeholders are supportive of the introduction of a two-tier auction system Patrick is willing to work on the detailed design issues collaboratively with IPART and the other key stakeholders to implement a system that has the greatest possible chance of success.
2. Recommendations

2.1 Recommendation 1

That each stevedore provides real time information about the size of the truck queue at its terminal, and an estimate of the time that trucks with booked VBS slots will need to wait after their slot to enter the terminal.

Patrick installed a webcam at Port Botany in October 2007. This was installed in order to provide real time information about the size of the truck queue at the Penrhn Road terminal entrance. The webcam operates 24/7 and is accessible via the Patrick website\(^4\).

![Figure 1 – A still from the Patrick webcam installed to provide real time information on truck queuing at the Port Botany terminal.](image)

Patrick intends expanding the coverage of webcams in preparation for future peak periods, to include a view south down Penrhn Road. This should then provide a complete picture of both the Terminal entrance at the Penrhn Road roundabout and the state of traffic on Penrhn Road inside the Terminal boundary.

In the event of severe non recurrent or recurrent congestion, Patrick Yard Managers will provide notice to transport companies. This consists of an immediate notice to all concerned parties via email and the 1-Stop message board advising of congestion at the Terminal.

As far as reasonably practical, Patrick will provide an estimate of when operations will be back to normal. In the event of continued congestion at the Terminal, updates will be provided continually via 1-Stop.

In tandem with the webcam, Patrick believes that these measures equate to compliance with Recommendation 1.

### 2.2 Recommendation 2

*That road transporters invest in the communication devices they need to receive the stevedores’ real time communications and act accordingly.*

Patrick has invested heavily to secure an ability to communicate electronically with stakeholders. Such communication is only as effective as the stakeholder’s ability to receive it and then act upon it, therefore investment by transport companies is regarded by Patrick as imperative.

Patrick supports this recommendation.

### 2.3 Recommendation 3

*That stakeholders consider adopting a non-discretionary set of communication rules that establish how the stevedores will adjust the number of VBS slots when delays occur in their landside service.*

Patrick believes that it is in the interest of all parties that truck queues are cleared as quickly as possible in the event of severe congestion and that truck drivers should not be required to join inefficiently long queues.

Patrick supports the concept of establishing a set of additional rules that will establish the actions to be taken when there is a severe and unforeseen delay in its landside operations. The ability to adjust the number of slots in this situation will mean that the congestion is cleared and the situation resolved without large numbers of trucks continuing to arrive and placing the system under further stress.

Specifically, Patrick supports Option 2<sup>5</sup>, namely that when the delay exceeds specified limits, all VBS slots are cancelled in a specified time window. This will allow the Terminal to clear the backlog and in the long run minimise the number of VBS time slots impacted.

---

<sup>5</sup> IPART, Reforming Port Botany’s Links with Inland Transport, p. 64.
IPART also recommends that the Terminal be less lenient in allowing ‘grace periods’ at times when there are no delays at the terminals. It is currently Patrick practice to allow two hours of grace for each VBS booked slot and Patrick does not charge late show fees. Patrick agrees that this may impact on road transporters who arrive on time for their booked slot.

Patrick regards the failure of land transport providers to turn up on time for their booked slot as one of the significant issues facing the landside interface at Port Botany. The effect of this is discussed in detail in Patrick’s original submission to IPART. Patrick advises that on time arrival rates must improve beyond the current levels.

As part of Patrick’s investment in the Port Botany Terminal, five Rail Mounted Gantry Cranes (“RMGs”) have been installed which will operate the landside interface. The RMGs are scheduled to commence rail operation in early 2008 and progressively introduce road operations thereafter.

On time arrival of transport providers will be critical to the efficiency of the RMG operation.

Figure 2 – The Patrick RMGs undertake testing with loads, December 2007.

Patrick supports this recommendation.

---

6 Patrick Corporation Limited, Submission to the IPART Review of the Interface between the Land Transport Industries and the Stevedores at Port Botany, p.33-34.

7 Refer to Recommendation 11 for further data and discussion of on time performance.
2.4 Recommendation 4

To foster goodwill, that the stevedores consider making basic amenities such as toilets and drinking water available to truck drivers who are required to queue to gain access to the stevedores’ terminals.

Patrick currently provides toilet facilities and vending machines on Terminal land. Patrick is in the process of installing water fountains to provide chilled drinking water. Access to these amenities is freely available to all those involved in landside transport.

Patrick believes that these measures equate to compliance with Recommendation 4.

This raises the issue of early truck arrivals at the Port. Early arrivals at the Port currently add to congestion both on Penrhyn Road and surrounds. Patrick contends that the problem of early arrivals in the Port precinct can only be managed through the provision of a truck marshalling area.

Patrick regards the provision of more extensive amenity facilities and truck marshalling areas as being the responsibility of Sydney Ports Corporation. A marshalling area would not only reduce congestion at the Port by dealing with early truck arrivals, but would also provide an overflow facility in the event of congestion at either of the Terminals.

2.5 Recommendation 5

That each of the stevedores ensures that its carrier access agreements specifies, in clearly stated terms, how it operates its VBS, the complete terms and conditions of access to this system, and what a holder of a booking in this system is entitled to.

From October 1 2007 to December 19 2007, there were 313 different transport operators who made a booking at the Patrick Terminal via the VBS.

Over this 80 day period, 49% of transport carriers who accessed the VBS moved less than 100 containers. The distribution is illustrated in the pie chart below.
As a result of this, Patrick currently offers pro forma “Carrier Obligations” and “Conditions of Entry” to all transport operators. It is not realistic to expect Patrick to engage over 300 different transport operators with a Carrier Access Agreement.

As Patrick has stated previously, it is our objective to drive a more efficient road transport interface in the interests of both Patrick Terminals and truck operators. It is intended that the strain on import-export related infrastructure will be relieved by facilitating and structuring a more efficient pick up and delivery process for import and export containers in NSW.

(a) Challenges

The challenge is to limit increases in the number of truck visits to the terminal, and to extend the operation of the road transport interface to 24/7 as a longer term objective. This becomes even more critical as import and export container volumes continue to rise at Port Botany.

By managing the flow of traffic through the Terminal, and the manner of truck receival and delivery activity, the number of heavy vehicles involved in the road transport interface at the Terminal may be reduced and demand at peak times will be flattened.

At present, demand for access to the Terminal corresponds exactly to the times when there is the heaviest demand on public infrastructure, namely the road network. By spreading activity across the day and night, and across the week, the volume of truck activity can be smoothed and peaks and troughs avoided and resulting congestion minimised. This will impact on the stated Federal
and State Government policies of reducing the number of heavy vehicles on the roads at any given time.

Patrick is open to the introduction of Service Level Agreements with certain carriers. Such Agreements must be reciprocal and impact both transport and terminal behaviour.

(b) Patrick Requirements

There are a number of key areas which Patrick must be able to address in order to impact on truck productivity. These are summarised below:

<table>
<thead>
<tr>
<th>Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Transactions</td>
<td>For both imports and exports, it is desirable that the transactions are undertaken and completed electronically (paperless, pre advised, OCR, etc)</td>
</tr>
<tr>
<td>Progression to 24/7 operations</td>
<td>To smooth peaks and troughs and ensure that road and transport assets are utilised fully at all times. This progression has far reaching implications for industry.</td>
</tr>
<tr>
<td>Reduce the dwell time of containers at the Terminal</td>
<td>This will assist in controlling the container density at the Terminal. A lower container density at the Terminal allows Patrick to undertake all operations in a more efficient and effective manner, and impact truck turnaround times as a result of dedicating less Terminal resources to rehandling and consolidating containers.</td>
</tr>
<tr>
<td>Direct control of patterns of receival and delivery</td>
<td>By controlling the patterns of receival and delivery the number of trucks visiting the terminal can be impacted resulting in greater efficiency for both the Terminal and transport carriers.</td>
</tr>
<tr>
<td>Higher truck load factor</td>
<td>This will result in less trucks carrying</td>
</tr>
</tbody>
</table>
more containers. It will also allow a more optimal utilisation of cargo handling equipment for the Terminal

(c) Trucking Company Requirements

Some transport companies have expressed a desire for certain changes to be made to the relationship between Patrick and themselves. These are summarised below:

<table>
<thead>
<tr>
<th>Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage Account</td>
<td>An account for storage to allow containers to be released quicker.</td>
</tr>
<tr>
<td>No Show = No Charge</td>
<td>Introduce a KPI so that a certain % or number of no shows will not immediately attract a penalty</td>
</tr>
<tr>
<td>Guaranteed Slots</td>
<td>Trucking companies are keen for guaranteed slots so they do not have to compete in a pool each morning.</td>
</tr>
<tr>
<td>Volume Discounts</td>
<td>The larger the amount of slots used, the lower the cost per slot</td>
</tr>
<tr>
<td>Priority Timeslots</td>
<td>Priority timeslots given for first day delivery, this will impact on the yard density and allow quicker exchange of export containers</td>
</tr>
</tbody>
</table>

(d) Service Level Agreements with Trucking Companies

Patrick supports the introduction of Service Level Agreements with certain carriers as long as performance targets and penalties are reciprocal. In this way, more efficient truck interfaces could be delivered.

The scheme would of course need to be compliant with the Trade Practices Act.

Patrick believes that Service Level Agreements should contain requirements and penalties on both parties, providing incentive to perform for both the terminal operator and the transport company. The trucking company would need to meet certain criteria including:

- Site inducted,
Patrick would establish Service Level Agreements with certain carriers covering:

- Certain load factors,
- Certain % of slots used on night shifts,
- Certain % of slots used on weekend shifts,
- Establish a storage account, and
- Arrangements regarding time slots.

Patrick supports the introduction of reciprocal Service Level Agreements with land transport providers who can meet certain performance criteria.

### Recommendation 6

*That the stevedores each engage an independent auditor to conduct regular audits of their compliance with their carrier access agreements.*

As noted in our comment on Recommendation 5, Patrick is supportive of introducing Service Level Agreements with certain carriers which contain reciprocal obligations. It is also essential that any audit obligations are reciprocal to ensure both parties are meeting the terms of the agreement.

Audits are costly both in terms of management time and audit fees. Thus the audits should be limited to areas that cannot be verified either by the other parties to the agreement or from third party sources.

Patrick is already subject to monitoring from a range of organisations. The ACCC annually monitors the performance of the stevedores including Patrick\(^8\) and Patrick supplies information to the BTRE’s Waterline Report. Both these organisation publish their findings.

---

In addition, Patrick is subject to six monthly audits of its compliance with Asciano’s ACCC Undertakings\(^9\). The Undertakings focus on the landside interface and as such the auditors’ focus in on the operation of the VBS.

2.7 **Recommendation 7**

*That the NSW Government request the Roads and Traffic Authority to review whether ‘super B-double’ trucks can be permitted to access Port Botany along selected routes at selected hours in consultation with relevant local councils.*

Patrick supports attempts to increase container density per truck in Sydney.

Patrick has worked closely with the Roads and Traffic Authority and Sydney Ports Corporation with regard to this matter. Currently, the target date to commence a three year trial in the Port precinct is February 2008.

The layout of the Patrick terminal at Port Botany has been designed with the prospect of Super B Doubles in mind. Super B Doubles will be serviced in the current truck grids at the southern end of the Terminal. Once the RMGs are operational, these truck grids will remain for Super B Doubles and over dimensional/out of gauge cargoes.

Patrick supports this recommendation.

2.8 **Recommendation 8**

*That Sydney Ports Corporation investigates, in consultation with the stevedores, the creation of a VBS that encourages two-way loading, covering the wider port precinct, taking into account the principles set out above. Sydney Ports Corporation should also take into account the views of the road transport operators to the extent that they relate to the construction of a joint VBS.*

Patrick encourages dual runs to increase container density per truck. Patrick is in the process of trialling a new procedure which will allow for greater opportunities for transport operators to dual run. Patrick is also in the process of investigating alterations to the VBS which would allow for the “tagging” of containers.

\(^9\) [http://www.accc.gov.au/content/index.phtml/itemId/785515](http://www.accc.gov.au/content/index.phtml/itemId/785515)
In the view of Patrick a VBS covering the entire Port precinct in a coordinated fashion makes absolute sense.

Patrick agrees with IPART that this would generate substantial operational benefits, in particular via an increased use of dual runs thereby increasing the efficiency of the landside container task.

Patrick is also mindful of the provisions of the Trade Practices Act and will not participate in any scheme that involves a potential breach of such legislation.

However, it would be an extremely worthwhile exercise for Sydney Ports Corporation to lead an investigation into such a system.

Patrick supports this recommendation.

2.9 Recommendation 9

*That the NSW Government take up the matters related to the work of the Australian Customs Service discussed in Chapter 4 with the Australian Government.*

Patrick supports 24/7 operation but regards this decision as being a commercial decision to be made by Australian Customs Service.

In the interests of container velocity and terminal efficiency, Patrick does not support IPART’s recommendation to commence the three free days of storage from the time a container is returned to the Terminal from the Australian Customs Service X Ray Facility at Botany (“CEF”).

The incidence of extended detention at the CEF is not as frequent as some claim. Patrick figures reveal that in Q4 2007\(^{10}\) less than 10% of containers are not returned to the terminal from the CEF within 24 hours.

It is Patrick policy to allow an extra day storage for containers which have been appropriately notified and which go into storage as a result of ACS x-ray requirements.

In such a case, Patrick will work with carriers and go to all reasonable endeavours to ensure the container is delivered from the Terminal without the imposition of storage fees.

Patrick supports this recommendation.

---

\(^{10}\) To December 19 2007.
2.10 Recommendation 10

*That the road transporters invest in the technology to fully automate the gate processing for trucks.*

Currently at Port Botany, automated gate processing exists but only account for around 5% of truck transactions.

Patrick’s objective is to lift this to 100% but this can only be achieved in conjunction with the introduction of Electronic Import Delivery Orders, which is scheduled to occur in June 2008.

In order to become fully “autogate”, there is a requirement for there to be a unique identifier of the truck or driver. Patrick plans to use the MSIC card as this mechanism using transponder based technology embedded in the MSIC card.

Patrick intends to introduce modifications to the VBS system to allow the MSIC card details to be entered against the manifested truck details. This will mean that carriers will need to manifest the truck as they do today, and include the drivers MSIC number, available from pull down lists. The time constraints on the entry will be flexible and the information can be changed up until the time the truck presents at the Terminal.

There is no cost to transport operators for technology other than the MSIC card, which is mandated by law.

The manifested truck will then be validated using Optical Character Recognition (“OCR”) technologies. Patrick is in the process of constructing an OCR Gate at the southern end of the Terminal to validate autogate transactions in the future. An artist’s impression of the OCR Entry Gate at the Patrick Port Botany terminal is included below:
Patrick supports this recommendation

2.11 Recommendation 11

That the stevedores use container numbers that have been provided in advance to do more housekeeping to reduce truck turnaround time.

Currently, Patrick undertakes a significant amount of rehandles and consolidations (“housekeeping”) in the container storage area to ensure maximum efficiency. The pre staging of containers will become even more important once the Patrick RMGs are introduced into the operation in 2008.

However, the effectiveness of “housekeeping” and the pre positioning of containers is only as effective as the ability of the landside transport operators to arrive at the Terminal on time.

In the month of November 2007, when there was no significant queuing outside the terminal, less than 30% of trucks were on time for their booked VBS slot.

If transport operators are unable to arrive at the terminal on time for their booked one hour VBS slot, “housekeeping” is essentially a futile exercise.
On time arrival performance for the year\(^{11}\) is contained in Figure 4 below:

![On Time Arrival at Patrick Port Botany 2007](image)

*Figure 5 – On Time Arrival at Port Botany 2007\(^{12}\)*

**2.12 Recommendation 12**

*That the NSW Government continue to undertake the following non-price initiatives to overcome impediments to increased use of rail to transport containers to and from Port Botany:*

- assist ARTC to secure AusLink funding for necessary improvements to Botany Yard
- require DP World to lengthen its sidings
- fund further dedicated freight access across the Sydney passenger network (beyond the current Southern Sydney Freight Line).

Patrick fully supports all efforts to increase the use of rail for transporting containers around Sydney and NSW. Patrick has invested heavily in the rail interface at Port Botany to ensure that the Terminal will be able to handle the 40% rail target by 2011.

Patrick regards the impediments to achieving the rail target as being outside the Patrick Terminal gates. Patrick agrees with the IPART description of the Botany Rail system as a “sequence of bottlenecks”\(^{13}\).

---

\(^{11}\) To 19 December 2007.

\(^{12}\) There was severe congestion at the Terminal during October 2007 which has skewed the figure for that month.
Patrick contends that the only means for Sydney to handle the ever growing container freight task is through a network of intermodal terminals connected to the ocean terminal via dedicated freight lines. Any move towards achieving this model will be a step in the right direction.

Patrick supports this recommendation.

2.13 **Recommendation 13**

*That a Port Botany Logistics Team (PBLT), modelled loosely on the successful Hunter Valley Coal Chain Logistics Team (HVCCLT), should be adopted to improve rail system performance at Port Botany relative to current arrangements.*

Patrick agrees with IPART that the HVCCLT model is a suitable starting point, but the model requires amendment given the differences in the primary aim at Port Botany as compared to the Hunter Valley14. Patrick also agrees that there is a strong case for tighter coordination of rail activities in and around Port Botany, in particular the Botany Yard.

Patrick also supports IPART’s findings that the PBLT should not have coercive powers and should only involve players with “skin in the game”. Patrick believes that the fine detail regarding the structure of the PBLT should be decided through further dialogue between the stevedores, ARTC and the four train operators, with Sydney Ports Corporation involved where its own operating assets are employed.

Patrick supports this recommendation.

2.14 **Recommendation 14**

*That the Minister request Sydney Ports Corporation to facilitate and each of the stevedores to independently implement a two-tiered system for booking access to each of the stevedores facilities as set out in Chapters 7 and 8.*

IPART’s report represents a thorough review of the issues surrounding the landside interface at Port Botany. Recommendation 14, to have a two tier VBS system allocated via an auction system, is a novel attempt to solve some of the issues. Patrick believes the suggestion has some

---

13 IPART at p.81
14 IPART at p.102.
merit but the detailed design of the system will determine whether or not it ultimately succeeds or fails.

If other stakeholders are supportive of the introduction of a two-tier auction system Patrick is willing to work on the detailed design issues collaboratively with IPART and the other key stakeholders to implement a system that has the greatest possible chance of success.

Patrick believes that the following key areas would need to be addressed in the detailed design phase:

(a) **Non Market Based Prices and Regulatory Risk**

While there is market based price at its core (the slot auction price) other important prices and income streams are set by non market methods, in essence by regulation. The key parameters from Patrick’s perspective are the penalty regime and the amount of revenue that Patrick receives from the auction proceeds. Patrick understands it is IPART’s view that these key parameters would be set by NSW Treasury.

Providing firm slots will require significant investment. It is not the auction price Patrick will receive for the firm slot but a regulated, potentially flat, price. In determining its expected revenue stream for providing firm slots the penalty regime must also be factored in. It has been suggested that the stevedore penalty for failing to provide a firm slot will be a multiple of the auction price. Using the auction price in this way does not deliver a market based penalty price as the multiple used is an arbitrary figure not set by the market. It has been suggested that this multiple could be as high as two. Thus for high demand slots, Patrick would potentially receive a flat fee significantly less than the auction price but runs the risk of a penalty of twice the auction price. There is no ability for Patrick to increase its revenue for providing a high demand slot to reflect the increased risk from providing it.

Thus in reality the revenue received by Patrick for delivery of firm slots is not market based but a regulated price. As a result, all the costs and risks associated with regulation come into play. Importantly if this effective price (ie the combination of the penalty regime and auction revenue retained by the stevedores) is set too low the stevedore’s incentives to invest to provide firm slots will be undermined and the scheme will fail.

(b) **Inclusion of stack runs**

Patrick is strongly opposed to empty stack runs being included in the VBS. As a defining characteristic of the Sydney container trade, the empty export task requires special treatment to
ensure that this activity does not adversely impact the efficient handling of import containers and full export containers.

Stack runs are operated on a “Just in Time” basis to ensure that the huge volumes of empties evacuated from Sydney do not clog the ocean terminal. Patrick must retain management of this process to ensure that empty arrivals are timed to coincide as closely as possible with loading on the respective vessel.

Patrick policy is to handle empty stack runs outside of peak hours as far as reasonably practicable. Figures provided to IPART confirm that the majority of empty stack run activity is undertaken in non peak periods.

A further consideration is that empty stack runs are not currently pre received (“PRA”) at the Terminal.

If empty stack runs are to be included in the VBS, it will add another layer of cost and complexity to a procedure which is critical to the overall operation of the Terminal. This is a process which has been managed to date on the basis of flexibility to respond to shipping lines requirements, the efficient handling of mass volumes of empty containers and the ability to react at short notice to changing circumstances in vessel arrival and departure patterns.

In the light of ever increasing volumes, the current operational procedures regarding the evacuation of mass volumes of empty containers from Sydney should not be changed.

(c) Service Level Commitments

It is vital that the service level commitments are set appropriately. Too stringent service level commitments without allowing the stevedores adequate revenue to cover the costs of meeting these service levels will undermine the stevedore’s incentive to offer firm slots. It is unclear to Patrick through what process IPART is suggesting that the service level commitments will be determined.

(d) Appropriate Consultation on Detailed Implementation Matters

It is vital that all key stakeholders get to comment on the detailed design parameters of the VBS auction system. IPART has suggested it will deal with some of these detailed design issues in its final report. This process would not allow stakeholders a formal response to these particular details of the system before the report is sent to the Minister for his consideration.
2.15 Recommendations 15 & 16

That the Minister consider implementing light-handed regulation that enables the collection by Sydney Ports Corporation of information for the purposes of monitoring performance and investment in the landside activities at the port. The data should be disaggregated by stevedore, and the stevedore named. The data should be published regularly.

That further economic regulation of the Port Botany containerised supply chain only be considered in certain circumstances.

IPART are correct to be cautious in recommending the introduction of the economic regulation of ports. Regulation imposes administrative and compliance burden on all stakeholders, which in many instances can be substantial. In addition the risk of regulatory error, for example setting below market rate of returns, can undermine investment incentives. The results of such errors could be significant in a capital intensive industry such as Ports where significant investment is critical in order to meet market growth.

It is Patrick’s view that is premature to recommend any regulation (even light handed) while IPART and industry participants are working together to find a market based solution. Even light handed regulation comes with costs and risks.

IPART’s report has recognised that the current congestion on the landside interface can only be solved by changes being made by both the trucking industry and the stevedores. Thus if light handed regulation is to be introduced, eg information gathering, it will need to apply to both the trucking operators and the stevedores to be effective.

The stevedores already face a significant compliance burden in reporting information to the ACCC, BTRE and the ACCC’s independent auditors. Any information requested under this light handed regulation should be implemented in the most efficient way. For example, it may be most efficient to get BTRE to add to its processes rather than introducing Sydney Ports as an additional entity with limited experience in this sort of light handed regulation.

We note IPART’s suggestions on information to be collected but believe that if information gathering as to be introduced (and Patrick does not believe it is necessary or appropriate) then the information that should be collected will depend on the solutions adopted to solve the
congestion issue. For example different information would be contemplated if IPART’s auction solution is implemented versus say an alternative industry solution using peak and off peak landside access charges.

Patrick is confident that the industry can come to solution without the need for implementing risky heavy handed regulation. IPART is correct to require that before any such move is contemplated a rigorous independent assessment of cost and benefits of regulation in undertaken and that there must be a clearly demonstrable significant benefit from the introduction of the regulation. This approach is consistent with the COAG’s Competition and Infrastructure Reform agreement which states:

“ports should only be subject to economic regulation where a clear need for it exists in the promotion of competition in upstream or downstream markets or to prevent the misuse of market power.”\textsuperscript{15}

\textsuperscript{15} Competition and Infrastructure Reform Agreement – IPART p166