

15 October 2018

Linley Johnson
Executive Director
National Competition Council
Level 17 Casselden
2 Lonsdale Street
Melbourne VIC 3001

By email:

Dear Ms Johnson

Possible recommendation to revoke the declaration of the service at the Port of Newcastle

We refer to the letter from the NCC dated 4 September 2018 and the submission from Port of Newcastle Operations Pty Limited (**PNO**) dated 17 September 2018 (**Submission**).

At pp 13-14 of the Submission, PNO provided information on the likely significance of charges for the declared service, including an estimate of the proportion of container prices and container service costs that Port charges would comprise, including a simplified analysis of PNO's understanding of the cost of importing or exporting one TEU through a hypothetical container terminal at the Port of Newcastle.

Since providing the Submission, PNO has asked Freight Trade Alliance, a representative body for the international supply chain sector, to analyse a typical import and export supply chain for a container passing through Port Botany in Sydney to test PNO's understanding of the likely cost of importing or exporting one TEU. Freight Trade Alliance was asked to consider the likely cost of importing one TEU from a distribution 20km from Singapore to a distribution centre in Moorebank in Sydney, as well as an export TEU for the equivalent journey in return. This is a more specific analysis than the more general analysis undertaken by PNO for the purposes of making submissions about the likely typical cost of importing or exporting one TEU through a hypothetical container terminal at the Port of Newcastle in the Submission.

As it is now available, PNO wishes to share Freight Trade Alliance's analysis of this example with the NCC, which is as follows:

Import Scenario - one 20' General Purpose container	Cost per TEU	% of Total Cost
Origin Charges ex (Singapore metro 20 km) - Incl Port Charges	\$690.81	25.2%
Freight Charges ex Singapore to Sydney Direct	\$941.67	34.4%
Destination Port Charges (Terminal Handling, Towage, Pilotage, etc)	\$457.78	16.7%
PON Component of Port Charges (Navigation, Wharfage, Security)	\$77.22	2.8%
Destination Charges to Moorebank NSW	\$571.18	20.9%

Total	\$2,738.65	100.0%
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Export Scenario - one 20' General Purpose container	Cost per TEU	% of Total Cost
Origin Charges ex Moorebank to Port Botany Sydney	\$722.90	30.2%
Fuel surcharges	\$413.89	17.3%
Origin Port Charges (Terminal Handling, Towage, Pilotage, etc)	\$372.78	15.6%
PON Component of Port Charges (Navigation, Wharfage, Security)	\$77.22	3.2%
Destination Charges to Singapore - Incl Port Charges	\$808.73	33.8%
Total	\$2,395.52	100.0%

Assumed that Vessel Site Occupation and Utilities costs would not be levied by PON. Instead costs for these services recovered as part of Stevedoring charges.

PNO notes that Freight Trade Alliance’s analysis (based on the specific assumptions set out above) is that Port charges will represent a slightly higher proportion of total supply chain costs (2.8% for imports and 3.2% for exports), compared to PNO’s analysis (2.3%). However, Freight Trade Alliance’s analysis nonetheless supports the same conclusion as PNO’s analysis set out in the Submission; namely, that Port charges represent a very small proportion of total supply chain costs. In the event that a container terminal was developed at the Port of Newcastle, and on the assumption that supply chain costs were broadly equivalent to those for TEU’s passing through Port Botany, then Port charges would be a very small component of total supply chain costs for an import and an export container.

Yours sincerely
Webb Henderson

Andrew Christopher
Partner