

NSW GOVERNMENT RESPONSE

TO THE

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF
NEW SOUTH WALES' REPORT**

**“REFORMING PORT BOTANY’S LINKS WITH
INLAND TRANSPORT”**

SEPTEMBER 2008



INTRODUCTION: THE CHALLENGE OF MODERN PORT LOGISTICS

The movement of containers through Port Botany is a key freight task for NSW. This port is the major node in one of Australia's most significant supply chains. It handles container freight valued at over \$49 billion per year and generates \$1.5 billion in economic activity every year. During 2007-2008, a record 1.8 million 20ft-equivalent containers were handled at Port Botany which represented an increase of 9.8 per cent over the previous year. Growth in container trade is forecast at 5 to 7 per cent per annum over the next 20 years.

The complexity behind the processing of import and export containers through Port Botany is well understood by industry. The port logistics chain presently encompasses two (soon to be three) terminal operations, more than 20 shipping lines, around 250 road transport operators, four metropolitan area rail operators, five metropolitan intermodal operators and more than 1000 intermediaries and brokers in NSW despatching shipments on behalf of firms and individuals.

This modern port logistics environment is further complicated by the requirements of federal and state government agencies including Customs, the Australian Quarantine and Inspection Service, Sydney Ports Corporation and RailCorp (as well as the Australian Rail Track Corporation in future).

Approximately 85 per cent of Port Botany's container freight is packed or unpacked within 40 kilometres of the port and it is transported via some of Sydney's key arterial road networks, the shared rail network and the metropolitan freight network. With Sydney's population predicted to grow from 4.1 million to 5.3 million by 2031, future freight demands on the shared passenger transport network add to an already significant logistics challenge for industry and government.

Port Botany is undergoing a \$1 billion expansion to help meet the challenge of future trade growth but this alone cannot guarantee effective container movement. Physical infrastructure is merely one half of the seamless supply chain equation – efficient private sector use of port facilities and surrounding infrastructure is the other.

Improved service coordination and investment levels at the landside interface are required to deliver and maintain the high levels of throughput appropriate for the expanding capacity of the major container port in NSW. Efficient management of growing heavy vehicle traffic at Port Botany is also necessary to protect urban amenity in surrounding areas.

BACKGROUND TO THE REVIEW PROCESS

Following the release of the Freight Infrastructure Advisory Board's (FIAB) 2005 Report "*Railing Port Botany's Containers: Proposals to Ease Pressure on Sydney's Roads*", the Minister for Ports and Waterways consulted with industry on critical issues affecting the logistics chain at Port Botany. Amongst other matters, industry participants identified vehicle booking and rail access arrangements as barriers to greater efficiency at the container terminals.

The Minister for Ports and Waterways created the cross-sectoral *Port Botany Logistics Taskforce* in 2006. At its first meeting, the Taskforce agreed to an independent review of the landside container handling activity between stevedores and the transport industry.

The matter was referred to the *Independent Pricing and Regulatory Tribunal* of New South Wales (IPART). After comprehensive public consultation, IPART released its review findings on 18 March 2008 in a final report entitled "*Reforming Port Botany's Links with Inland Transport*" (IPART Report).

The terms of reference for the IPART review focused on the heart of current port-related freight concerns - how to increase productivity by driving higher volumes through existing port infrastructure whilst reducing congestion. IPART was asked to consider the stevedores Vehicle Booking System (VBS), rail access arrangements, the provision of any ancillary services to industry in connection with the stevedore business and to make recommendations for matters which it considered important for improved efficiency at the landside interface.

IPART was also asked to consider how road and rail charges and reliability affected the choice of transport mode for containers and whether institutional changes would be appropriate for improving the efficiency of the landside supply chain.

IPART prepared an issues paper and considered 23 public submissions in response. IPART also hosted a public roundtable discussion and held face-to-face meetings with many stakeholders. It released a draft report in October 2007 after which it received a further 25 submissions. IPART then undertook further consultation with stakeholders before releasing its final report.

The IPART Report may be downloaded in full from the IPART website at <http://www.ipart.nsw.gov.au>

IPART'S FINDINGS AND RECOMMENDATIONS

The IPART Report acknowledges that concerns about congestion at Port Botany were correct and the landside interface needs attention to cope with current and future demand for container imports. It makes 18 recommendations for improvement, which are set out in full in *Appendix A*.

IPART identifies a lack of commercial transparency as a key contributor to poor performance at the landside interface. As a result, many of its recommendations focus on the improvement of communications and information-sharing between port users.

For example, IPART recommends:

- forming a *Port Botany Rail Logistics Team* as a consultative forum to help optimise the use of rail freight;
- requiring stevedores to provide real-time information for use by road transporters;
- using the container number provided with VBS bookings to optimise the loading of requested containers;
- fully automating gate procedures; and
- introducing other appropriate forms of technology.

Recommendations are also made for clarifying terminal operating rules under the vehicle booking system (VBS) that manages heavy vehicle access to the terminal. The IPART report found that clearer business rules at the landside interface will lead to more efficient planning by transport operators. More informed planning should lead in turn to fewer late arrivals, an increase in containers per vehicle, fewer empty vehicle runs, better pairing of desired slots and use of the minimum number of vehicles necessary for such transport tasks.

IPART acknowledges the need to monitor the ongoing performance of both stevedores and landside operators by recommending an enhanced role for the Sydney Ports Corporation (SPC). The role proposed in Recommendation 17 commits SPC to gather and evaluate relevant statistical information on which Key Performance Indicators (KPIs) for port system performance can be based.

The key recommendation made by IPART (Rec. 16) is that stevedores adopt a new system of allocating vehicle bookings at the port. IPART suggests that all slot bookings be allocated via an internet-based, descending bid or "Dutch" auction system. This online VBS would feature two categories of slots with different levels of service attached to them. IPART considers that this method of allocation would create peak hour slots with higher service guarantees attracting higher prices which would in turn encourage more non-peak hour bookings thus reducing congestion and inefficiency.

IPART notes the possibility of significant revenues arising from auctioning VBS slots. IPART's view is that it would be inappropriate for stevedores to retain more than is required to meet system costs. IPART suggests a leading role for SPC, in conjunction with stakeholders, in determining the broad priorities for infrastructure funding from these revenues.

IPART finally recommends a light-handed regulatory response from Government to the urgent port logistics challenge. This approach would focus on information-gathering and stakeholder reporting initially and it relies on port-related industry to implement the majority of IPART's recommendations voluntarily. However, in Recommendation 18, IPART also suggests that Government move towards stronger regulation if such a light-handed remedy proves insufficient.

STAKEHOLDER VIEWS

The IPART review process illustrates the large number of port-related stakeholders and their understandably wide variety of views regarding the operation of the landside interface. These views are noted throughout the IPART Report.

IPART's recommended measures were generally well received although there were different views about implementation. For example, stakeholders had consistently emphasised the lack of transparency in current terminal access arrangements yet differed as to how this might then be corrected. Some stakeholders expressed a preference for the creation of a road landside taskforce to collect and analyse performance data, while others thought information should be provided voluntarily in the first instance.

There was no industry support for implementation of the proposed 'Dutch' auction system, with various stakeholders identifying price uncertainty and the system's complexity as key concerns.

Others argued that introducing a system that offered 'firm' and 'interruptible' slots would only create more complexity and inefficiency. Some stakeholders expressed a preference for an independently managed booking system or one that featured the number of slots available every hour of the day to allow more efficient runs to be planned.

Some stakeholders maintained that the VBS was not the only way to improve efficiency and that congestion occurs because of intermodal inefficiency. Others argued that more container housekeeping was needed to improve container handling efficiency. Some stakeholders also stated that transforming the port supply chain into a 24 hour operation required progressive action rather than sudden changes to the operational environment.

Some stakeholders did however support a pricing mechanism to encourage off-peak operations. The most commonly suggested alternative was the PierPASS peak access charge currently applied at some US ports. There was also a mixed reaction to certain technical and specific recommendations such as extra free storage days for delayed containers and shorter grace periods for late truck arrivals.

In relation to the rail proposals, it has long been the Government's view that a 40 per cent freight shift to rail from road is required if Sydney is to remain economically competitive and sustainable. Stakeholders have generally supported this aim and the means proposed by IPART to reach it in the context of the interface with port stevedores. However, some stakeholders felt the proposed *Port Botany Rail Logistics Team* should possess broader membership than is recommended by IPART.

Stakeholders generally supported an initially light-handed approach to Government regulation recommended by IPART, although some were more comfortable with stronger, earlier government intervention.

IMPLICATIONS OF THE IPART REVIEW

The IPART review has created an opportunity for NSW to be ahead of the curve in terms of measurement and management of its landside productivity levels. The final report will help pave the way for significant improvements in future port operations and ensure that Sydney's major trade gateway remains competitive.

The Government strongly endorses IPART's focus on transparency and accountability

measures to improve container movement performance and it concurs with IPART's suggestion for an enhanced leadership role for SPC.

IPART found that improved transparent operations and coordination arrangements in the terminal would help to:

- reduce truck queues and transport costs;
- prevent road accidents;
- improve business certainty; and
- minimise operational misunderstandings between port users.

SPC's strategic involvement will be vital to improvement at the interface and it is very much in the interests of the broader port community. However, significantly better outcomes will need to emerge from within industry itself. The growth of the NSW freight transport task and the corresponding demand for a 24/7 operating environment requires active cooperation and commercial adaptation by all port-related stakeholders, including importers, exporters and inland logistics operators.

Faster truck turnaround times, shorter queues, fewer container lifts and repositions, increasing use of rail services, more transparent landside arrangements and more sophisticated levels of communication and cooperation between stevedores and land transport carriers will be some of the high priority areas of interest to SPC and the Government.

THE PORT BOTANY LANDSIDE IMPROVEMENT STRATEGY

The Government intends to embark on a phased strategy to improve the competitive access and service arrangements guiding container movements between stevedores and transport carriers. The new policy will be consistent with both the *2003 NSW Ports Growth Plan* and the *2007 NSW Freight Initiative*.

Phase One will focus on improving transparency and providing industry with the opportunity to respond to the challenges and issues detailed in the report by developing, agreeing and implementing responses, including performance standards and peak pricing, with the assistance and leadership of Sydney Ports Corporation (SPC).

If it is necessary to move to Phase Two, SPC will take control of the system and many of the performance standards will become mandatory.

The transition from Phase One to Phase Two will not be one whole step. Selected elements of Phase One may step to Phase Two depending on the effectiveness of the Phase One initiative.

Phase One

Phase one will see the introduction of:

- real-time, on-line reporting by stevedores;
- analysis of service standards by SPC; and
- performance standards developed by stevedores in consultation with SPC and other stakeholders.
- road standards and reporting information including but not limited to:
 - number of available slots each time period;
 - truck gate waiting and slot service times; and
 - truck checkpoint punctuality.
- rail standards and reporting information including but not limited to:
 - rail turnaround time for stevedores;
 - arrival punctuality for rail operators; and
 - stevedore rail window alignment with rail paths.

If, after an appropriate evaluation time, SPC finds coordination and efficiency has still not improved sufficiently, the Government may intervene to obtain the necessary performance

improvements.

During Phase One industry will also establish a fixed peak-hour charge paid by the beneficial cargo owner (the importer or exporter). The charge will be periodically reviewed to ensure demand for slots matches supply.

The Government is confident increasing transparency, clear performance standards and peak pricing signals at the landside interface will foster industry-led improvements in port efficiency. However, if this is found not to be the case, *Phase Two* will be implemented.

Phase Two

In Phase One, SPC will provide assistance and leadership in defining the improvement tasks. Industry will respond and implement them in consultation with SPC. Phase Two will involve more direct regulatory intervention. Sydney Ports Corporation will increase its control over some or all of the levers driving supply chain improvements. These levers include but are not limited to:

- overseeing the business rules for the Vehicle Booking System;
- setting performance standards; and
- setting mandatory penalties for failure to meet the new service standards.

The Government will move to Phase Two if the peak-hour charge outlined above is not successful in matching demand with supply. This can be seen if the number of requests for slots exceeds the number of slots available – creating a “virtual queue”.

In Phase Two, SPC will implement an integrated on-line auction system. This capped “falling price” auction would set a maximum peak slot price that falls as slots remain unsold. Lower or no prices assigned to off-peak slots will encourage more off-peak operations.

A capped auction will provide increased sensitivity to demand, while addressing industry concerns about the uncertainty associated with the floating auction system proposed by IPART.

The proposed VBS will be based on transparent business rules that include the performance standards identified in Phase One as well as penalties and incentives to encourage compliance. The business rules will encourage two-way loading and contain sufficient functionality to incorporate the activities of an additional terminal and may include the wider port precinct. If necessary the SPC-managed VBS may be expanded to include container movements beyond the immediate port precinct to include empty container parks and the intermodal terminals.

In Phase Two, SPC will determine slot numbers in consultation with stevedores. Some factors likely to be taken into account include but are not limited to:

- slot demand in peak periods;
- yard occupancy;
- container dwell time;
- previous container throughput;
- the season, day of the week and time of day;
- growth forecasts;
- efficiency gains in terminal operations;
- truck bay capacity; and
- city-wide congestion levels.

Port Landside Infrastructure Fund

Significant revenue may arise from the sale or auctioning of VBS slots. IPART noted it would be inappropriate for stevedores to retain more than the amount required to meet system costs.

The Government supports IPART’s view that surplus revenues from an auction system should

be used to fund efficiency improvements at the landside interface. It is proposed for net revenues from peak pricing mechanisms be directed towards a Port Landside Infrastructure Fund, to be used for landside infrastructure that improves the supply chain efficiency of both road and rail.

CONCLUSION

Government accepts in principle the majority of IPART's recommendations. The phased approach outlined above represents a reasonable and proportionate response to the congestion problem at the landside interface of Port Botany taking into account stakeholder views and community outcomes. The solution encourages and supports industry-based innovation in the first instance, it provides for enhanced facilitation and coordination by SPC, and allows for phased implementation of regulation if required, as recommended by IPART.

RESPONSE TO SPECIFIC IPART RECOMMENDATIONS

The Government's response to IPART's recommendations is provided at **APPENDIX A**.

APPENDIX A

IPART Recommendation	Government Response
Real-time information provision	
<p>1 It is recommended that:</p> <p>Each stevedore provides real-time information to the road transporters that would help them understand the shipside and landside tasks and the state of the terminal and, during delays, to convey the length 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 booked slot to enter the terminal.</p> <p>2 It is recommended that:</p> <p>Road transporters invest in the communication devices they need to receive and act upon the stevedores' real time communications.</p>	<p>Supported.</p> <p>These recommendations require voluntary implementation by stevedores and carriers in Phase One of the Government's Port Botany Landside Improvement Strategy, including the purchase and use of appropriate technology.</p> <p>Voluntary action on information-sharing will be coordinated as part of Sydney Ports Corporation's (SPC) development of performance standards and slot methodology. SPC activity will be underpinned by regulation on transparent reporting requirements and auditing by Government. All regulation introduced by Government in Phases One and Two will undergo regulatory impact assessments.</p> <p>More information on daily or weekly congestion patterns may reduce congestion over time as carriers, importers and exporters seek easier periods in which to approach the port.</p>
Communication rules	
<p>3 It is recommended that:</p> <p>Stakeholders adopt 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. Sydney Ports Corporation should take the lead in this matter by acting as the forum convenor.</p>	<p>Supported.</p> <p>This recommendation requires SPC to lead and coordinate industry's development of vehicle booking system performance standards and slot methodology in Phase One of the Landside Improvement Strategy. Progress will be underpinned by regulation on transparent, regular on-line reporting requirements and auditing by Government.</p>
Amenities	
<p>4 It is recommended that:</p> <p>To foster goodwill, that the stevedores provide basic amenities such as toilets and cold drinking water to truck drivers who are required to queue to gain access to the stevedores' terminals. IPART supports efforts by Sydney Ports Corporation to progress a truck marshalling location at Port Botany.</p>	<p>Supported.</p> <p>The recommendation requires voluntary action by stevedores during implementation of Phase One. It also requires SPC to work with both stevedores to provide space where feasible for marshalling early truck arrivals and late admissions. It is the responsibility of the stevedores to contain any queue in the terminal as stipulated in planning consent conditions and their lease.</p> <p>Queuing systems should promote compliance with heavy vehicle driver fatigue management regulations</p>

IPART Recommendation**Government Response****Clearly Expressed VBS Terms and Conditions****5 It is recommended that:**

Each of the stevedores ensures that its terms of access for road transporters specifies, in clearly expressed terms, how it operates its VBS, the complete terms and conditions of access to this system, and what a holder of a booking to this system is entitled to. The operating features of the VBS to be specified should include:

- a published register of road transporters eligible to enter each terminal and an objective basis for allocating slots per hour between these transporters that limits as far as possible any discretion in that allocation process
- publishing the total number of slots on offer beforehand or when each on-line VBS is opened (and reopened during the day)
- an unambiguous policy on the procedure for empty stack runs, including their number and timing
- collecting and submitting all VBS slot and empty stack run statistics and related information to an independent auditor to verify that slots have been allocated in compliance with the established basis of allocation, and
- making the audit findings accessible to road transporters as soon as practicable after the audit is complete.

Supported.

This recommendation initially requires voluntary action by stevedores and it will form the basis of reporting coordinated by SPC under the slot methodology developed in Phase One. Access agreements will be guided by regulation on transparent reporting requirements and auditing imposed by Government.

Reporting terminology will be consistent across terminals while each stevedore will have performance standards developed for their circumstances. The vehicle booking system will be based on transparent business rules to provide road transporters with clarity and certainty regarding the terminal operating environment and VBS performance.

The business rules will include specific VBS performance measures, assigning these as appropriate to stevedores or road carriers and according to the landside task involved. The measures will be monitored on-line and in real time. Indicators include slot availability; truck gate waiting and slot service times and truck checkpoint punctuality.

The system will be subject to regular independent audits (see rec 6.).

In Phase Two, the VBS will be run by SPC if required.

Independent Auditor**6 It is recommended that:**

Sydney Ports Corporation engages an independent auditor to conduct regular audits of each stevedore's compliance with their terms of access for road transporters.

Supported.

This function will form part of SPC's enhanced facilitation role in Phase One. Information will be on-line and updated regularly.

Super B Double Trial**7 It is recommended that:**

If the current 'super B double' trial at Port Botany is successful, the Roads and Traffic Authority approve permanent access for these trucks as soon as practicable.

Agreed.

All vehicles up to 32m that meet the National Transport Commission's Performance Based Standards Level 3 and the current trial conditions will be able to continue to operate on the approved trial route and under the agreed trial conditions.

IPART Recommendation**Government Response****Two-way Loading****8 It is recommended that:**

Sydney Ports Corporation investigates, in consultation with the stevedores, the creation of compatible Vehicle Booking Systems that encourage two-way loading, covering the wider port precinct. Sydney Ports Corporation should also take into account the views of the road transport operators.

Supported.

Cooperation will be required from stevedores to facilitate adoption of the vehicle booking system and its compatibility re-engineering in Phase One. VBS improvements will be monitored by SPC. A peak pricing system will encourage two-way loading and the VBS must facilitate use of this system within the wider port precinct.

Gate Arrival Grace Periods**9 It is recommended that:**

That the stevedores provide less lenient 'grace periods' to the road transporters for late arrival. Sydney Ports Corporation can help to facilitate negotiations between the stevedores and the road transporters for more clearly defined rules on when penalties for late arrival should not apply.

Agreed.

Phase One will allow industry (with SPC) to determine performance standards for both stevedores and transporters and penalties to apply. Where necessary and feasible SPC will provide marshalling space for early arrival trucks. Phase Two involves SPC setting mandatory performance standards and non-performance penalties.

Australian Customs Service**10 It is recommended that:**

That the NSW Government approach the Australian Government to consider the possibility of the Australian Customs Service making the following changes:

- Releasing containers on presentation of invoice for duty, and
- Extending Container Examination Facility operating hours.

Agreed and completed

ACS has advised that duty can be paid electronically at any time during the import process by the importer or agent. Release of containers does not rely on the road carrier carrying particular documentation, but rather AQIS and ACS requirements (including payment of duty) are satisfied. ACS verifies these matters and authorises the release of containers electronically. In the circumstances this recommendation does not appear to be necessary.

In relation to CEF operating hours, ACS advises it is achieving throughput in its current hours, and does extend hours on an ad hoc basis if necessary to deal with bottlenecks or specific operations. ACS has further advised there is no proposal to increase its throughput in the near future. Any decision to routinely extend hours would require a review of funding arrangements, involving direct Government funding to Customs and an increase in cost recovery through the import processing charge.

Terminal Storage - Free Time**11 It is recommended that:**

That the stevedores grant two extra days of free storage rather than the present practice of granting one extra day for containers that have less than 24 hours of free storage available when they are cleared by the Australian Customs Service.

Agreed.

SPC to facilitate discussions between stevedores and Australian Customs Service to reach an arrangement to support this outcome.

IPART Recommendation	Government Response
Gate Automation	

12 It is recommended that:

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

Supported.

This will deliver improved efficiency for road transporters and will be required by Phase One's reporting transparency.

Advance Notice of Container Numbers	
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13 It is recommended that:

That the stevedores use whatever container numbers that have been provided 24 hours in advance to do more housekeeping to reduce truck turnaround times.

Supported.

These recommendations require voluntary implementation by stevedores in Phase One. The proposed VBS in Phase Two will mandate the use of container identification numbers when a slot is booked.

IPART Recommendation	Government Response
Non-Price Rail Incentives	

14 It is recommended that:

That the NSW Government continues 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
- press for funding of further dedicated freight access across the Sydney metropolitan rail network (beyond the current Southern Sydney Freight Line).

Supported and being implemented.

IPART Recommendation**Government Response****Port Botany Rail Logistics Team****15 It is recommended that:**

That a *Port Botany Rail Logistics Team* (PBRLT), modelled 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. Given the distinctive differences between the Port Botany container chain and the Hunter Valley coal chain, a successful PBRLT would need to embody the following design characteristics:

- the objective should be to minimise total supply chain costs while meeting shipper demands for overall throughput and quality of service
- members' adherence to PBRLT decisions on investment should be voluntary, and the PBRLT should have no power to compel members to do anything
- members should include stevedores DP World and Patrick, track proprietor ARTC, RailCorp, Sydney Ports Corporation, and any of the train operators that wish to join
- Sydney Ports Corporation should act as a facilitator, declaring any interests in matters in which it has a commercial stake
- membership should not be available to road transport operators, freight forwarders, importers or exporters, but their views could be taken into account through the equivalent of the HVCCLT Industry Reference Group
- industry peak bodies should not be represented, either on the Steering Committee or the Industry Reference Group
- Australian Quarantine Inspection Service, and Australian Customs Service should not be represented, but could be part of the Industry Reference Group
- as many members compete with each other, ACCC authorisation should be sought as soon as the constitution is established
- the PBRLT should be staffed by secondees of member organisations, and the management of the team should be independent of all members
- system performance KPIs should be established, monitored regularly, and high level summaries reported publicly.

Supported in principle.

The charter of the PBRLT should be developed with industry. The ambit of consultation should not preclude the possibility of directive power and/or an arbitration function.

Phase One should involve industry development of performance standards (and associated penalties) on rail turnaround times for stevedores, arrival punctuality for rail operators, and window alignment with rail paths.

In Phase Two, SPC will determine mandatory performance standards and penalties; and ARTC will determine windows.

IPART Recommendation

Government Response

Dutch Auction Vehicle Booking System

16 It is recommended that:

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. Essential features of this system would be:

- each firm slot would carry with it a guaranteed service level relating to time of entry to and time of exit from the terminal
- each firm slot would carry the right to a dual run
- the interruptible slots would have the same features as currently exist, including the booking system, prices, and penalties (subject to changes to be implemented in response to the other recommendations in this report)
- each stevedore would determine the number of firm and interruptible slots it issues in each hour of each day
- all slots except those for empty stack runs in and for Customs purposes would go through the vehicle booking system (for each stevedore), which will be computerised, and there would be clearly stated rules about when and how slots were made available. Data on empty stack runs in would be maintained for auditing purposes.
- each VBS and empty stack runs would be independently audited along the same lines as detailed in recommendation 6
- prices for firm slots would be set through descending bid auctions separately for each stevedore
- there would be penalties on both the stevedores and the road transporters for not meeting firm slot requirements, linked to the costs of delay
- there would be an unrestricted secondary market for the firm slots
- there would be no restriction on the number of firm slots any one party is entitled to acquire through the auction
- each stevedore would receive a pre-determined fee per firm slot that varies between peak and off-peak periods, to cover the costs incurred in offering firm slots plus an appropriate profit.

Peak pricing mechanism supported in principle.

Noting industry's strong and widespread concerns with this recommendation, it is proposed that Phase One of the Port Botany Landside Improvement Strategy include the establishment by industry of a fixed peak hour charge that will be periodically reviewed to ensure demand matches supply of slots.

If this is not successful in matching supply with demand, the Phase Two "capped" Dutch auction system operated by SPC will have a fixed peak-price, with the price falling when slots go unsold.

- The auction system will be managed by Sydney Ports Corporation
- All slots will be firm and carry a guarantee of service
- The number of slots will be determined in accordance with a transparent methodology to be developed in consultation with stevedores and set by SPC

Regulation for information collection and monitoring

17 It is recommended that:

That the Minister legislates to enable Sydney Ports Corporation to collect information for the purposes of monitoring performance and investment in landside activities at the port. The data should be disaggregated by stevedore and published regularly.

Supported.

Legislative amendments to provide the Minister with necessary powers to implement this recommendation and other ancillary coordination improvements are in preparation.

These powers can be invoked if voluntary industry initiatives do not improve the efficiency and transparency of port logistic operations.

An open and transparent system of regularly updated and on-line reporting to provide certainty to stakeholders and improve business outcomes at the port is supported.

IPART Recommendation**Government Response****Further regulation****18 It is recommended that:**

That further economic regulation of the Port Botany containerised freight supply chain only be considered if:

- voluntary cooperation has been insufficient to achieve the expected improvement in performance, and
- the benefits from more intrusive regulatory intervention are greater than the costs, a conclusion that should be supported by a rigorous assessment of the costs and benefits, with public input to the process and public scrutiny of the reasons for the conclusion, and
- if this more stringent regulation is imposed, it is consistent with the key principles of good regulation and is incentive-based, taking into account the commercial interests of the regulated entities.

Supported.

If insufficient improvement to port congestion and productivity is produced through voluntary action in Phase One, the strategy allows for enhanced and mandatory performance standards and mandatory penalties in Phase Two.