FACTSHEET

NSW Ports

Port Botany – Empty Container Incentive Scheme

Purpose

The purpose of the Port Botany Empty Container Incentive Scheme (ECIS) is to actively encourage the shipping industry 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

For some time, NSW Ports has been engaging with Transport for NSW (TfNSW) and industry participants to highlight the key factors creating congestion in the empty container supply chain and identify measures to address these factors.

The root cause of empty container congestion in NSW is the imbalance in the ratio of the number of containers loaded (for export) relative to the number of 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 when the L/D ratio across Port Botany fell to less than 0.93. In the 3 year period from FY17-FY19 (inclusive) the annual L/D ratio was between 0.98 and 0.99.

If the shipping industry sustains a L/D ratio significantly less than 1.0 over a period of time, it adds pressure to the empty container storage system and creates congestion. A ratio of 0.98 over a year would add approx. 25,000 TEU of empty containers for storage in empty container parks which, in 2021, have a total capacity of approx. 60,000 TEU. Conversely, a sustained ratio close to 1.0 reflects a balanced supply chain.

In a report prepared for TfNSW in May 2020 (by NineSquared) it is estimated that inefficiencies in the NSW empty container supply chain result in additional costs of $49 million per year and that this annual additional cost would increase (in 2019 dollar terms) to $70 million by 2031.

NSW Ports has also incurred substantial costs in addressing empty container supply chain issues, including a $4 million investment in 2020 in additional empty container capacity at Port Botany and ongoing costs to safely manage trucks queuing at Port Botany waiting 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 in the next 24 months. 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. Reducing the time that empty containers remain in Sydney is key to catering for NSW's growing trade volumes.

To encourage improved L/D ratios NSW Ports is implementing the ECIS from 1 July 2021, under which higher wharfage charges are imposed 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 commencing on and from 1 July 2021, NSW Ports will calculate the L/D ratio for each 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)

divided by

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

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 of $17.38 per TEU (excl GST). 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 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 $17.38 base rate	$/TEU (Ex GST) applicable
0 - 0.899	+100%	$34.76
0.90 - 0.949	+50%	$26.07
0.95 - 0.979	+25%	$21.73
0.98 - 0.989	0%	$17.38
0.99 - 0.999	-20%	$13.90
1.0 +	-40%	$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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