

2nd February 2023

Port Congestion in Australia – Seed Contamination

Dear Customer,

As a global logistics provider, we are continuously managing the impact of disruptions on our global network. Currently, there is significant terminal congestion in Australian east coast ports, driven by increased findings of seed contamination on imported cargoes. This is causing significant disruption to our global shipping and logistics services network. It's important to highlight that the requirement for clean cargo when shipping to Australia is not new.

The impact is now manifesting in terms of vessel delays and service disruptions. In January 2023, 117 days were lost to terminal congestion in Oceania, more than double the amount experienced in December 2022, which was already at record levels.

Important to note that unfortunately these factors and the current situation are out of our control, as this is an industry-wide problem. Every RoRo vessel entering Australian ports is facing the same issue.

Given the importance of the Oceania trade to us and you, our customers, this communication aims to clarify, and provide an understanding of the contributing factors and potential solutions.

Situation Report

All Australian RoRo terminals are facing unprecedented congestion challenges, that are a result of more findings of seed contamination. This biosecurity issue is not related to stink bugs/BMSB, for which there is a robust management process at load ports and instead relates primarily to seed contamination discovered after vehicles are discharged from the vessel.

The DAFF are dedicating more resources into mitigating biosecurity risks. More inspectors have been hired, and as a result we expect to continue to see more findings and therefore, worsening delays.

The RoRo terminals in Australia have traditionally had capacity to treat import cargoes with biosecurity related issues with efficiency, and continue to offer biosecurity-related services, however the current percentage of import cargoes requiring those services has surpassed both the capacity to treat and to provide storage without negatively impacting regular terminal operations.

Impact to operations

These disruptions are leading to longer waiting times for vessels as terminal operators are trying to best accommodate for the contaminated cargoes without further congesting the terminals. YTD we are experiencing average delays per port as follows, and are continuing to see a worsening trend:

Brisbane: 3.7 days
Port Kembla: 7.0 days
Melbourne: 11.5 days
Fremantle: 3.5 days

Wallenius Wilhelmsen Ocean AS

Melbourne

Office:
Level 12 720 Bourke St.
Docklands VIC 3008
T: +61 (0)3 8605 8000
F: +61 (0)3 8360 9074

Sydney

Office:
102 Dunning Avenue
Rosebery NSW 2018
Mail:
PO Box 251
Rosebery NSW 1445
T: +61 (0)2 9200 2000
F: +61 (0)2 8338 0123

Brisbane

Office:
Suite B
201 Leichhardt Street
Spring Hill
QLD 4000
T: +61 (0)7 3000 7850
F: +61 (0)7 3252 0304

Fremantle

Office:
65 Discovery Drive
Bibra Lake WA 6163
Mail:
PO Box 1576
Bibra Lake DC
WA 6965
F: +61 (0)8 9336 0999

Auckland

Office:
Level 14, Harbour
View Building
152 Quay Street
Auckland NZ
Mail:
PO Box 105-257
Auckland City 1143
New Zealand
T: +64 9 926 5780

ARBN: 088 185 219
ABN: 68 088 185 219
NZCN: 965960
www.2wglobal.com

Customer Care:
1300 885 995

Wallenius
Wilhelmsen Ocean
AS is a Limited
company with its
registered office in
Baerum, Norway and
registered in the
Register of Business
Enterprises with org.
NO 980 651 673

In addition to the visible port congestion in Australia, we also expect to see a flow on effect on inbound Oceania trades, due to late delivery of vessels back to load regions.

Planning for alternatives

To improve the situation, we have identified several short-term, and long-term initiatives that include but are not limited to engagement with local authorities to reduce delays, expanding the port and labor network by utilizing non-base ports and working with customers to improve the inspection and cleaning processes in the regions of origin.

We are identifying alternative ports to call that can accommodate our requirements and support onward transportation to local markets when existing terminals/ports either cannot handle all of the volumes or have long waiting times for berth access.

Port alternatives currently under evaluation:

- Newcastle for Port Kembla
 - o Ready to be implemented pending confirmation from Newcastle port of notice period needed to accommodate our vessels.
- Appleton Dock and/or Geelong (alt Adelaide) for Melbourne
 - o Geelong: operational feasibility currently under review and expected to be finalized within the next few days.
 - o Appleton Dock (Melbourne): good option, and one that we are already using when available.
 - o Adelaide: Geographically less suitable than other alternatives, however feasible from an operational perspective

We are now establishing trigger points that will dictate which vessels will be prioritized for alternative port calls.

Please note that at the current rate of units failing quarantine inspections, there is a risk that even if we use additional ports and terminals to maximize capacities to the best of our ability, they too may eventually fill up. There are several operators, including WW Solutions, of off- wharf facilities that have applied for licenses to store and de-contaminate affected cargoes, although until they receive DAFF approval the timing remains unclear.

We encourage all customers to actively engage with us and take responsibility in finding solutions to an escalating problem that is not sustainable.

In case of any further questions, please contact your respective account manager.

Best Regards,

Your Wallenius Wilhelmsen Oceania Team

Australia: +61 1300 885 995

www.walleniuswilhelmsen.com

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Ocean AS**

Melbourne

Office:
Level 12 720 Bourke St.
Docklands VIC 3008
T: +61 (0)3 8605 8000
F: +61 (0)3 8360 9074

Sydney

Office:
102 Dunning Avenue
Rosebery NSW 2018
Mail:
PO Box 251
Rosebery NSW 1445
T: +61 (0)2 9200 2000
F: +61 (0)2 8338 0123

Brisbane

Office:
Suite B
201 Leichhardt Street
Spring Hill
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T: +61 (0)7 3000 7850
F: +61 (0)7 3252 0304

Fremantle

Office:
65 Discovery Drive
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WA 6965
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