Port of Melbourne Lease Transaction Bill 2015

Submission by:
Chris Schultz
General Manager Business Development
ANL Container Line Pty Ltd
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Committee Secretary
Legislative Council Select Committee
Parliament of Victoria
Parliament House
Victoria

By email to: LCSC@parliament.vic.gov.au

Submission to Select Committee Inquiry into the proposed lease of the Port of Melbourne as contemplated by the Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015

Thank you for offering ANL the chance to comment on the Bill before the Victorian Parliament.

ANL has a long history in Australian shipping being a government owned line involved in overseas and domestic shipping for most of its life. Now owned by CMA CGM, the world's 3rd largest container line in the world, ANL remains a major carrier to/from and around Australia. ANL is a major user of the Port of Melbourne as well as having our global headquarters right here in Melbourne. This means we are well aware of the issues surrounding the lease of the Port of Melbourne and future port development in Victoria.

In reviewing the proposed Bill and the various announcements around the structure of the transaction, what is not clear is the way forward for the development of additional port capacity in the future. As we all know the previous Government had moved ahead with Hastings but that now seems to have come to halt. So what is the process going forward? How can a new port be developed within the 50 year time frame proposed in the Bill? What is the definition of full capacity and will it reference the physical limitations of the Port of Melbourne i.e. draft at the heads, air draft under the Westgate Bridge and the limited swinging basin at Swanson Dock?

Port infrastructure development needs to commence well ahead of demand as the lead times are so long. It can't wait until a port reaches capacity as then it is too late. Previous studies have shown the Port of Melbourne will experience significant capacity constraints by the mid 2020's even with the extra capacity of the new container terminal at Webb Dock. The Port of Melbourne has long been the economic powerhouse behind Victoria and all industry that relies on the port needs clarity of the process and timing of new port capacity.

The bill gives no clear way forward for the development of additional port capacity yet the current Port of Melbourne has many serious issues in accommodating larger ships in the future. There is the limited draft at the heads, the size of the swinging basin in the Yarra River as well as air draft restrictions under the Westgate Bridge. The bigger vessels are coming to Australia and all the other major east coast ports are gearing up for them, if Victoria doesn't then they will go elsewhere and this will put Victoria's economy at risk.

In addition to our concern over future port development, the Bill is deficient in a number of other important areas;

1) Price Controls

The price regulation regime is inadequate and basically extends the current role of the ESC which to large extent is a toothless tiger. In addition under the monitoring regime it has no role in overseeing property leases within the port. To hand a large public monopoly over to the private sector without sufficient price regulation exposes port users to significant price increases in the future. The absence of these controls is simply to maximise the upfront payment to the Government to the detriment of port users and the broader community well into the future. This is in fact a tax by stealth.

The Bill proposes to freeze export container charges in the short term and to cap other charges to increases at CPI for the first 15 years of the lease. The issue is what happens in the remaining 35 years of the lease and the potential 20 year extension. This poses a significant risk to port users and the broader Victorian economy as cost increases are passed through the whole supply chain.

2) Length of Lease

The decision to offer a 50 year lease has no logical basis other than to maximise revenue as this is well past all forecasts of when the current port will reach capacity. There is also the ability for the Government of the day to extend this by a further 20 years. How can this be justified given all the forecasts are talking full capacity of the Port of Melbourne being reached late 2020's.

3) Port Licence Fee

The current proposal is for the Port Licence Fee to be capitalised into an upfront payment by the Lessee to the Victorian Government. The new lessee has no option but to recover the interest on this amount as well as a return on investment. This will flow on to port charges and then through whole Victorian economy.

4) Compensation Regime

The Bill allows for compensation to the Lessee in the event a new port is developed within the lease term and the existing port has not reached capacity. There are no details provided as to how this would work, how the compensation will be calculated and how "full capacity" will be defined. These details need to be made public as they will expose Victorian taxpayers to significant potential cost, help prop up a monopolistic pricing model and delay effective planning and development of future port capacity in the State.

In summary;

- The Bill lease period is too long;
- The Bill price regulation is too weak;
- The Bill possible compensation regime is not transparent;
- The Bill has no clear pathway for future port capacity development;
- The Bill is designed to maximise upfront windfall revenue to Victoria to the detriment of port users and the broader community well into the future;
- The Bill in its current form is not in the best interests of port users or the people of Victoria as it fails to restrain monopolistic pricing by the new lessee at the same time as putting the future of Victoria at risk by not adequately addressing the need for expanded port facilities to cater for greater volumes and larger vessels.

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