



Port of Melbourne Lease Transaction Bill 2015

The Rail Freight Alliance is made up of 25 Councils across Victoria and Southern New South Wales. The Alliance membership has a strong belief that more freight on rail will add to the efficiency, productivity and prosperity of the nation.

Our Membership includes the Councils of Buloke, Central Goldfields, Ballarat City, City of Melbourne, City of Wodonga, East Gippsland, Gannawarra, Glenelg, Greater Shepparton, Hindmarsh, Horsham Rural City, Loddon, Mildura Rural City, Moyne, Pyrenees, South Gippsland, Southern Grampians, Swan Hill Rural City, Urana, Rural City of Wangaratta, Warrnambool, Wellington, Yarriambiack, Latrobe City and Northern Grampians.

The affordable access to and from the Port of Melbourne by Rail is vital to the future prosperity of our communities. The Rail Freight Alliance welcomes the recent Murray Basin Rail announcement, and considers the full potential of that investment will only be achieved with an integrated approach to not only current up country assets but access to shipside at Port from the Rail Network.

1. Structure and duration of the proposed lease

The Alliance appreciates that the State Government must have something to sell that is it must have a product. A 50 year lease is acceptable, provided the appropriate safeguards are in place to protect from negative or unintended supply chain impacts.

The sale or lease of a State asset must be carefully considered and must be in the benefit of all Victorians and future generations.

Recommendations

- Safeguards be put in place to prevent abuse of market power.
- Proceeds of the lease are used to support all Victorians, including rural and regional communities, both current and future generations.
- Funds generated from any such lease agreement, should be held in the Victoria Transport Fund and utilised to support future infrastructure projects as assessed by Infrastructure Victoria.

2. The potential impacts of the proposed lease on the development of a second container port in Victoria.

The Alliance again appreciates that the State Government must have something to sell. It is understood that the State Government is considering warranting the through put as part of the lease agreement. Without knowing the extent of the warrant offered it is difficult for the Alliance to make an assessment on the timing of a second Port. The quantum of the warrant has the potential to negatively impact on subsequent governments, this must be carefully managed. The 'trigger' for potential payment of compensation at the Port of Melbourne should be made public. Further, any agreement should allow for future competition at Port.

Recommendations

- A competitive environment to create a second Port must not be compromised.
- The 'trigger' for compensation and all aspects of the compensation mechanism should be transparent.
- The Port of Melbourne lease agreement and subsequent arrangements for the development and operation of a second container port should encourage competition and ensure adequate capacity for future exports.

3. The potential impacts on the environment of the further expansion of the Port of Melbourne.

The Alliance understands that any future works in the bay would require an Environmental Effects Statement and considers such action an appropriate control mechanism.

The Alliance expects that any future expansion of the Port would be on the premise of additional through put. Consideration must be given to further investment to Rail access to ports in conjunction with supporting additional investment up country.

NB:

Rail freight uses less than a third of fuel for each tonne of freight transported per kilometre compared road transport.

Recommendations

- Further consideration be given to sustainable investment in Rail as an environmentally responsible freight transport mode.
- Direct rail access at port must be factored into the conditions of the lease of the Port.
- The bidding process must include a condition demonstrating the approach for both road and rail access and bidders should be required to illustrate how both road and rail will be utilised.
- Construction of the port terminal for the Port Rail Shuttle should not be delayed.

4. Potential Impacts on the proposed arrangements of the competitiveness of the Port of Melbourne, the supply chains that depend on it and cost effects on goods passing through the Port of Melbourne.

It is critical to any lease arrangement that access to the Port of Melbourne are provided at competitive rates to ensure both the future of the Port operation is sustainable, and that regional and rural Victoria is not unfairly impacted by increased charges. A significant amount of Victoria's produce that passes through the Port of Melbourne, is provided from regional and rural Victoria; any additional cost along the supply chain is often passed back to the producer.

Significant investment has been made in assets along the supply chain, located in regional and rural Victoria. It is vital that these assets are not underutilised or stranded as a consequence of the Lease.

We congratulate the Andrews Government's recent 416 million dollar announcement in the Murray Basin Region Transport Project. Further the Melbourne to Brisbane Inland Rail Project is currently under consideration by the Commonwealth Government. These are significant projects and have the potential to add significantly to the State and Commonwealth's Gross Domestic Product.

For full investment potential and realisation of these important infrastructure projects, rail access to and from the Ports is crucial. In addition, the Metropolitan Port Rail Shuttle investment must proceed and access from Rail to Ship essential. Also, planning for a new rail connection to Webb Dock should be undertaken.

The Alliance believes that the State Government's responsibility in this project extends beyond the sale and return from the lease of the Port of Melbourne. Key considerations with the lease must also include congestion, public amenity and community safety impacts. These are not considerations of the owner of the lease, however they are considerations incumbent on any Government.

Future land planning must be undertaken in order to provide for any further development opportunities, particularly for supporting road / rail / sea infrastructure to support Victoria's freight task and growth.

Recommendations

- Access to Port by all modes of transport is essential.
- Adequate controls on competition and subsequent pricing models, must consider full supply chain implications, particularly impacts on rural and regional inputs.
- The Metro Rail Shuttle investment must be utilised.
- The portside Rail Shuttle terminal should be constructed now.
- Planning should be undertaken now for the Webb Dock rail connection.
- Vital Rail Corridors should be protected and in the case of Dandenong line, designed for the provision of extra tracks serving Gippsland and the Port Rail Shuttle.
- Rail Access to and from ship side should be improved and container handling charges that discriminate against rail should be prohibited.
- Public amenity around the Port and Bay and along freight corridors should be respected and independently monitored.

5. The effectiveness of the proposed regulatory framework in dealing with the transfer of a monopoly asset from the public sector to the private sector.

The Alliance does not understand why proposed regulatory framework does not provide for the Essential Services Commission (ESC) regulating prescribed port charges, and rental agreements between the leaseholder and the stevedores is not assessed. The Port of Melbourne Corporation has frozen prices on container exports for this financial year and committed to reduce prices over the next four years.

The Alliance is concerned that 'monopoly pricing' might be exercised during the life of the port lease agreement, while external costs including congestion, amenity and access to the port are passed onto the public by the Leaseholder.

Recommendations

- Proceeds from the lease arrangement be directed to the Victoria Transport Fund.
- Future infrastructure investment projects be assessed by Infrastructure Victoria.
- Government specify and monitor ongoing mode shift target on the eventual leaseholder; for example a mode shift from road to rail to 20% by 2020.
- In consultation with Infrastructure Victoria, Government should commence planning and second container Port.

6. How the proposed lease balances the short term objective of maximising the proceeds of the lease with the longer term objective of maximising the economic benefits to Victoria of container trade

The Alliance recommends that the funds from the Lease of the Port of Melbourne are not committed in to, or dispersed across a suite of wide ranging projects, rather to be provided (targeted) to ongoing maintenance and upgrade of the Port, upcountry infrastructure investments, further investments in Rail Infrastructure and the establishment of a second container Port.

Recommendations

- Proceeds from the lease to be directed to the Victoria Transport Fund.
- Future infrastructure projects and subsequent investments be assessed and approved by Infrastructure Victoria.
- Government establish a mode shift from road to rail to 20% by 2020.
- In consultation with Infrastructure Victoria Government commence planning for a second container Port.

7. Any other relevant matters

The sale of any Victorian Asset must be carefully considered.

Victoria's freight task cannot be achieved with further investment in the rail network and supporting assets.

Melbourne will continue to grow and the liveability of Melbourne and the prosperity of Regional and Rural Victoria are both considerations of long term lease of the Port of Melbourne.

Reduced depreciation of the State and Local Government road networks, road / public safety, public amenity and environmental outcomes can be achieved with an increased investment in the Rail Network across Victoria.

