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Customs Brokers and Forwarders Council of Australia Inc.

SUBMISSION

Inquiry into proposed lease of Port of
Melbourne

September 2015

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1. INTRODUCTION

1.1 Customs Brokers and Forwarders Council of Australia Inc.

The CBFCA is the peak industry association representing service providers in international trade logistics, border compliance and supply chain management. The CBFCA represents its members and industry in a diverse spectrum of domestic and international trade committees, forums and discussion groups.

Further details of the CBFCA, its credentials and its involvement in the movement and clearance of goods in and out of Australia are available at www.cbfa.com.au

1.2 Contact Details

All enquiries and responses may be directed as follows:

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2. CBFCA COMMENTARY

The Customs Brokers and Forwarders Council of Australia Inc. (CBFCA) welcomes the Inquiry into the proposed lease of Port of Melbourne.

Trade volumes are naturally expected to grow due to population growth and the need to deliver goods and services to the consumers.

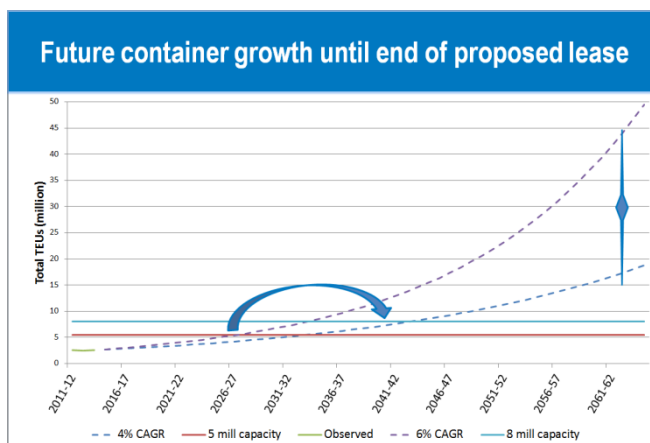
Based on forecasted future container growth Port of Melbourne is expected to reach capacity by 2035 and Government consideration must be given to develop a second container Port for the State. If a 50 year lease is granted until 2065 the Government must therefore consider the possible compensation for 30 years of growth?

The CBFCA believes Port of Melbourne will not be fit for purpose past 2035 and unable to handle the forecasted container trade growth of 8 million (TEU). Based on these forecasted statistics it is a disincentive for any private investors to enter into 50 year lease agreement when the Port of Melbourne could potentially reach capacity by 2035 -2045.

Failure to plan for a second container Port may significantly impact on future lease negotiations and increased costs that will flow down the supply chain and to the consumers.

Port of Melbourne is not in a position to expand as it is surrounded by trendy Docklands high rise apartments and urban redevelopments in Footscray, Seddon, Yarraville and Williamstown. Residents are already lobbying local Councils and Government to remove trucks from local roads.

As we know freight does not vote but people do and the Government is under significant pressure from local residents to stop trucks and commercial developments in and around the Port of Melbourne precinct and this is not likely to change in the future. Any future expansion may not necessarily impact on the environment however it will impact on local resident's lifestyle due to increase of heavy vehicle traffic and pollution on local roads. Further dredging of the bay or port channels may have an impact on the environment but CBFCA believes dredging may not be required as shipping lines will not deploy the large 8,600 + TEU vessels into Australian trade lane as we are not a big trade lane.



The CBFCA believes that any proposal to either sell, or offer a long term lease of Port of Melbourne, must have a net positive benefit. This benefit should be demonstrated in a published cost benefits analysis that is freely available to the public, so the community can be certain that value for money has been achieved.

The long term lease of Port of Melbourne should not simply convert public monopoly to a private monopoly with no improvements to the market.

In any further cost benefits analysis conducted for a long term lease, should consider:

- whether the proposed lease will promote competition and efficiency
- whether the Port of Melbourne be subject to economic regulation to avoid vertical integration and monopoly pricing that has potential to damage the economic benefits to Victoria of container trade.

These issues must be addressed in any proposed long term lease of any public asset in Victoria.

The CBFCA recommends the creation of an independent Victorian Infrastructure Manager to ensure proceeds from the Port of Melbourne lease are directed to projects that will deliver productive benefits to the Victorian economy. Such projects to include a provision of appropriate road and rail infrastructure linking the port with key freight generated areas in particular the Western, Northern and Eastern suburbs, where industry has significant investment in transport, warehousing and distribution facilities. It is very important to remove short term politics from infrastructure planning while delivering major projects to develop the Victorian economy.

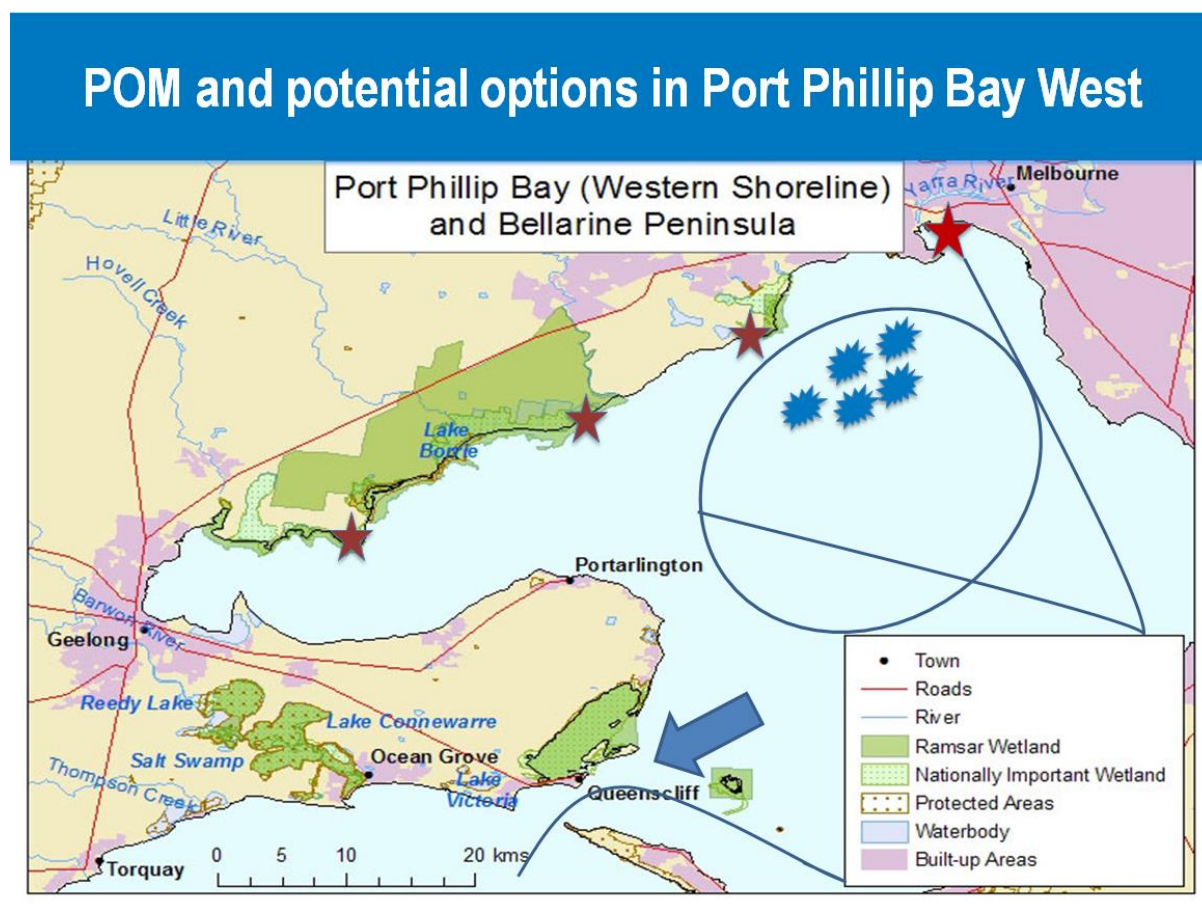
If the Port of Melbourne lease goes ahead, it is critical that profits are invested into major projects like widening of West Gate Freeway and the bridge, Western Ring Road and connecting the West to the East as the West desperately needs an alternative to the West Gate Bridge, which has reached capacity. The development of Webb Dock container terminal will further increase the truck traffic on the West Gate Bridge as Webb Dock had no rail connection.

The CBFCA believes it is also important to have direct rail connection to the Port of Melbourne and Webb Dock and future development of inland intermodal terminal providing multimodal service. Failure to invest in such infrastructure will put Port of Melbourne and Victoria at risk as shipping lines, service providers and cargo

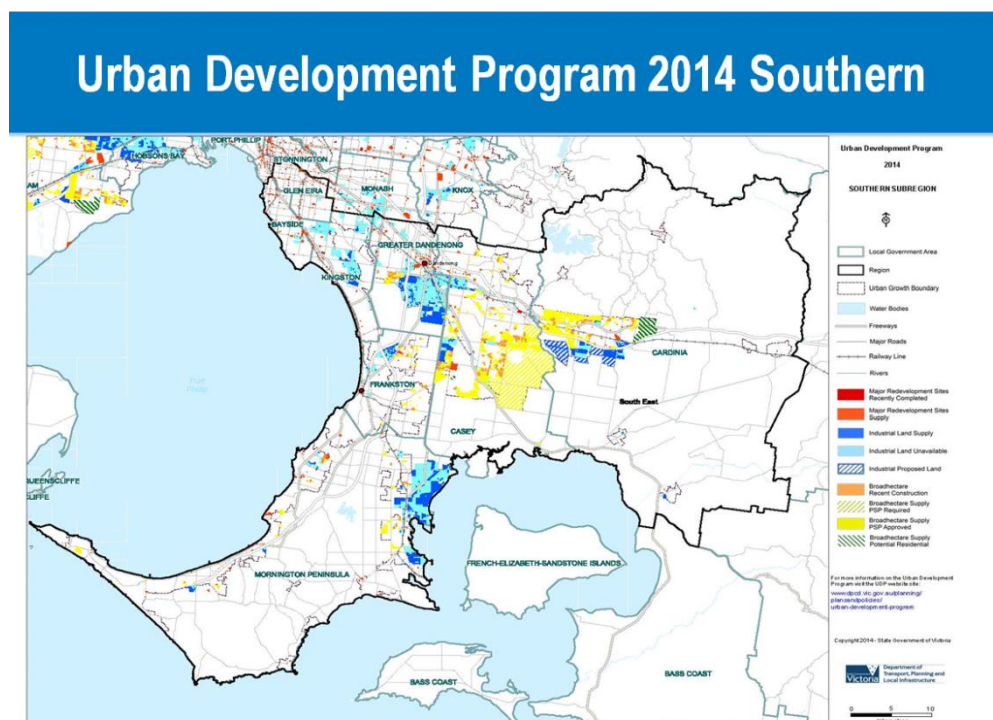
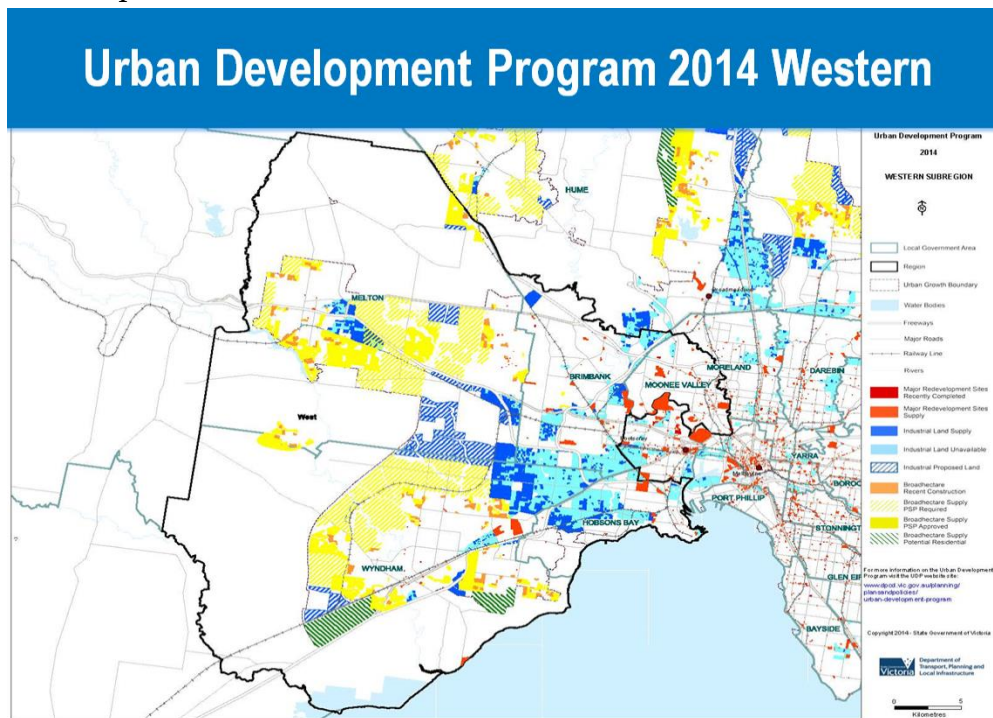
owners will strategically choose other Australian Ports that provide better infrastructure at much lower costs.

Global companies today compete not only on price but “supply chain efficiency” and if Port of Melbourne and the landside infrastructure networks are not connected, companies will look for Australian Ports with most efficient supply chain networks as their aim is to get products to the market at the “right price” and most importantly at the “right time”.

On other relevant matters the CBFCA believes the Government needs to seriously consider the development of a second container Port. As majority of CBFCA members operate international trade logistics and supply chain management business that are located mainly in Tullamarine and Laverton North in the Western Suburbs. The preferred location for a second container Port is Port Phillip Bay (Western Shoreline), which has better road and rail connected network and it is located closer to their warehouse and distribution centres. The previous Government proposal to develop Hastings as the second container terminal is not viable and will require CBFCA members to change their business models and cost Victorian’s more to develop Hastings and increase logistics costs which will flow down the supply chain and onto consumers.



It is important to note the biggest Victorian logistics hub is located in the Western Suburbs and the West is expected to significantly grow due to urban development plans. Past independent container origin studies indicate 80% or import and export containers are delivered within 20km from the Port of Melbourne, mainly in Laverton North to local distribution centres where containers are staged for deliveries to customers or deconsolidated for further distribution to wholesalers in the East, West and North to meet consumer demands. Refer to below *2014 Urban Development Program Overview Maps* from the Department of Transport and Local Infrastructure website to further support our comments as to future growth and urban development.



In summary the CBFCA opposes the proposed lease of Port of Melbourne in its current form as our members need certainty the lease provides value for money and proceeds will be invested to improve the Port and landside logistics network and not held in consolidated revenue to fund non-related projects.

CBFCA members as service providers assisting importers and exporters to facilitate trade and are often blamed for bottlenecks in the supply chain due to lack of awareness by importers and exporters of the complexities that exist in the supply chain. Investment in connected, reliable and efficient infrastructure network is critical to the Victorian economy as the freight task will continue to grow to meet the demands due to population growth.

The CBFCA is concerned how the Government plans to lease this “significant” asset without “appropriate” market structures and/or regulatory arrangements being put in place. If the Port or Melbourne lease goes ahead it should be subject to economic regulation to avoid vertical integration and monopoly pricing that has potential to damage the economic benefits to Victoria of container trade.

The Government needs to be careful to ensure that privatisation boosts economic efficiency rather than detracts from it, otherwise we risk giving privatisation a bad name as consumers will continue to associate privatisation with higher prices.

In this regard, the CBFCA looks forward to further discussions with the Select Committee as required.