Port of Melbourne Select Committee

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Dr Hermione Parsons, Director and Associate Professor

Mr Peter van Duyn, Maritime Logistics Expert

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What is being privatised?

Landside:	No, the supply chain companies beyond the gate will continue to make the best commercial decisions
Waterside:	No - the state retains functions of a regulatory, statutory nature, pilotage, navigation, dangerous goods management and emergency response
Port:	Yes, the management of the real estate (wharves, berths, yards and storage areas) is to be privatised along with the ownership/use of strategic assets, tenure, land development, tariffs terminal leases and customer contracts

The successful bidder is buying yield and new value through Port of Melbourne growth

Port privatisation: international

- United Kingdom
- European Union (Ports of Rotterdam, Antwerp Hamburg)
- India, Africa, North and South America
- China
- Asia: Singapore, Thailand, Indonesia
- Greece (EU order for the sale of 2 major ports)

Port privatisation: Australia

- Adelaide and SA’s regional ports
  - Flinders Ports 2001 $200 million
- Port of Portland and Port of Geelong (Privatised)
- Port of Brisbane (2010 $2.1B; resold 2013 double price)
- Port Botany and Port Kembla (2013 $5.1B; compensation)
- Port of Newcastle (2014 $1,76 bulk)
- Queensland’s regional ports (Gladstone and Townsville) change of government - sale now on hold

Potential ports to be privatised

- Port of Darwin (reviewing short list of bidders)
- Port of Fremantle (potential privatisation)
- Western Australia Regional Ports (recent mining decline – less attractive sale)
- Queensland Regional Ports (on hold)
- Port of Melbourne:
  - In 2014, both sides of government supported sale
  - Port Privatisation Bill 2015
  - Opposition > Senate Select Committee – November 2015

Port of Melbourne management: proposed lease

- Length of the lease (50 years) plus 20 year option
- Port pricing
  - Rent increases ($18 > $120 > $45/square metre to 2023)
  - Channel Deepening Levy plus Port license Fee
- Container Capacity: 4.6 or 5.5 or 6.5 or 8 million TEUs?
- A second container port in Victoria
  - In 15-20 years – where?
- State or Federal regulatory oversight:
  - Currently minimal but more needed
  - POM will be a private monopoly

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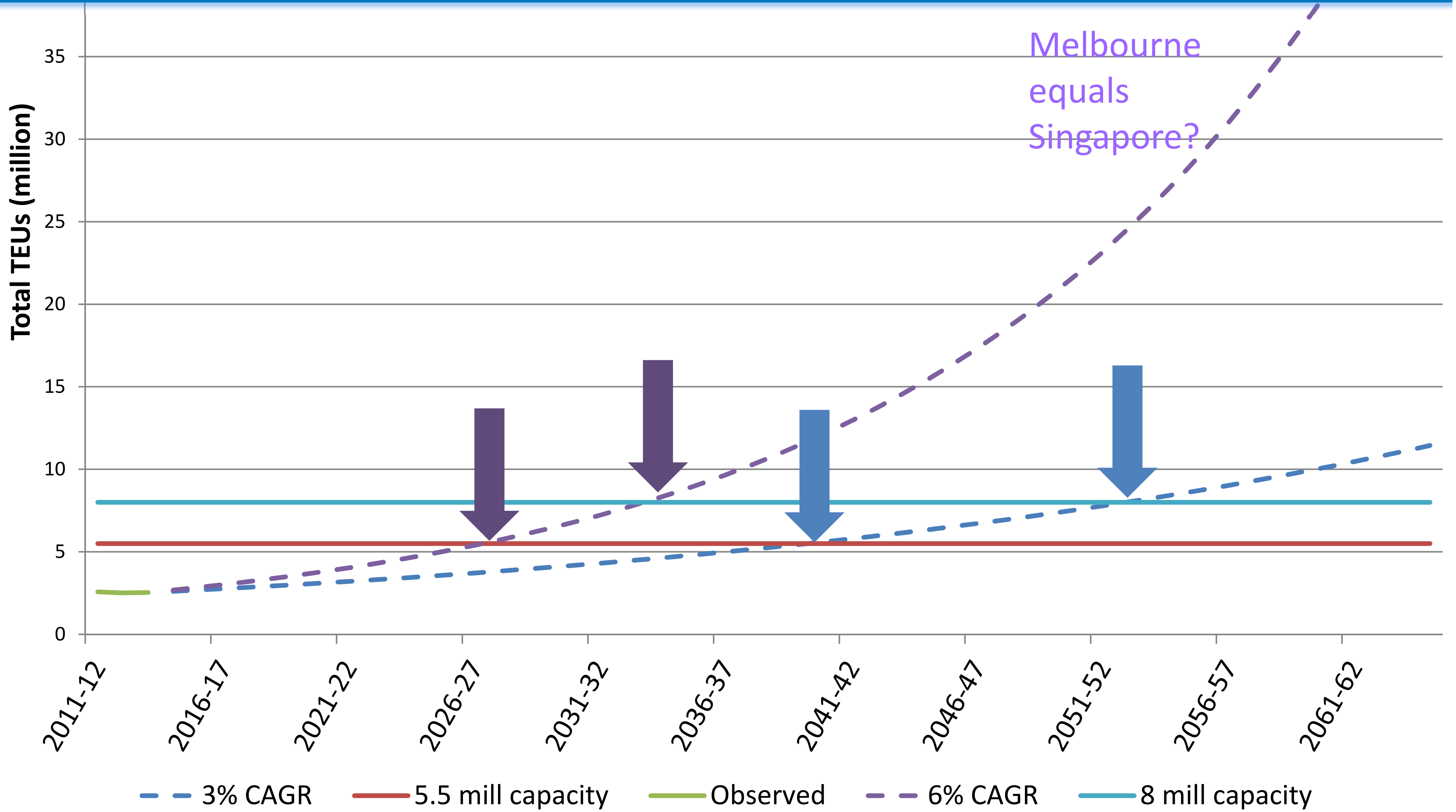
Port of Melbourne future container growth



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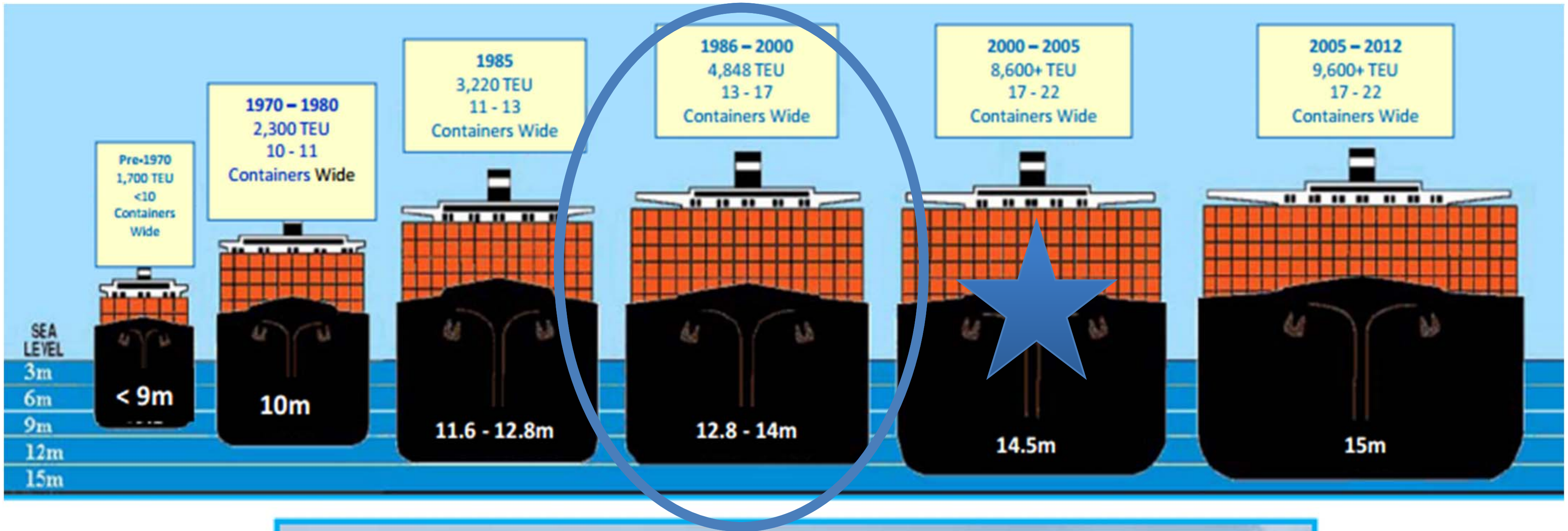
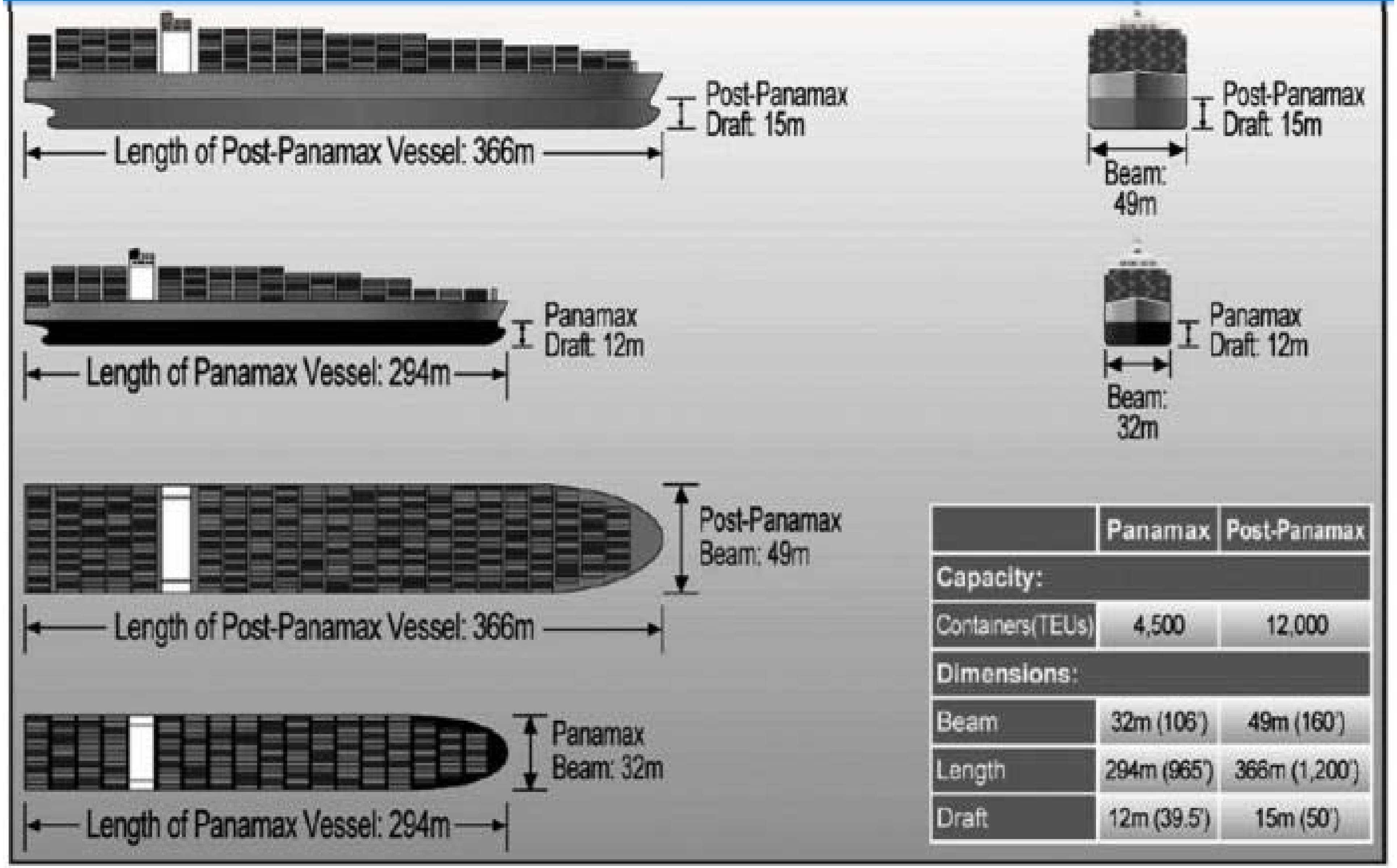
Potential consequences

- Compensation if a 2nd port is built before the warranted capacity in the lease ends (and the restitution of pre-paid capital plus a default payment?)
- Port pricing needs to be competitive
- Privatisation must support productivity gain - not hamper growth and efficiency (pricing, the warranted capacity and regulation are critical)
- Ultimately a replacement for POM is needed

Melbourne's future container vessel size?



Comparison between Panamax and Post Panamax container vessels



	Panamax	Post-Panamax
Capacity:		
Containers(TEUs)	4,500	12,000
Dimensions:		
Beam	32m (106')	49m (160')
Length	294m (965')	366m (1,200')
Draft	12m (39.5')	15m (50')

Swanson Dock berthing is an issue

For example: Motor Vessel PANGAL

- Length overall 304 m
- Beam 40 m (16 wide on deck)
- 6,600 TEU containers

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Swanson Dock’s swinging basin is also an issue

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International benchmark: container terminal capacity

1. Quay line

2,200 TEU throughput per meter of quay line per annum

POM - currently 2,500 meters of quay line (incl Webb Dock)

2. Yard Space

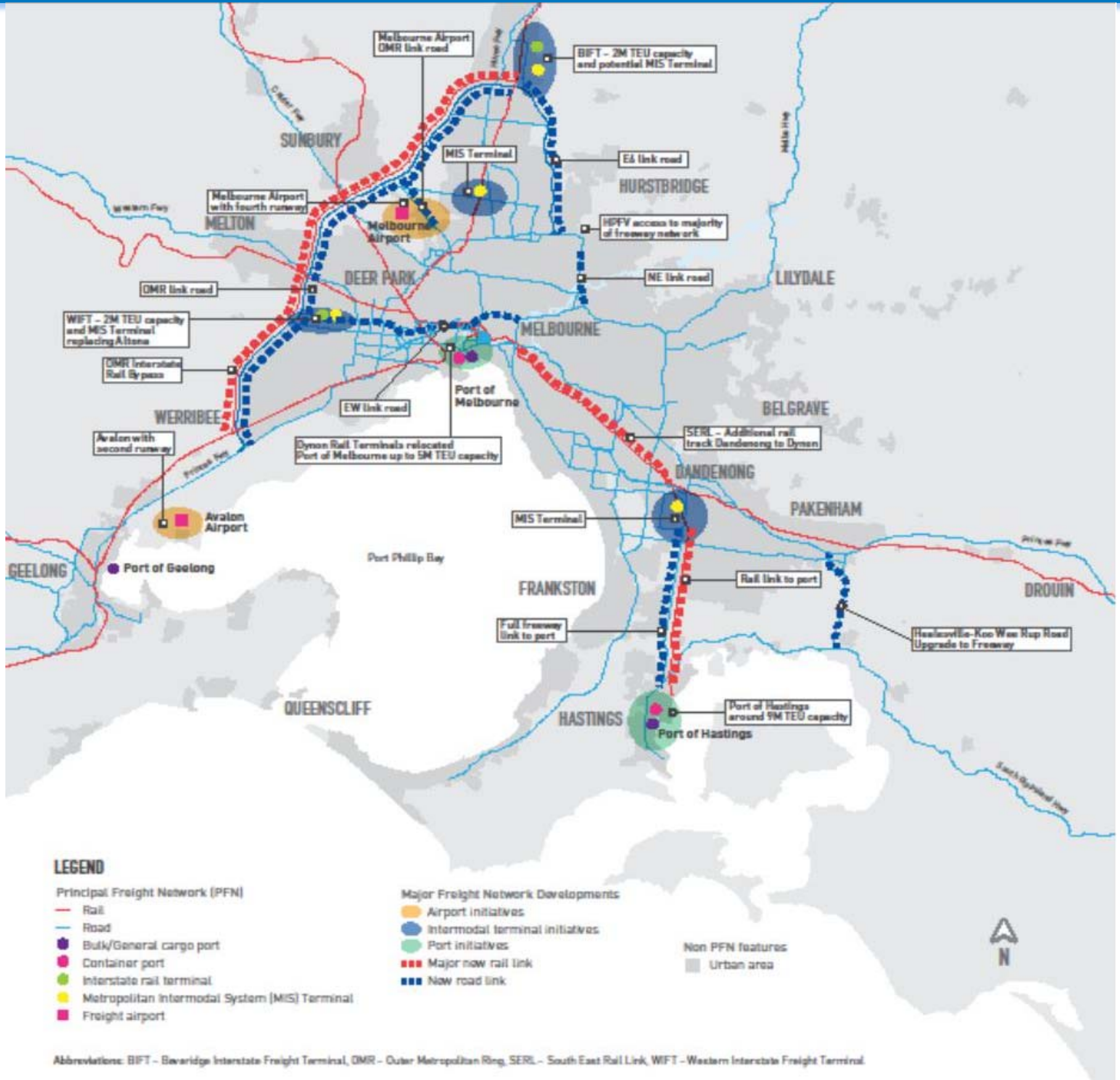
40,000 TEU throughput per hectare per annum

POM - currently 120 Ha of terminal area (incl. Webb Dock)
(maximum capacity circa 5 million TEU)

POM - potential for increase in yard space? **Yes**

POM - potential for increase in quay line? **No**

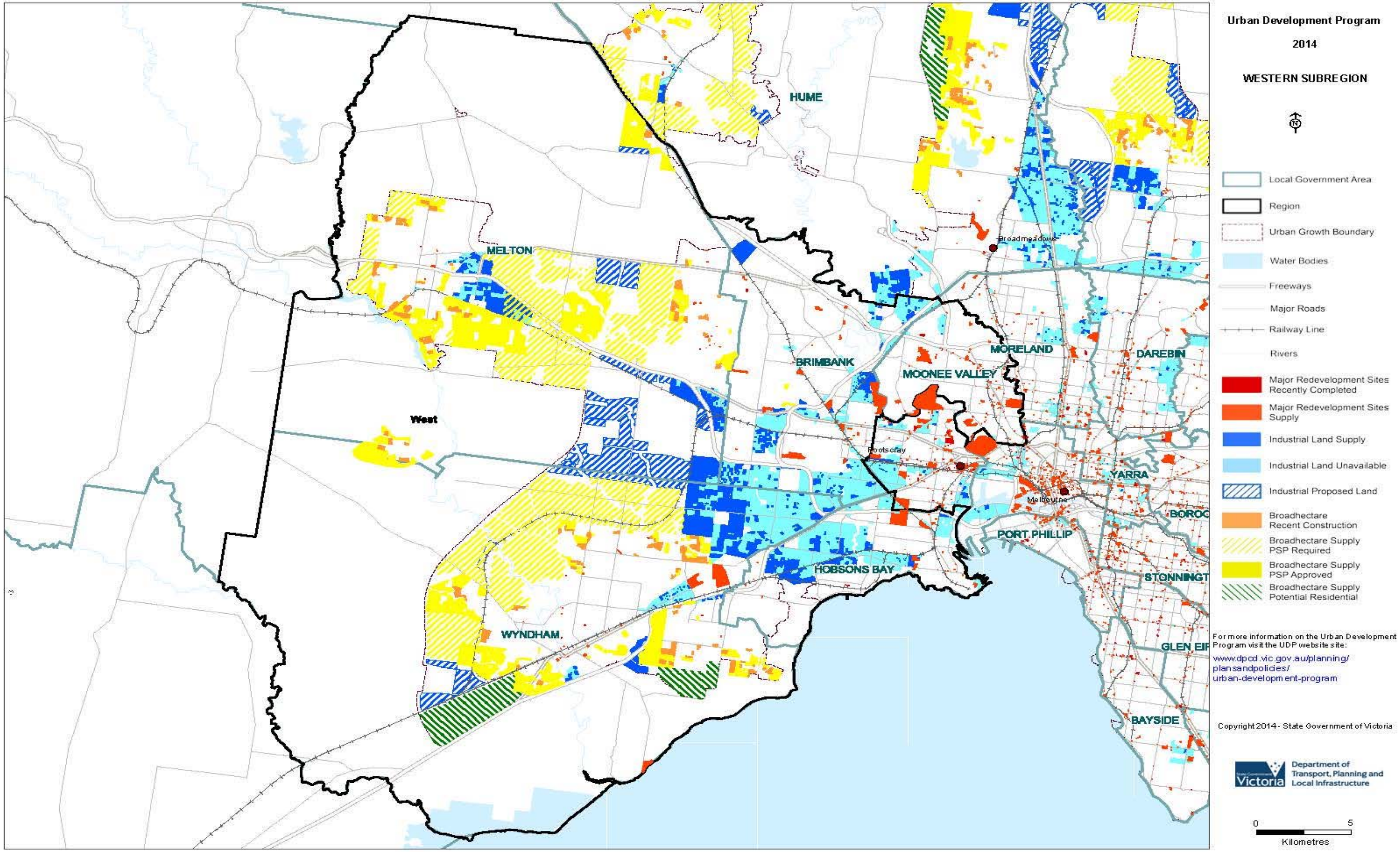
Melbourne's next container port?



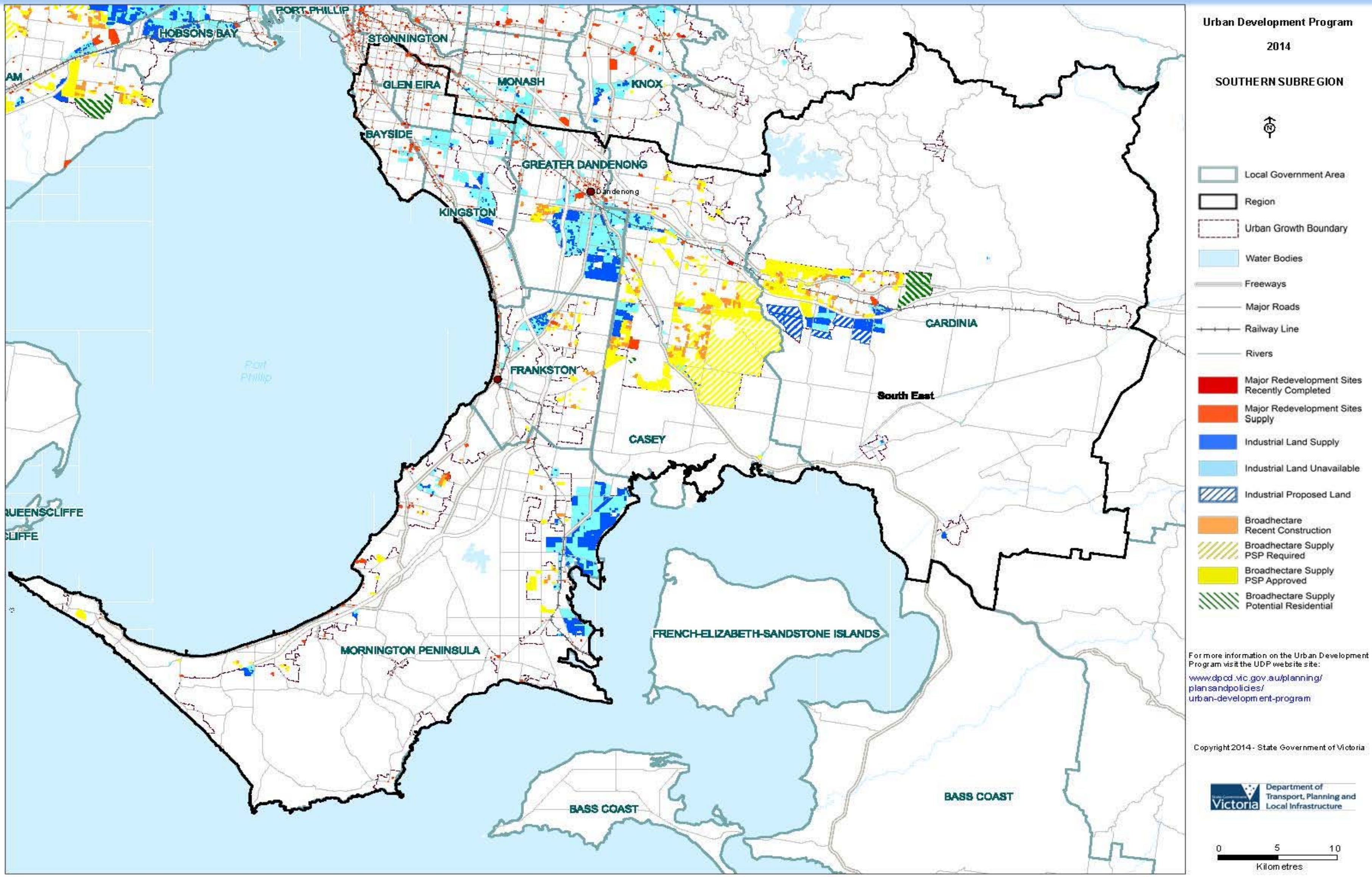
It is agreed we will need a second container port but when and where and how do we establish it after the POM is privatised

This needs to be dealt with in the lease.

Urban Development Program 2014 Western



Urban Development Program 2014 Southern



So where does that leave us: a) shipping and b) landside issues?

Ships are sent to markets not ports

Melbourne is a very small market

Melbourne is an ‘end destination’ port on a national shipping system

The shallowest port in the national system largely determines vessel size

And in the future a larger class of vessels (8,500 TEU) may well visit Australia’s ports including Melbourne (circa 15-20 years)

Port Phillip can accommodate larger vessels

No blasting

Limited dredging at the heads

Some channel widening

Environmentally responsible dredging (and widening) and monitoring is entirely possible

ISCL research, supported by Port Phillip Sea Pilots:

- 8,500 TEU at the heads now is possible
- More larger vessels will visit (15-20 years)
- 10,000 – 12,000 TEU vessels can be accommodated after minor dredging

We can't afford to get the privatisation process wrong

It appears that Melbourne needs a new port in late 2030s - we have time to plan

1. **Port of Hastings**
   - Excessive cross metro freight movements - unrealistic added cost
   - Major social, economic and environmental impact – landside and marine
2. **Port of Melbourne**
   - 4.6 million – 8 million TEU capacity
   - 3% growth (6% unlikely) >> POM reaches capacity between 2038 - 2053
   - A 50 year lease (2066) >> may require compensation for 15-28 years
   - In 15-20 years more 'large' vessels will visit Australia (i.e. 6,500 - 8,500 TEU) in which case the POM will no longer be fit for purpose (quay line capacity)
3. **Port Phillip West Options: Melbourne needs a new port in approx. 20 years**
   - Utilise current multimodal landside infrastructure
   - Supports Melbourne's metro land-use and transport growth plans
   - Research shows Port Phillip can cater for the new ships
   - Less significant cost and environmental impact.

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We need to rigorously assess privatisation for multi-generational impact:

- Pragmatic, assumption-tested demand forecasts future import/export demand
- The timing of capacity constraints
- Realistic assessments of future vessel size
- Landside infrastructure requirements
- A whole-of-chain analysis, to determine total impact
- A comprehensive cost-benefit analysis covering economic, social and environmental factors is needed for each realistic option

Thank you

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