PORT PHILLIP CONSERVATION COUNCIL INC.

Tel 0359872537

12 Foord Lane DROMANA VIC 3936

[redacted]

A0020093K Victoria

ABN 46 291 176 191

www.ppcc.org.au

7th September 2015

Secretary
Port of Melbourne Select Committee
Parliament House
Spring Street
Melbourne
VIC 3002

Re: Inquiry into proposed lease of Port of Melbourne

Port Phillip Conservation Council Inc. (PPCC) is a federation of fourteen conservation groups around Port Phillip Bay, whose major focus since 1970 has been the preservation and rehabilitation of our unique coastal areas and hinterland.

PPCC has been active in community campaigns opposing further port developments in Port Phillip Bay, especially the Port of Melbourne Corporation's 2008-9 Channel Deepening Project (CDP), both for its environmental impacts and the dubious economic rationale relied upon to support the case.

PPCC opposes the privatisation of the Port of Melbourne (POM), and indeed any of our remaining publicly owned Commonwealth, State or Territory assets on a number of grounds. We believe that if sold, the numerous long term benefits of having the port in public ownership will be forever lost to the community and that State and Federal governments should be committed to sustaining the community benefit already derived from its publicly owned assets.

PPCC Policy No. 17 states our position on the further expansion of ports in Victoria and that port and rail infrastructure should remain or be placed in public ownership. See: http://www.ppcc.org.au/policy17.pdf and at Page 10 of this document.

Preamble

Private businesses, with their first motivation to maximise returns, is not the proper entity to own and manage critical infrastructure. Ports, telecommunications, mass public transport, energy and water supply are all essential services which should be protected and preserved in government ownership for the benefit of our state and Nation. Sadly some of these services have already been privatised and generally to the detriment of their customers.

Public views on privatisation of essential services are firmly and consistently negative, suggesting there is a good reason for the scepticism. A recent survey by *Essential Media Communications* repeats figures similar to many such surveys, quoting 72% of respondents saying utilities like water and power suppliers are too important to be sold off, with 70% saying privatisation mainly benefits the corporate sector, and 70% saying prices always increase more when services are privatised[1].

Rather than disposing of public assets, governments should consider alternative methods for funding new infrastructure which do not require privatisation of existing assets which are already providing reliable service and good rates of return to taxpayers – such as Treasury bonds. As we understand it there has never

[1] http://www.abc.net.au/news/2015-02-11/lewis-and-woods-voters-still-sceptical-of-privatisation/6083982

been a better time for governments to borrow to finance for infrastructure, as the Commonwealth recently joined a list of governments able to borrow money at negative rates of interest[2].

Government should also be advocating for a fairer taxation system in which large business interests and multinational corporations operating in Australia are required to contribute more reasonably to Australia's economy, thus providing an additional funding source for essential infrastructure.

It is therefore appropriate that the Federal government is conducting an inquiry into corporate tax avoidance and minimisation, and we concur with the observations of The Australia Institute in its submission to that Inquiry[3] that raising money for infrastructure investment is much cheaper through government borrowing due to the low borrowing costs of the Commonwealth and most State Governments, and that privatisation and infrastructure development that relies on private financing must meet private financing rates of return, which may then result in reduced services to the public.

So, despite an unimpressive history of privatisation of publicly owned essential services in Australia, and the publics' firm opposition to it, government remains committed to an ideology of privatisation of services, which has proven expensive for consumers and repressive/punitive for many thousands of customers who, especially in the energy sector, have found themselves unable to meet soaring costs.

This is the likely scenario for thousands of businesses and primary producers reliant on the POM if it too is privatised.

Salutary lessons from privatisation of the Energy sector

Privatisation of electricity and gas services has been followed by price increases and a marked decline in customer service. Whilst in state ownership, electricity prices fell between the 1950s to the mid 1990s, to become some of the lowest in the world. Since the privatisation bonanza, prices have increased markedly and are highest in those states with privatised services[4]. Customer complaints have also risen markedly, more so in privatised states, where complaints have increased one hundred fold to 50,000[5].

Victoria's privatised energy market has the highest rates of disconnection in Australia, more than doubling in the last 5 years to over 58,000 households in 2013-14 being cut off from power and gas[6]. Such draconian measures were unheard of when energy companies were state owned. The reaction from private port owners if its users were unable to meet rising rates is unlikely to be different.

A recent Senate Inquiry has found that electricity networks have used the present regulatory system to obtain unacceptably high returns to the companies, resulting in consumers being forced to fund the "excess expenditure" relating to the roll-out of smart meters. The cost of the rollout was much higher than initially budgeted for, but despite consumers being the innocent party in this budget "black hole" it was consumers who paid. It has been estimated that Australian Energy Regulator determinations of revenue allowances for energy companies has resulted in $3 billion additional being paid for by consumers[7].

Notably, a study comparing the share values post-privatisation to float prices estimated that

[2] *Australian bonds print first ever negative rate* AFR April16th 2015 http://www.afr.com/markets/australian-bonds-print-first-ever-negative-rate-20150416-1mmgql

[3] Submission No. 62
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Corporate_Tax_Avoidance/Submissions

[4] *Electricity Privatisation: A Record of Failure* John Quiggin Opinion and Consulting February 2014

[5] Ibid.

[6] *The Dark Age* The Age 19th February 2015

[7] *Electricity companies rorting the system, inquiry told* SMH February 18th 2015 http://www.smh.com.au/business/electricity-companies-rorting-the-system-inquiry-told-20150218-13i3uf.html#ixzz3SEyP3m1o

Commonwealth privatisations alone were $43 billion undervalued[8]. This revenue foregone would by itself fix the supposed budget emergency that the Federal government is currently grappling with.

It also seems that when governments embark on privatisation of infrastructure assets to attract private investors, assets are sold well below likely commercial value – or a range of "sweeteners" are offered to the private entity. Further, the sale process itself is put out to tender, with private firms being paid many $millions of taxpayers' funds to manage the sale on behalf of government. Indeed, we note US multinational investment bankers Morgan Stanley and Corporate Advisor Flagstaff Partners were engaged in August 2014 to "sell the Port of Melbourne"[9], and that former CEO of the PoMC Mr. Stephen Bradford is now advising Flagstaff Partners in their advisory role to government in the sale of the POM[10].

The ideology of Port of Melbourne proposed sale/lease

The PoM provides essential services to the entire state, and according to its own reporting, also to Tasmania and a significant portion of adjoining mainland states. Thus, if 50 grade separations were built in suburban Melbourne, the one off sale of the port would disproportionately benefit Melbourne, leaving Victoria worse off in the long run, as the revenue stream to the state is lost forever. Indeed Treasurer Pallas recently described the port as "the jewel in the crown of our freight and logistics system"[11], whilst shadow Treasurer Michael O'Brien described it as the "jewel in the crown of Australian ports"[12], so the logic of disposing of such a highly praised irreplaceable, long term money making asset is unfathomable. We also note recent comments by Premier Andrews at a recent CEDA[13] event in which he stated:

"... *But, the Port of Melbourne is an asset with a much longer life than many others think, so we have some time. With infrastructure and efficiency improvements at PoM we think the second container port is some years away.....And- it is not our money it belongs to the Victorians taxpayers".*

We believe Victorian taxpayers would much prefer government to be in control of the Crown jewels, investing prudently for the long term, rather than disposing of the jewels and then being beholden to private rent seekers.

For over 100 years Victorian taxpayers have sponsored the Port's success, and have invested heavily in the expansion of the PoM, especially in recent years. The 2008-9 CDP was costed at $750 million by the PoMC, however at least $110 million was spent on environmental studies, and more still on legal actions and marketing the project to an unsupportive public. Annual maintenance dredging of up to 15 weeks per year to 2021 is a substantial additional commitment by taxpayers. The current expansion of Webb Dock has been costed by the PoMC at $1.6 billion.

So, along with the CDP and its related costs and maintenance dredging contracts this leaves no change from the mere $3.5 billion sale of the PoM as predicted by some (as recently as 2012, post CDP, its sale was predicted to net a mere $2.4 billion[14]). Or a relatively unimpressive residual if the sale resulted in $5 -7 billion predicted elsewhere.

---

[8] *The troubled campaign to privatise state assets* The Saturday Paper, 4 October 2014 http://www.thesaturdaypaper.com.au/news/politics/2014/10/04/the-troubled-campaign-privatise-state-assets/14123448001064#.VOarly4asuc

[9] Business Insider August 13th 2014 http://www.businessinsider.com.au/report-morgan-stanley-has-been-appointed-to-sell-the-port-of-melbourne-in-what-could-be-a-6-billion-deal-2014-8

[10] https://au.linkedin.com/pub/stephen-bradford/78/850/56a

[11] *Victoria hopes to sail to $7bn as Port of Melbourne set for sale* The Age May7th 2015 http://www.theage.com.au/victoria/victoria-hopes-to-sail-to-7bn-as-port-of-melbourne-set-for-sale-20150507-ggwib2.html

[12] Mr. M O'Brien Hansard 24th June 2015 http://hansard.parliament.vic.gov.au/isysquery/988256f5-2cef-49be-b627-30a1ddf30a87/1/doc

[13] Committee for Economic Development of Australia seminar 30th March 2015 https://www.youtube.com/watch?v=4_BaV0klkn0

[14] Baillieu flags state asset sales http://www.theage.com.au/victoria/baillieu-flags-state-asset-sales-20120322-1vmzf.html

We therefore object to the much touted notion that funds from the "sale" will be used to fund the removal of 50 level crossings in Melbourne[15], effectively transforming an irreplaceable sovereign asset into an assortment of non-strategic infrastructure that could never again be described as "Crown jewels".

For years the community has been told that the Port of Melbourne is an irreplaceable asset for all Victorians - farmers, retailers, manufacturers and consumers across the state, the PoMC even funding a slick advertising campaign during the CDP to spruik the supposed benefits to the community of it investing in the project on behalf of businesses, primary producers, manufacturers and ultimately taxpayers. But now we are invited to believe that its sale will largely fund grade separation of rail crossings in metropolitan Melbourne. However, the major beneficiaries of such a project would be Melbourne motorists and Victorians long term investment the PoM would be swallowed up entirely by a grade separation project, largely to benefit Melbournians. Too bad for the millions of Victorians who don't use Metro rail or drive in Melbourne. Hardly an equitable use of the "one off windfall"[16] for taxpayers, and an expensive and inefficient way to raise funds.

However, in his recent article *Port of Melbourne privatisation: Costly dealings clogging up Melbourne's docks*[17], public policy commentator Ken Davidson observes that to prioritise the privatisation of the Port of Melbourne the Andrews government is blocking a $58 million rail project at the Swanson Dock terminals that promises huge returns for a modest investment, and obviating the need for further costly port expansion at Webb Dock. The rail project would deliver significant financial, economic and social returns (dramatic decrease in suburban truck traffic emanating from the port, reduced diesel pollution, quicker and cheaper freight delivery etc.) for the modest investment involved.

Instead, a massively costly ($6.6 billion) and inferior road project promoted by Transurban bringing more congestion and pollution to the city is being favoured by government. Notably, the *Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015* indicates that funds from the Port sale, once transferred to the Victorian Transport Fund would fund all or any part of the development of (i) the Level Crossing Removal Program; and (ii) infrastructure projects for or in relation to public transport, roads, rail, the movement of freight, ports or other infrastructure.[18]

So - rather than the port sale being entirely directed to level crossing removal- as the public is invited to assume from government's media releases, based on estimated costs of portside road projects championed by Transurban, the entire proceeds could be swallowed up by road building and other projects to assist private port and freight entities.

It beggars belief that government could consider selling the port for $5-7 billion, and then commit to a similar amount on road projects around the port which would only benefit the corporate sector- road builders, private port operators –whilst adding to the misery of those living near the port. We suggest that if the public realised this, support for the port sale would be even further diminished.

Other costs to taxpayers, port users, consumers

The Department of Treasury and Finance website[19] advises that the lease is only for the port's commercial operations, and that the Victorian and Commonwealth Government would retain responsibility for regulating the port's safety, security and environmental functions. The Victorian Government will continue

[15] Numerous media reports including: http://www.heraldsun.com.au/news/victoria/secret-report-warns-port-of-melbourne-sale-could-result-in-budget-shortfall-of-14-billion/story-fnpp4dl6-1227362039397, http://www.theage.com.au/victoria/opposition-to-block-sale-of-port-of-melbourne-20150623-ghv417.html

[16] *Nautical or nice? Port of Melbourne privatisation and progress of plans for second port explained* The Age March 8th 2015 http://www.theage.com.au/victoria/nautical-or-nice-port-of-melbourne-privatisation-and-progress-of-plans-for-second-port-explained-20150305-13wsri.html

[17] http://www.theage.com.au/comment/by/kenneth-davidson

[18] Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015, Cl. 15 (1)

[19] http://www.dtf.vic.gov.au/Infrastructure-Delivery/Leasing-the-Port-of-Melbourne

to be responsible for the Harbour Master, safe navigation in Port Phillip Bay, dangerous goods oversight, waterside emergency management, marine pollution response and towage regulation. In other words, all the recurrent substantial costs of ensuring the "running" of the port will still be met by taxpayers, whilst being denied the revenue stream from the commercial operations of the port.

Of particular concern to PPCC is the unfortunate toxic legacy of the CDP posed by the underwater Dredged Material Ground (DMG) in Port Phillip Bay – a toxic waste ground in which over 3 million m^3 of toxic and contaminated sediment from Yarra dredging was dumped. A review of three PoMC documents not included in the 2007 CDP SEES raised many concerns over the management of the dump site.

One specialist report[20] found high levels of toxins several kilometres outside the DMG and the predicted dredge plume, indicating that toxins had spread well beyond the DMG; and the dredge plume modelling significantly understated the actual distance toxins travel from the DMG. The data also reveals a link between contaminant levels and reduced biota.

Thus, as government will retain responsibility for all but the commercial operations of the port, it would retain responsibility for this toxic time bomb, the "benefits" of which would be enjoyed by a private port operator. We cannot find any reference to arrangements for future disposal of dredge spoil - presumably at least some of which would be toxic/contaminated - from dredging undertaken by the private port operator to meet its obligations to "maintain existing safety standards[21]". We assume spoil would be dumped in existing spoil grounds, which appear to be outside the lease boundaries, and thus still the responsibility of the state. If so, the risks and costs associated with any adverse events arising from the toxic dump will rest with the taxpayer. This is a compelling example of how privatisation exposes the community to undeserved costs and risks, whilst the private sector reaps benefits without risks. (We understand that the monitoring regime for the dump site currently only requires an annual visual inspection and no sampling surveys).

We also note that "The Leaseholder will be incentivised to invest in the future growth and development of the port on a commercial basis"[22], which can only mean payments of unknown quantum and duration from government to the private sector – corporate welfare - an absolutely avoidable cost if the port remained in state ownership.

Various port users and operators have expressed alarm at the proposed sale of the PoM:

The Victorian Farmers Federation (VFF) said the PoM is the crucial gateway to their international markets, and that privatisation of the PoM could result in higher port charges and loss of access. They pointed out that any future capacity constraints could create unmet demand that would be exploited by a private sector lease holder[23]. We note however that the VFF has since been pacified by the promise of a $200 million 'agriculture fund'[24], but how would such a fund prevent the private operator exploiting unmet demand? Indeed, the likely outcome if farmers are hit with higher port charges would be farmers demanding further subsidies to meet their costs- which in reality becomes taxpayer funded corporate welfare for the private port operator.

However, we concur with the opinion of Deputy Nationals leader Steph Ryan who was not convinced, stating that the sale "is a dud deal", and that country Victorians "were just being thrown the scraps off the table", the proposed fund being a mere 3% of the expected $7 billion sale price[25]).

[20] Baseline Benthic Fauna Surveys for the Port of Melbourne DMG, SE DMG and Yarra River Estuary. SKM Sept 2006

[21] The Transaction Package – Protecting the State Page 9, in the Port of Melbourne Lease Transaction presentation by Morgan Stanley, Flagstaff Partners and State Government Victoria http://www.dtf.vic.gov.au/Infrastructure-Delivery/Leasing-the-Port-of-Melbourne

[22] Ibid Page 6

[23] http://www.vff.org.au/vff/Documents/Policy/PORT.pdf

[24] Premier Andrews media release August 2nd 2015 http://www.premier.vic.gov.au/200m-fund-to-support-farmers-from-paddock-to-port

[25] *Farmers to receive $200m from proposed Port of Melbourne sale* http://www.theage.com.au/victoria/farmers-to-receive-200m-from-proposed-port-of-melbourne-sale-20150802-gippep.html

DP World (half of the PoM port operator duopoly) CEO Paul Scurrah has warned that consumers would eventually pay higher prices for products if state governments took a "short-term money grab" by pushing for excessive sale prices in the privatisation of port assets. Commenting on the proposed sale of the PoM he warned that DP World would look to recover its costs from any excessive charges, and that it would be passed onto consumers, saying ***"...****We will do everything we can to ensure our interests are protected"*[26]

Logistics group Qube predicts Melbourne cargo charges could double over the next two years, raising prices of imported goods for consumers as the privatisation of Australian container ports pushes up rents. "*I anticipate that there is going to be a significant increase in rentals at the Port of Melbourne,*" Qube managing director Maurice James said[27].

Mr. James commented that the privatisation of the Port of Melbourne, which could fetch as much as $3.5 billion (his opinion 2014), would likely have the same impact on port users as the 2010 privatisation of the Port of Brisbane, where rents subsequently rose, and that grain traders exporting wheat through the Port of Melbourne, who paid $1.50 per tonne in 2009, could see costs rise to $10 per tonne by 2016, from $4 per tonne in 2014.

The Port of Melbourne made $65.9 million operating profit in the 2012/13 financial year and $123.4 million in earnings before interest and tax. However, the Port is experiencing significant growth and is strategically significant so its future earnings could be much greater. Consequently there is no compelling case to privatise it and a good case for keeping it in public ownership. Its profits from ongoing operations could fund other necessary infrastructure throughout the state.

Port privatisation elsewhere not popular with industry

In Queensland, the mining sector, although unwilling to co-operate with a mining tax were quite comfortable demanding that government should continue to provide port services to their sector. When the Costello Commission of Audit, commissioned by the Newman Queensland Government, recommended that the government sell or lease assets including Gladstone Port, **Queensland Resources Council** chief executive Michael Roche wrote:

Our experience with privatised ports has not been a good one… our industry has not been happy about the Beattie government's sale of Dalyrmple Bay and the subsequent regulation of the port. It has struggled to meet its capacity. It was supposed to be 85 million tonnes [a year] but it doesn't do that[28]

A fine illustration of our point that private ownership serves itself first is Dalrymple Bay port owners Babcock & Brown, who were not prepared to invest in increasing port capacity despite port users wanting to open new mines in the region and needing more port capacity[29]. The costs of delays were borne by the miners and ore buyers while Babcock & Brown made healthy profits from their existing infrastructure and were happy to exploit the excess demand rather than expand to meet the local miners' needs.

Commenting on recent changes in ownership at Ports of Botany and Brisbane, where at the time two owners had 65% stake in NSW Ports and 46% stake in the Port of Brisbane, **Shipping Australia Chairman Ken Fitzpatrick** expressed concern over the amount of control this gives port owners on the Eastern Seaboard[30]. Despite assurances from owners IFM that it would exercise its position responsibly, Mr Fitzpatrick said he

---

[26] *Privatised ports costly for consumers, exec warns* The Australian November 12, 2014 http://www.theaustralian.com.au/business/privatised-ports-costly-for-consumers-exec-warns/story-e6frg8zx-1227119994975
[27] *Qube warns Port of Melbourne charges could double* SMH September 11, 2014 http://www.smh.com.au/business/qube-warns-port-of-melbourne-charges-could-double-20140910-10f3kx.html
[28] *Miners wary of another port sale in Queensland* The Australian Financial Review 4 March 2013
[29]TAI Public Infrastructure financing: submission to the Productivity Commission 2014 http://www.pc.gov.au/__data/assets/pdf_file/0004/131962/sub085-infrastructure.pdf
[30] *Are we selling off the family silver by privatising Australia's ports*? May 2, 2013 http://theconversation.com/are-we-selling-off-the-family-silver-by-privatising-australias-ports-13824

remained concerned over whether there were sufficient regulatory measures in place to ensure competitive pricing.

Mr. Joe James, **Port Authority of NSW** in his presentation *'A Port Managers Perspective of Privatisation Impacts'* concludes:

There exists a strongly held alternative view that highly profitable monopoly businesses which provide essential services and infrastructure should remain in public hands, public interest created by financial necessity has increasingly overshadowed this argument. Ports as Government Owned entities can be as efficient and profitable as those in private ownership, if governments wish them to be and allow them to be! [31]

Whilst the profit motive always prevails with a private port owner, a publicly owned port has the capacity (and some commentators say duty) to stimulate regional development by investing in port infrastructure. This might not have an immediate benefit to the port's bottom line but will benefit its public owners long term by creating additional economic activity.

International experience of port privatisation is not reassuring

In its article **'***Are we selling off the family silver by privatising Australia's ports?'* The Conversation[32] observes that privatisation in the UK took place many years ago, however Alfred Baird, Professor of Maritime Business, Transport Research Institute, Edinburgh's Napier University concludes it has not always been a success. He points out that since privatisation; investment in port infrastructure has slowed, leading to UK ports losing trade to continental rivals with shipping consortia switching vessel routing to European ports such as Rotterdam and Hamburg. Once the shipping lines leave, it is difficult to get them back, as importers and exporters adjust their supply chains to adapt to the new situation.

This should be of concern to all users of the PoM, and should guide governments not to dispose of essential port services to the private sector – unless they forever want to be at their mercy.

Precedent for concerns

As far back as 1916, the Australian Government was having trouble with the overseas Shipping Combine, which was squeezing the government for increased freight rates, and a reluctance to do long hauls to Australia during war time. Preference was being given to the Argentine and other countries, who were prepared to pay high freights for shorter hauls. Australian produce was rotting on the wharfs waiting for ships that never arrived.

PM Billy Hughes decided to do something about it. He employed an agent to obtain an option on 30 ships and the Commonwealth Shipping Line – owned by the people of Australia – came into being. Once they realised who the buyer was, the Combine prevented Hughes obtaining any more than the 30 ships.

Hughes was able to direct CSL to undercut the fares and freights of the Shipping Combine – confirming that the Shipping Combine had indeed been milking the people of Australia. By 1921, partly because of wartime buoyancy, the CSL had amassed profits of £ 7,341,819. Those profits had written off the entire capital costs and still showed a balance of £2 million in hand, in spite of rate cutting.

This antipodean success story annoyed the Chairman of the Shipping Conference, P&O Chairman Lord Inchcape greatly, as it had been expected that once the war was over that Hughes should sell the ships and

---

[31] http://portsaustralia.com.au/assets/Joe-James-A-Port-Managers-Perspective-of-Privatisation-Impacts.pdf
[32] *Are we selling off the family silver by privatising Australia's ports*? May 2, 2013 http://theconversation.com/are-we-selling-off-the-family-silver-by-privatising-australias-ports-13824

hand the trade back to the privately owned Shipping Conference. In an address to his shareholders in London in 1921, Lord Inchcape said:

"Mr. Hughes would be infinitely better advised if he left the business to those in commerce and allowed the people to work out their own salvation. I hope Mr. Hughes will be satisfied with the profit he has made out of the ships and will dispose of them."[33]

Despite CSL's success, by 1927 the conservative Bruce Page government, like modern conservative regimes, was determined to dispose of Commonwealth assets. Speaking in defence of Commonwealth ownership of CSL, with great prescience former PM Hughes said: "*From the day (CSL) was purchased, the Conference lines have not spared any effort to destroy it .....They (The Conference) is a combination of great shipping interests. It is natural and inevitable that when those possessing such power have the opportunity to levy toll, that toll will be levied....The ocean highways to Australia form a part of the vast domain over which it spreads its innumerable argosies. Once the Commonwealth line is removed, the Conference will come into its own.... There is only one thing standing between us and the gentleman that stands at the toll gate, and that is the Commonwealth line"*[34].

Later, at a dinner given to PM Bruce by The Conference chairman Lord Inchcape, PM Bruce made this cringe worthy statement: *"I do not know if you are giving Australia the best services. I am told you are not. We may be at your mercy, but I hope to heaven you will exercise your power mercifully"*[35].

Hardly Nation building rhetoric. In the 1920s a conservative government reduced Australia to going cap in hand to private capitalist interest to secure essential services, which we had until then successfully provided under government enterprise, and at substantially less cost to customers. One hundred years later we stand ready to repeat those costly and Nation demeaning mistakes.

As the foregoing has amply proven, the only mechanism for reducing the cost of moving goods, and hence costs to consumers is the removal of collusion and the re-introduction of state enterprise in this essential service. In the very different future we face, the possibility of coping with war, food and fuel shortages in an entirely privately owned port system is a sobering thought.

Conclusion

In the PoMC's book *The long and perilous journey - A history of the Port of Melbourne* the author notes[36] that in the 1850s the then Melbourne Chamber of Commerce was the chief proponent of the push to establish a Harbour Trust. Their proposal met with the concern that it would give Melbourne's commercial men far too much power and control over the waterfront. Eventually, after years of factional interests at play, it was realised that the essential services and orderly expansion of the Port could only be reliably provided by government. Now, 160 years later, government is preparing to hand back effective ownership of the waterfront to private interests.

The top 300 pension funds control assets of about $14 trillion[37], including Port operations. Commentators note that such funds have investment profiles that make assured long-term returns important and they want infrastructure assets that are reliable earners, ones that are monopolies, preferably. They like to invest directly, and want to own their assets for long periods - in the case of pension funds, for example, for periods that better match the long-term task of building retirement benefits[38].

[33] *The Great Bust* J.T. Lang 1962
[34] Ibid
[35] Ibid
[36] *The long and perilous journey - A history of the Port of Melbourne* Judith Raphael Buckrich ©PoMC 2002
[37] *Mega funds spark a ports boom* The Age March 7th 2014
[38] Ibid

This begs the question, and indeed is the nub of our submission: *As these assets are considered such good long term investments for private wealth funds, why are they, especially those run as monopolies, not also considered good long term investments for government to hold?*

"Asset Recycling" is based on the neo-con presumption that privatisation is always preferable despite there being no logical or empirical basis for this view. However, many of the most vocal advocates of privatisation have a vested interest, viz: The National Commission of Audit was headed by Tony Shepherd who had recently been head of the Business Council of Australia and Chairman of Transfield. Government contracts are an important source of Transfield's revenue. It is in the interests of business such as Transfield, certainly not consumers' interests, that government privatise or contract out as much as possible of their operations. As George Bernard Shaw said: *"A government which robs Peter to pay Paul can always count on the support of Paul".*

Privatisation has converted 'service to the public' into 'profit regardless of the public'. But even Adam Smith, the creator of classical free market economic theory does not provide the present day free market theory with justification for government to sell off public utilities. Smith said *"...those public works which, though they may be in the highest degree advantageous to a great society are, however, of such a nature that the profit could never repay the expense to [private enterprise]."*

Nobel Laureate and hero of Margaret Thatcher, Professor Freidrich Hayek also made it clear, saying *"Far from advocating such a 'minimal state', we find it unquestionable that in an advanced society government ought to use its power of raising funds by taxation to provide a number of services which for various reasons cannot be provided, or cannot be provided adequately, by the market[39]".*

The evidence suggests that we face a very different future. It should be the duty of government to ensure that its citizens are protected from the vicissitudes of a war, fuel, water or food shortages. There should be no opportunity for our government and its citizens to be held to ransom by corporate interests, who if in control of essential services such as ports and other forms of mass transport, would by their very nature, and as they have before, identify such scenarios as profit maximising opportunities.

Since its inception in 1990s Australia, privatisation has become a bloated and very unwelcome house guest, unveiling itself as part of a narrow economic irratioanlists ideology, not a tool for the betterment of society as it had been sold to the public.

And, after 30 years, it has history. Customers are dissatisfied, or have been abandoned in the tens of thousands by corporations who have made billion dollar profits in our country. These corporate entities have benefitted from the ideology of reform, but the economic theory has not delivered higher quality or more equitable access to services for the vast majority of Australians.

We therefore request that this Inquiry does not recommend the proposed privatisation of the Port of Melbourne- our priceless, irreplaceable asset.

Yours sincerely

[redacted]

Len Warfe
President

[39] *Law, Legislation and Liberty* Freidrich A Hayek 1982

PORT PHILLIP CONSERVATION COUNCIL INC.

Tel 0359872537
A0020093K Victoria
ABN 46 291 176 191

12 Foord Lane DROMANA 3936
www.ppcc.org.au
sec@ppcc.org.au
20th April 2015

PPCC Inc. Policy Statement No. 17

Limitation of port development in Port Phillip and Westernport

SUMMARY:

Port Phillip and Westernport Bays are Crown land held in perpetual trust for the people. They are a community asset of critical value to the people of Melbourne and its environs, and should be protected, conserved and managed by governments, for the people, as their ecological, aesthetic, recreational and ambience values are a rare, finite and indispensable part of those environs.

Australia's large container port expansions have consumed and degraded large sections of high ecological value coastal land. Largely taxpayer funded works have been justified by promised economic and social benefits. However unlike the perpetual benefits the people get from a publicly-enjoyed coastal and marine environment, these promised benefits have proved illusory and unsatisfying. Alternative infrastructure and logistics solutions to ongoing port expansion must be found.

DETAIL:

Port operations contribute to lost amenity, marine pest invasions, reduced water and air quality, and traffic congestion. The 2014 proposals for a new port at Point Wilson (advocated by the ALP) or an expanded Port of Hastings (advocated by the Coalition) are driven by shipping industry demands for deeper draught vessels, carrying more containers, and a cargo-cult vision reliant on a very large increase in consumption and population growth. Project plans rely on an increase of some 350% in Victoria's container throughput by 2050, whilst the Australian Bureau of Statistics estimates a 60-70% population increase by then.

Government policy has moved Australia well into the global market, and yet Victoria's port expansion proposals seek to entrench petty interstate rivalries based on which State will get the largest share of international container trade. However, Australia is already well served by ports around our entire coastline, and many substantial ports are closer to our major Asian trading partners.

As trade and transport are national issues, there should -rather than the present state based port operations - be a national approach to transport infrastructure planning, including ports, rail and road. National plans should be underpinned by an ecologically-based investigation of Australia's population, consumption and infrastructure carrying capacity.

To address present inefficiencies of state based competition, port and rail infrastructure should, with oversight by a National Transport Authority, either remain or be placed in public ownership.

Alternative infrastructure solutions could then include:

- larger ships loading and unloading at Hub port Singapore, or existing deep ports (Darwin, Fremantle, Brisbane etc.) all of which are closer to Australia's present major Asian trading partners,
- running smaller fuel-efficient ships to and from those ports
- much more interstate rail, and 'inland ports' (Brisbane-Melbourne rail link, Parkes Inland Port etc.)
- ports diversifying assets, and investing in rail and joint port operations.

ADOPTION: This PPCC Inc. Policy Statement No. 17 was adopted by a General Meeting of Port Phillip Conservation Council Inc. on 20th April 2015
