

Submission to Victorian Parliament Port of Melbourne Select Committee

Summary of Frankston City Council's position on the proposed lease of Port of Melbourne:

- *Frankston City Council favours a 30-40 year lease term for the Port of Melbourne, due to the likelihood of its capacity being reached and the need for a second container port in Victoria.*
- *Frankston City Council does not support the private monopolisation of the Port of Melbourne.*
- *Frankston City Council does not support the payment of compensation to the Port of Melbourne operator in the event that a second container port is established by government in Victoria.*
- *The South East Melbourne and Frankston City economies were relying heavily on the expansion of the Port of Hastings (as Melbourne's second container port) for a regional employment boost. Unemployment in Frankston City is at 8.3% - a 15 year high. Any withdrawal of government support for the expansion of the Port of Hastings will result in Frankston City Council and its regional partners seeking equivalent government support for employment creation across the region.*
- *Frankston City Council seeks a full investigation by Infrastructure Victoria into all options for a second container port in Victoria as promised pre-election by the now Victorian Government.*
- *Frankston City Council has been named Victoria's most sustainable city and supports the "do no harm" principle, which will protect Port Phillip Bay and its environs (see section 3 for full position).*

Frankston City Council would like to appear before the Select Committee to speak to its submission.

Frankston City Council's position is centred on the following principles:

1. Retaining Victoria's status as Australia's premier container and general cargo state
2. A sustainable Frankston City and South East Melbourne economy that services over one million people and supply chains in key industries
3. Protecting Port Phillip Bay and its environs
4. The disconnect between short term objectives (maximising the proceeds of the lease), with the longer-term objective of maximising the economic benefits to Victoria of container trade

1. Retaining Victoria's status as Australia's premier container, general cargo and logistics state

Victoria's role as the country's heartland for manufacturing is contingent on it being the premier container and cargo state. Frankston City Council believes Victoria's competitiveness will be severely compromised if Port of Melbourne (POM) becomes a private monopoly that prevents a second container port. There have already been concerns raised by major shipping container groups about the cost of stevedore rents. If a privatised monopoly is allowed to set prices in an

anti-competitive environment, rental prices will soar. Despite capping tariff prices at CPI for the first 15 years of the lease, this provides no security for the remaining 35 years of the lease duration. There is a very real risk that major container shipping companies will relocate their activities to Port of Adelaide, Port of Bell Bay, Port of Brisbane and/or Port Botany.

If this occurs, Victoria could experience a mass exodus of its \$194 billion manufacturing industry and the \$36.5 billion logistics, transport and warehousing industry. In these two industries alone, this would compromise in excess of 400,000 jobs. A mass exodus of these industries to co-locate with more economical ports around Australia could see Victoria's unemployment reach 10%.

If Victoria proceeds with the a private monopoly for PoM, which includes compensation in the event that a second container port is established, this will also harm Victoria's competitiveness in the event that PoM reaches capacity during the 50 year term of the lease.

Frankston City Council believes that there is significant risk associated with a single port location for the rapidly growing container and cargo trade industries. If access to Port Phillip Bay is compromised in any way (such as security risks, channel deepening works or natural disasters), and shipping supplies are cut off, it would be a national disaster with wide ranging implications.

As Australia's premier container, general cargo and logistics state, Victoria will need to be able to accommodate larger ships as population and demand grows. With limited access to Port Phillip Bay for larger ships (unless significant channel deepening and other works occur), the need for a second container port should be explored by Infrastructure Victoria (as promised pre-election). A solution that involves a natural deep-water port with access for larger ships will contribute toward Victoria maintaining its status as Australia's premier container, general cargo and logistics state.

2. A sustainable Frankston City and South East Melbourne economy that services over one million people and supply chains in key industries

The capacity of the PoM has been a topic of much debate. However, it is not Victoria's freight capacity alone that should be the key determinant for a second container port.

A second container port in Hastings would provide an economic lifeline to the economy of South East Melbourne. Of the 400,000 Victorians employed in manufacturing, logistics, transport and warehousing, over 80,000 are located in South East Melbourne. Furthermore, it is one of the state's premier regions when it comes to freight movement.

- 24% of all full containers from PoM end up in South East Melbourne
- 33% of full import containers coming through PoM end up in South East Melbourne

When taking into account the full supply-chain of Victorian manufactured goods that are exported, the majority originate from South East Melbourne.

Due to the indirect access between PoM and the South East Melbourne region, there are a range of logistical issues with increasing freight activity between these locations. Congestion,

inefficiency and subsequent productivity losses have not yet been quantified, but are likely to add up in the tens of millions of dollars across the region. This will also have significant lifestyle implications for people residing adjacent to these transport corridors.

A long-term private monopoly for PoM will increase strain on infrastructure between PoM and South East Melbourne and will require significant expenditure on road and rail connections. Projects such as upgrades to the West Gate Freeway, West Gate Bridge and the rail freight corridor will need to be factored into future plans.

Parts of the South East Melbourne region are suffering from 15 year high unemployment, including the employment hubs of Frankston City (8.3%) and Greater Dandenong (12%) – both significantly higher than the Victorian average of 6.4%. Should there be a mass exodus of these industries to other states, large pockets of the region are likely to experience unemployment in excess of 20%.

Retaining the option of a second container port in Hastings would not only uphold Victoria's competitive advantage as Australia's premier container and general cargo state, it would provide a vital boost to the region's struggling economy.

Approximately \$30 million has already been spent on feasibilities and research into the expansion of PoH. Should the investigation into the expansion of PoH not be concluded, this is a significant waste of research and funds. The negative impact of the scaling back investigations surrounding the PoH expansion has already had detrimental impacts on the Hastings community.

If Victoria proceeds with the a private monopoly for PoM, which includes compensation in the event that a second container port is established, this will effectively end the proposal to expand the Port of Hastings (PoH) into a major container port. According to a report prepared by GHD for Regional Development Australia (Southern Melbourne and Gippsland) if the PoH is not expanded, it would have the following negative impacts on the Victorian economy by 2035:

- \$2.2 billion lost per annum in Gross State Product
- Minimum 4,800 jobs lost

The establishment and ongoing operation of a second container port in Hastings would have the following economic benefits to the South East Melbourne region:

- An additional \$1 billion per annum in Gross Regional Product
- An additional 15,200 jobs by the early 2050s

There is also a need to provide planning certainty for land holders in and around the PoH. As it stands, much of this land is zoned for port and related uses. Any change in government position on a second container port in Hastings should come up with a plan for the future of this land, which would otherwise generate thousands of jobs if/when the expansion goes ahead.

3. Protecting Port Phillip Bay and its environs

Frankston City is Victoria's most sustainable city, as awarded by Keep Australia Beautiful Victoria Sustainable Cities Awards in 2015. We are a bayside municipality with some of the most visited and cleanest beaches in Victoria. Council is deeply concerned that any necessary channel deepening that would enable larger ships to enter Port Phillip Bay will have enormous environmental impacts on the liveability of bayside locations. There is a direct threat to Frankston City's quality of life, tourism market and environment.

Given that channel deepening is likely to be a necessity (as only the smallest container ships can currently enter Port Phillip Bay), this is a very real issue that needs to be addressed. As long as there are alternatives – such as a natural deep water port in Hastings – State Government should seriously reconsider any additional channel deepening.

Protecting Port Phillip Bay directly relates to the proposed compensation to the PoM operator should a second container port be established. If this compensation clause is enacted and a second container port is no longer in the equation, this will make the Port Phillip Bay channel deepening inevitable and create enormous environmental upheaval for all bayside locations.

Frankston City Council's desire to protect Port Phillip Bay and its environs are consistent with the 'Do No Harm' premise of the Association of Bayside Municipalities in Victoria (of which Frankston City Council is a member).

Port Lease Principles – Protecting Port Phillip Bay and Environs:

- Adopt the principle of 'Do No Harm' to the environmental, social, economic and cultural wellbeing of Port Phillip Bay
- Prepare and publish a comprehensive report outlining the current health and condition of Port Phillip Bay inclusive of water quality, marine biodiversity and shoreline conditions
- Undertake annual monitoring and reporting of the health and condition of Port Phillip Bay and develop response plans in conjunction with relevant State Departments, agencies and local stakeholders
- Maintain all community-based assets, existing public access and buffer zones within Port of Melbourne land
- Ensure any amenity impacts are rectified to a high standard reflecting current and future needs and community expectations
- Establish a 'Fund' from the lease of the Port of Melbourne with proceeds to improve the amenity of Port Phillip Bay
- Ensure that the health, amenities, economic benefits and environment of the bay are protected for now and future generations
- Prior to any decision to lease the Port, the State Government commits to its promise to consider all options for future port operations within and outside Port Phillip Bay, and refers this investigation to Infrastructure Victoria for a decision

Should the lease of POM, and any subsequent fully informed decisions on Victoria's second port options, result in any additional channel deepening works or the widening of the heads to facilitate larger vessels, there would undoubtedly be a change to the bay's geomorphological structure. Should this be the case, it would be prudent for the government to have quarantined sufficient funds to ensure the protection of assets, infrastructure, and amenity that would be affected.

4. The disconnect between short term objectives (maximising the proceeds of the lease), with the longer-term objective of maximising the economic benefits to Victoria of container trade

As outlined in section 2, the proposed lease terms have enormous impacts on the possibility of a second container port in Hastings and any associated economic benefits for South East Melbourne and Frankston City.

Frankston City Council supports the removal of level crossings; however, it is concerned that the shift away from funding major employment infrastructure will have detrimental effects across the region. Whilst building level crossing will provide short-term employment through construction, it will not provide long-term employment prospects. If major economic infrastructure (such as the PoH expansion) is not provided for the South East Melbourne region, the result is likely to be a major regional employment gap.

Frankston City and the wider South East Melbourne region have an enormous reliance on manufacturing, logistics, transport and warehousing – key port related industries. In particular, manufacturing is the number one employer of Frankston City residents. If the PoM lease occur with the proposed compensation terms, a government led expansion of PoH will not be possible for 50 years.

There has been a significant amount of government support to stimulate the Greater Geelong and Western Melbourne economies in light of pressures such as the decline in automotive and parts industry. In 2011, South East Melbourne employed 5,714 people in this industry compared with 5,775 in Western Melbourne and Greater Geelong. Despite the comparable figures, a pipeline of government support has not been equally forthcoming for both sides of the bay, with Greater Geelong receiving substantial government funds and the prospect of the Western Distributor project. Meanwhile, the East West Link project has been cancelled and there is the very real prospect of the PoH expansion not occurring.

If the Victorian Government withdraws its support for the expansion of PoH, Frankston City Council and its regional partners will seek significant government support for employment creation across the region.

The PoH expansion is seen as critical as it will create thousands of jobs across the South East Melbourne region, which will reduce congestion and pressure on transport infrastructure that is already at capacity. With population growth occurring at faster pace than job growth across the South East Melbourne region, government requires a bold plan, backed up by resources, to



generate sustainable local employment. This is in line with long-standing government policies (including Plan Melbourne) that seek to have a polycentric city model that provides employment in metropolitan and outer areas, relieving pressure on congested transport infrastructure and improving quality of life.