Salta Select Committee Submission – Recent Relevant Media Coverage Regarding Port Rail Access

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Losing No.1 port status will hurt business

Philip Hopkins

Sydney is likely to overtake Melbourne in the near future as the biggest container port in Australia, an outcome that will impact on business growth and the city's industrial property markets.

The loss of Melbourne's "number one container port" status appears a certainty as container operators abandon projects and shift their focus across the border because of the lack of rail connections.

"We are already seeing the growth rates of containers through Port Botany exceeding Melbourne," said Qube Logistics managing director Maurice James. "It's at risk of losing its number one container port status because of the economics of moving freight and the potential cost of going forward."

The Port of Melbourne handles more than 2.5 million TEUs (20-foot equivalent units) annually, but Sydney has nearly caught up, with throughput now about 2.3 million TEUs.

Qube has abandoned corporate partnerships with Salta Properties and Austrak in Melbourne because it says Victoria has no strategy to get metropolitan freight onto rail and develop suburban intermodal terminals. Intermodal hubs are where containers are transferred between trains and trucks.

Instead, Qube will concentrate on developing the Moorebank rail freight precinct in south-west Sydney with rail group Aurizon – a precinct that Qube is confident will become the biggest intermodal freight hub in Australia.

Melbourne seems certain to lose its status as "number one container port" to Sydney. Photo: Jessica Shapiro

Mr James said already one big customer in the Riverina had shifted its freight to Qube's regional train to Sydney, not Melbourne.

Melbourne has three potential metropolitan intermodal hubs: a 180-hectare site at Lyndhurst in Dandenong South, owned by Salta Properties; the Austrak terminal at Somerton in the north; and a smaller Salta site in Altona. Sydney has five intermodal terminals.

The State Government did not reply to a request for comment about the implications the shift in focus to Sydney will have on local businesses.

Qube has withdrawn from an agreement with Salta to develop Lyndhurst and at the end of June gave up its rail terminal lease at Somerton. "Melbourne has stagnated. We have not seen a serious government push for modal shift to rail," Mr James said. "We are not wasting any more time on that in Melbourne."

In contrast, before privatisation the NSW government spent $1 billion upgrading the infrastructure at Port Botany, which has a dedicated standard gauge freight line. "So Botany today handles at 2.2-2.3 million TEU, but has the infrastructure that could take it to 7-9 million TEU," he said. This was similar to Melbourne's estimated capacity of 8 million TEU.

The Sydney Intermodal Terminal Alliance (Qube 67 per cent and Aurizon 33 per cent) will spend $1.5 billion developing the 240-hectare Moorebank over the next 10 years.

Mr James said road costs would increase through government fuel imposts, road user charging mechanisms and higher tollway charges. "Road congestion will become a bigger issue. That's where we are in Melbourne with road congestion," he said.

Mr James said rail terminals should be built on dock and the stevedores should load trains at the same price they load trucks, as basically happened in Sydney. Otherwise, "you will put an additional cost into the intermodal business, and therefore it won't be economic".

The chief strategy officer at DP World, Brian Gillespie, said Sydney congestion was at a different level from Melbourne – hence the joint venture with Toll. The company was open to developing metro intermodal in Melbourne, "but we have no tangible plan in place at this point", he said. Mr Gillespie said DP World's biggest obstacle to on-dock rail was Coode Road, a public road that bisects the company's two terminals – the quay side at West Swanson dock, and the rail connection on the other side of the road.

The Shadow Minister for Ports, David Hodgett, said rail should be mandated – at the very least encouraged – as part of the privatisation of the port.

"The danger is after the sale, the government would lose control and we may never attain rail," he said.

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Costly deals clogging up Melbourne's docks

KENNETH DAVIDSON

The Andrews government is off course on port plan.

Between 2007 and 2009 Victoria's Bracks-Brumby government spent $350 million on a road and rail project to remove a level crossing along Footscray Road. The delay of 15 minutes to and from the western suburbs was a major irritant to motorists caught by the handful of country passenger trains using the line to get to and from the city.

But this wasn't the main justification for the bridge; it was necessary to open up the Port of Melbourne's Swanson Dock terminals to a direct rail link to three proposed inland ports (container terminals) at Somerton in the north, Altona in the west, and Lyndhurst to the south-east of Melbourne.

By using a rail link to the three inland ports, 3500 trucks each day can be taken off Melbourne's roads (out of the present total of 5700). This is dependent on upgrading Swanson Dock rail terminals so containers can be lifted directly off ships and on to trains.

But not one metropolitan freight train has passed under the bridge, because the rail upgrade at the port has not been undertaken and only one of the inland ports has been connected, although all are developed.

The $58 million in costs associated with the rail extension ($38 million from the Commonwealth and $20 million from the state) have been allocated in the budget but, amazingly, not implemented.

It is difficult to see an infrastructure project in Victoria with greater financial, economic and social returns for the modest investment involved. Yet the project is being blocked by the Andrews government to prioritise the privatisation of the Port of Melbourne.

Worse, the government is spending $1.6 billion refurbishing Webb Dock, which will be uncompetitive because it will rely on trucks, since previous state governments sold the rail easements along Lorimer Street giving access to Webb Dock, as part of the Fishermans Bend redevelopment.

For the expenditure of $58 million (never mind the $350 million Footscray project) the Port of Melbourne gets more additional capacity than Webb Dock, estimated to cost the taxpayer $1.6 billion.

And by cutting out the present truck journey between Port of Melbourne and the inland ports, the cost of delivery off-port is expected to fall by 20 per cent, or about $100 per container.

The cost of the Webb Dock upgrade is being borne by the Port of Melbourne. This means the government could abort the development without paying compensation, such as the cost of breaking the East West Link road contract and side agreement.

Recent developments suggest the Philippines port company ICTSI, which has signed up to operate Webb Dock, may be pleased to get out of the contact. Webb Dock has significant competitive disadvantages by comparison to Swanson Dock – the lack of a direct rail link and, with no other port facilities in Australia, shippers are reluctant to deal separately with different operators at each port.

The Andrews government has a simple solution available – authorise and fund the rail terminal upgrade to Swanson Dock linked to inland ports and cancel the Webb Dock development. But the politicians seems to be in thrall to senior Treasury and Finance department officials.

These officials appear to be obsessed with making multibillion-dollar financial deals.

These officials appear to be obsessed with making multibillion-dollar financial deals such as the Wonthaggi desalination plant; an estimated $600 million-plus to pay out a completely unnecessary side agreement for breaking the East West Link contract; and more recently a failed attempt to fatten the sale price for the Port of Melbourne by a massive 700 per cent increase in wharf rental fees.

Worse, Victoria's importers and exporters are being shut out of the inland ports' rail transport development loop, a policy of successive state governments, in favour of an inferior road option by a group of financial engineers led by Transurban, who are pushing for the West Gate Distributor ($1.1 billion) and Western Distributor ($5.5 billion) road projects.

These are massively more expensive than the $58 million completion of the inland ports option and will attract more traffic, more congestion and more pollution, according to an excellent evaluation by Habitat Trust NGO.

Politically, the real disadvantage of the inland ports proposal is its low cost, which doesn't generate billions for well-connected rent seekers. Sensible development leaves no scope for financial engineering in the form of public-private partnerships financed by tolls, taxes or charges.

Last year Port of Melbourne's largest exporter, Visy, switched its Tumut mill paper exports to Port Botany, where its containers can be transferred directly by rail to container ship. More Port of Melbourne customers are talking about making the shift.

Kenneth Davidson is a senior columnist.

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Finish the Job: Industry rallies to Port of Melbourne rail link

Travis Brooks-Garrett of Freight & Trade Alliance - Sydney

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Last week Phillip Hopkins of The Age suggested that Melbourne's lack of rail will contribute to Botany overtaking Melbourne in container volumes. That may be true, but the issue is far bigger than elbow-your-mate tribalism.

In 2007 the Victorian Government announced the Metropolitan Freight Terminal Network (MFTN) concept. That same year funds were allocated to the project, originally $100M. The project was later rebranded by the coalition as the Port Rail Shuttle (PRS) project but the Government's enthusiasm was unabated, industry was supportive and research fully endorsed it's viability including reports produced by Deloitte, the Victorian Freight & Logistics Council (VFLC) and the Port of Melbourne Corporation.

So what happened?

In 2014, the Department of Planning, Transport and Local Infrastructure (DPTLI) released an Expression of Interest for the building of the inland port network but the process was abandoned due to the Port of Melbourne sale with no stated way forward.

From a Freight & Trade Alliance (FTA) perspective they are not separate issues. We cannot talk about port privatisation without demanding consideration to landside integration. Currently our sources have predicted that there are over 5,500 trucks entering the port per day. At 3.5% growth year-on-year this will equal over 30,000 trucks per day by the end of the initial lease term. With the Port of Hastings proposal stuck in political suspended animation, how can we assure industry that the Port of Melbourne will be developed to cater for the growth in volumes?

The Port Management Act 1995 requires a Port Development Strategy to be produced every four years. The last Port Development Strategy was produced in 2009. With the Port of Melbourne Transaction Bill Inquiry currently accepting submissions and the legislative requirement for a Port Development Strategy overdue, industry would like to see attention from Government. No, industry would like to see some action from Government.

In many respects Melbourne is lucky. Most containers are distributed into the three industrial hubs in Melbourne's north, Melbourne's west and according to some reports almost 30% of containers have an origin or destination in the South East/Dandenong corridor. The shelved $6.8BN East-West Link will not be the congestion-buster it was supposed to be, but a modal shift might do the job.

Practically, we understand that Webb Dock will not have rail access, so our attention is firmly on Patricks (who have an off-dock rail facility at Appleton Park Rail Terminal) and DP World. There are talks of Coode Road, the public road that bisects the DP World terminal, finally being closed to the public. Time will tell but many in industry would applaud that development and it could pave the way for rail development opportunities.

Partial funding has already been allocated to upgrade the Port's intermodal network in the 2015/2016 budget, but it still needs concerted political pressure to happen. Industry is rallying behind rail so you never know, maybe Melbourne can maintain its status as the #1 Port by volume in Australia.

If you have thoughts on this issue or would like to contribute to the (Port of Melbourne Lease Transaction) 2015 Bill Inquiry please let us know at tbrooks-garrett@ftalliance.com.au

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