



victoriantransportassociation inc.

Parliamentary Inquiry into the Proposed Lease of the Port of Melbourne

Submission on behalf of the
Victorian Transport Association

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Introduction

The Victorian Transport Association (VTA) is the preeminent employer organisation for the transport & logistics industry in Victoria. With approximately 800 x member companies, it represents the views, interests and issues of the transport and logistics industry both locally and nationally.

The commitment by the VTA to improving the environment of which the freight and logistics industry operates within has been in place for over 112 years and continues to provide relevance and balance in many issues that confront our membership.

Representative across both state and national committees and bodies, and having a strong representative body of wharf based carrier companies as members, the VTA is well placed to provide a balanced submission to the Select Committee (the Committee).

The VTA welcomes the opportunity to submit the perspectives of our members to the Committee and believe that the best outcomes for the whole of the Victorian community and economy will benefit from the resultant report.

Background

The VTA is in support of the lease of the Port of Melbourne. We believe that the implementation of the proposed Victorian Transport Fund will see stronger initiatives in infrastructure projects from Government and therefore, the flow-on improvements in productivity for the transport and logistics sectors.

It is however, vital that we understand all of the implicated and secondary effects the transfer of the operating responsibilities of the Port will bring and the affect upon specific groups.

The VTA members' have specific businesses that rely on a Port that is operated efficiently, as it is a monopoly, and the businesses do not have a commercial choice should changes within the commercial environment upon which they operate become unfair or unbalanced.

Scope

The Terms of Reference noting competitiveness, supply chain dependency and the cost of goods passing through the Port are the basic points within this submission.

It is the intention of the VTA to highlight to the Committee the effects not yet addressed in the documentation and information currently available and the effect upon the transport sector should these issues not be addressed before the Lease is concluded.

The Port of Melbourne is a monopoly and therefore does not encourage full economic competitiveness. While market forces are in evidence from a private enterprise perspective between the land based services,



the nature of the working environment does not preclude monopolistic behaviour being forced upon the private enterprises working within the Port.

It is the intention of the VTA to demonstrate to the Committee the effects of this position and recommend appropriate action.

Current Position

The Port of Melbourne (PoM) is the gateway for trade in Victoria, eastern South Australia, Tasmania and southern New South Wales. A large proportion of trade through PoM is destined to the Melbourne metropolitan area, particularly to the industrial warehouses in north and west of Melbourne.

The movement of Containers to and from the Port is predominantly by road transport. There are approximately 250 x different road transport companies that use the PoM on a regular basis to carry containers into and out of the Port. Many service providers are either sector specific or geographically aligned to service their customers.

The basis upon the work that is conducted by the transport operators is fiercely competitive and extremely price sensitive. These market forces, while making it difficult for many transport businesses, has ensured that the PoM remain the most cost effective and competitive port in Australia.

It is important that the lease of the PoM does not diminish or counteract the pricing structures and service provisions that are in place and that the general competitiveness remains. It is of major concern to the VTA that the transport operators will lose their ability to manage their costs based upon the current Bill before the parliament: "Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015".

Issue

There are two major components within the operation of the Port of Melbourne. They have been defined in the draft legislation as Prescribed and Non Prescribed Services.

It is the basis upon which each of these elements have been treated within the draft legislation that the VTA wishes the Committee to consider.

Definitions:

Prescribed Services

These are services that encompass the maintaining of functions of channels and navigation, towage, berths, short term storage facilities, access to slipways, gangways, roads and rail – as described in Part 8, Section 90 Part (1) of the draft Bill.

Non Prescribed Services:

Stevedore operations and land, granted under lease from the Port Operator as described in Part 8, Section 90 Part (2) of the draft Bill.



It is the disparity of description and clear controls of the Non Prescribed Services that the VTA believes need to be reviewed with a solution that ensures that pricing from the Port Operator is controlled and is not ambiguous in its intent.

Prescribed Services Rates Structure

Currently, the rates as controlled by the Port of Melbourne for the Prescribed Services are set and governed by the Reference Tariff Schedule. This Schedule has recently been addressed by the current Government with a set structure being reviewed and locked in for the next ten years.

Non-Prescribed Services Rate Structure

There is no such structure for Non Prescribed Services.

Protection from Gouging

Under the current management structure this point has not been an issue until the PoM recently announced an increase of the infrastructure charge against DPW Australia (DPWA) of approximately 676%.

The transport and logistic operators at the port servicing DPWA were horrified, as it was clearly noted that any such increase would be directly passed on to the port transport community. This would have seen the Infrastructure charge currently in place move from between \$3.50 - \$3.70 per TEU to \$45.00 - \$55.00 per TEU almost instantaneously.

Thankfully, negotiations between the PoM and DPWA have finalised, with only a modest increase and sustainable outcomes for the transport operators.

It is the concern of the VTA that should a new Port Operator find that there was a revenue shortfall, that the same type of increase would again be tabled, and with no negotiable position, the transport operator would become the final link for revenue return.

The ability of the new Port Operator to source its revenue is derived from either Prescribed or Non-Prescribed services. The PoM currently creates 84% of its revenue from the provision of prescribed services. Non-prescribed services provides 16% of the PoM revenue.

The other alternative open to the new Port Operator is to create additional revenue regimes. Any expansion of this point is speculative at the moment.

Volumes

Currently the PoM records approximately 2.6 million TEU through its facilities per annum. BITRE has growth projections of the Port of Melbourne expected to increase by 4.8% per annum over the next 20 years to 6.4 million TEU by 2032-2033.

As the new Port Operator must base its perspectives upon the available data, it is anticipated that the subsequent submissions would be reflective of these projections.



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Should these projections not eventuate then the new Port Operator would need to build its revenue to meet its commercial financial expectations.

With the Prescribed Services Reference Tariff Schedules locked-in before the sale of the lease the only avenue to lift revenue would be through the 16% Non-Prescribed Services sector.

It would be expected under the current legislation the new Port Operator would be able to create exorbitant rate increases against the stevedores and therefore indirectly the transport operators.

With no market leverage on this cost and being locked into a monopoly operation there would be little choice for the transport operator other than to pass on the increase or move away from this business sector.

The subsequent flow on effect would be the growing uncooperativeness of the Port of Melbourne and the diminishing of competition and shrinkage of asset utilisation.

Conclusion

The VTA request the Committee to consider this perspective and to ensure that there is due structure created within the current Legislation or outside with amendment, before any lease agreement is finalised in its presentation, to ensure that Non-prescribed services have a review structure that reduces the risk of adverse and exorbitant increase by the Port Operator over the term of the lease.

The Victorian Transport Association has already stated that it supports privatisation of the port but not if it means that the cost of doing business through the port will escalate beyond fair and reasonable margins because of a lack of sufficient regulation that would prevent this from happening. We recommend that the above issue be addressed before further consideration be given to the Bill before the House is measured and debated.

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