



ALC Position on
Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015
July 2015

Introduction

The Australian Logistics Council (ALC) is the peak national body representing the major and national companies participating in the Australian freight transport and logistics supply chain. ALC supports appropriate national regulation and infrastructure to ensure Australia enjoys the full benefits of freight transport and logistics policy development and reform.

Summary of ALC Position

1. The Port of Melbourne will continue to provide port services regardless of the outcome of the proposed lease process.
2. It is for the Parliament to determine whether the *Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015* (the legislation) facilitating the long term lease of the Port should proceed.
3. ALC encourages the recycling of mature assets for investment in new productivity enhancing infrastructure so long as the touchstone conditions in its strategic position on asset recycling are met.
4. The legislation should proceed, as long as the economic regulation relating to the Port is sufficiently rigorous such that access and pricing considerations are dealt with in a manner that permits the efficient use of the asset (an area that could be explored by a Legislative Council committee).
5. The future port needs for the State of Victoria should be considered by Infrastructure Victoria.
6. The benefits of the Port of Melbourne lease should be used in the most efficient manner possible.
7. Any expenditure from the *Victorian Transport Fund*, apart from funds expended under the *Level Crossing Removal Program* (something which was an election commitment but requires further definition) should only be made on the recommendation of Infrastructure Victoria, in the same way that expenditures from the *Restart NSW Fund* are made on the recommendation of Infrastructure NSW.

ALC Support for Asset Recycling

ALC supports asset recycling as a means to unlock capital for new logistics infrastructure to meet Australia's increasing freight task.

This policy position is outlined in ALC's submission to the *Senate Economics and Public Administration Committee Inquiry on the Privatisation of State and Territory Assets and New Infrastructure* in January 2015 ([Attachment 1](#)).

In summary, ALC believes that when considering a particular transaction, parties should consider whether:

- the proposed sale will promote competition and efficiency; and
- the asset should be the subject of economic regulation (and how much), so as to permit the efficient use of the asset to the benefit of the Australian community as a whole.

Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015

ALC has supported the concept of the long-term lease of the Port of Melbourne for more than 12 months and generally believes the structure of the legislation is sound.

Therefore, so long as the economic regulation of the port is sufficiently rigorous to ensure access and pricing issues are dealt with in a way that permits the efficient use of the asset, the legislation should proceed.

ALC understands the port has capacity until approximately 2035-2040.

It is appropriate that both the private port operator, as well as port users, should be able to invest in assets with confidence such that a reasonable commercial return on assets is able to be realised. To justify the expenditure of millions of dollars in complex and expensive infrastructure, businesses require a commercial return on assets that is measured in decades and not just over a few years.

Given the nature of the asset, it is appropriate for the lease to be granted for a 50 year period. ALC understands that this timeframe is in line with a recommendation by KPMG to the previous government, although the Government is yet to make a case as to why it is necessary for the Bill to contain a power for regulations to extend the life of the lease by an additional 20 years.

In the short term, priority should be given to maximising the efficient use of the Port of Melbourne, including the provision of appropriate road and rail infrastructure linking the port with key freight generating areas.

Given this, it is appropriate for the issue of a second container port for the State to be analysed by Infrastructure Victoria.

Infrastructure Victoria should be charged with considering all aspects of the issue including not only location, but areas such as the mechanisms that could be used to efficiently preserve land near any possible new port for land-based access points and other ancillary uses such as warehousing, industrial use etc, so that the land can be purchased on terms usually applicable to land zoned as 'commercial' rather than as 'residential'.

Economic Regulation

ALC has expressed public concerns in relation to reported rents being asked of current port users.

See attached press releases:

- [Attachment 2](#) - *Port of Melbourne Fee Freeze Welcome, But Proposed Rents Require Resolution; 27 May 2015* and
- [Attachment 3](#) - *ALC Statement on Publicised Port of Melbourne Rent Increases; 4 March 2015*).

In this regard, an issue the proposed Legislative Council Committee may wish to consider is whether the economic regulation for the Port is sufficient to ensure that all port users are protected against a private entity extracting monopoly rents from port users.

The Committee may also wish to satisfy itself that users are able to gain access to the facility on commercial terms, so as to encourage the efficient use of the asset - on this point, it is not immediately clear whether port users can gain the advantage of a Pricing Order in relation to the rent to use port assets constituting land under the *Port Management Act 1995*.

Another area that could also be explored is whether the Essential Services Commission (ESC) should be asked to regularly monitor movements in rents (based on land values) against a set of guidelines such as general movements in industrial property values, comparable with other capital city ports.

In making this observation, ALC notes that the ESC has a key role in ensuring that the Port of Melbourne will continue to operate in an economically efficient manner. The Committee may wish to consider whether that the Commission has the skill sets and resources so as to be 'fit for purpose' to discharge its responsibilities.

A final area that a Committee could explore is the mechanisms and data available to industry to challenge unreasonable increases with the threat of regulation if the future owners (ie long term lease holder) attempts to abuse their monopoly position.

The Victorian Transport Fund

ALC believes the proceeds from the port's long term lease, outside of funds expended under the *Level Crossing Removal Program* (a concept that requires further definition), should be prioritised to productivity-enhancing infrastructure projects.

ALC notes the *Victorian Transport Fund* is broadly similar to the *Restart NSW Fund*, with the one key difference that payments are made out of the fund by the Minister on the recommendation of Infrastructure NSW.

It would appear that Infrastructure Victoria may not be able to provide advice on any proposed expenditure from the fund, unless the Minister asked for it under clause 44 of the Infrastructure Victoria Bill.

ALC passionately believes that the benefits of asset recycling must be invested into infrastructure that provides the productivity benefits that will increase the welfare of all Victorians.

ALC believes that a provision similar to paragraph 8(a) of the *Restart NSW Fund Act* should be inserted into provisions relating to the payments out of the *Victorian Transport Fund*, so such advice can be regarded as being one of the functions of Infrastructure Victoria, as anticipated by paragraph 8(e) of the *Infrastructure Victoria Bill*.

This will provide industry with the confidence that the funds locked up in mature assets will be used in the most economically efficient manner, thus improving the welfare of all Victorians.