

21 April 2017

Infrastructure Victoria
Public Submission – Second Container Port Advice
Level 16, 530 Collins Street
MELBOURNE VIC 3000

Infrastructure Victoria's Second Container Port Advice-Evidence Base Discussion Paper

The Australian Logistics Council (**ALC**) welcomes the opportunity to make a submission on the Discussion Paper.

Introduction

ALC recently held its annual Forum in Melbourne.

The Forum focused on planning and urban encroachment issues – one of the important issues relating to the location and operation of ports - where it was recognised that freight now needs a 'social licence' to operate.

Unless industry can better highlight the important economic contribution our industry makes, it's going to be hard to win battles on things like corridor preservation. Yet, these battles must be won, otherwise the cost of future infrastructure development will be prohibitive.

One panelist expressed broad agreement with that sentiment, noting that increasing land values are already having a huge impact, and the prevalence of siloing in planning processes will only exacerbate the problem. A National Freight and Supply Chain Strategy may be our best hope to finally get planning right.

Another panelist advanced the argument by noting there is a symbiotic relationship between good outcomes for freight efficiency and good outcomes for the community.

As an example, Marika Calfas, Chief Executive Officer of NSW Ports, said that urban encroachment is one of the top five concerns her organisation has about the future. The most concerning aspect is that encroachment is preventing the industry from using existing infrastructure to capacity before we have to start planning and building new facilities.

The facility was originally constructed in the 1960s as a means of getting industrial activity out of Sydney's residential areas. Yet, over the last 50 years, the zoning for the adjacent land has been altered, first from industrial to commercial, and now increasingly from commercial to residential.

In that context, ALC welcomes and supports the general direction of the Discussion Paper in identifying as the critical factors should as size, cost of complementary infrastructure and environmental and social impacts that may arise as a result of the development of a second port of Victoria, and looks forward to Infrastructure Victoria's final analysis.

That said, as ALC said in its first brief submission to the original *Victoria's Future Port Capacity Discussion Paper* on 10 October 2016:

The Australian Logistics Council, the peak industry body for Australia's logistics industry, supports a thorough analysis of Victoria's future freight needs, including consideration of the State's future port capacity.

ALC believes, however, that this matter needs to be examined within a broader national context to help support more informed decision making from both a planning and investment perspective.

As you are aware, ALC supports Infrastructure Australia's proposal to develop a National Freight and Supply Chain Strategy to map nationally significant supply chains and their access to supporting infrastructure.

Accordingly, ALC is of view that detailed investigations into Victoria's next container port, including when it may be required and where it could potentially be located, should form part of the proposed National Freight and Supply Chain Strategy.

This would help to ensure that any future decisions on increasing Victoria's port capacity would be made within a national framework which we believe is critical to achieving more efficient freight movements.¹

ALC believes Australia should be regarded as being a single national economy.

ALC believes Infrastructure Victoria and the Victorian Government should work closely with Infrastructure Australia to ensure that the right port will be built at the right place - particularly if it is thought that larger volume vessels will ultimately ply the Australian trade - thus enhancing the productivity of the Australian economy and the efficiency of the Australian freight and logistics supply chain.

It may well be that Australia's next port may not necessarily be in Victoria. Infrastructure Victoria may wish to consider this when deciding what it considers to be a 'trigger' for a second Victorian port.

ALC now makes the following comments in relation to the Discussion Paper:

Ship Size

ALC accepts that one of the major determinants as to where a port is to be located is the size of ships that may ply the Australian trade and the constraint on ships size Port Philip Heads can play, with the larger the anticipated ship size, the greater the likelihood of a development of a new port at Hastings.²

ALC awaits with interest Infrastructure Victoria's final views on this matter.

¹ <http://www.austlogistics.com.au/wp-content/uploads/2016/10/ALC-Submission-Preparing-Advice-on-Victorias-Future-Port-Capacity.pdf>

² See Discussion Paper: 14, 45 and 79.

Ensuring the continued efficient operation of currently existing supply chains

ALC has consistently supported the development of the Western Interstate Freight Terminal (**WIFT**) as an important element in the development of Inland Rail.

Although the Discussion Paper suggests limited rivalrous competition between ports³, ALC members believe the development of Inland Rail may go some way towards offering freight generators a possible choice in export ports and thus encouraging price competition between them.

In that context and given the proximity of WIFT to Bay West, there is some preliminary attractiveness in the development of that project.

As the Port Advice *Consultation Summary* also says:

The logistics industry wants access to cheap, flat land that is close to good transport networks and the port. At the moment, the industry is shifting to the west because of land availability and access to the M80 Ring Road. There is more vacant land for industrial development in the west than the south-east.⁴

ALC members have advised that significant investment in fixed logistics infrastructure in the western suburbs of Melbourne has been made on the basis that it would be able to operate efficiently over a number of decades.

This also suggests the desirability of developing the Werribee option.

In that context, ALC would now finally like to make a few brief final comments on continued operation of the Port of Melbourne.

Page 68 of the Discussion Paper quite properly discusses environmental and social considerations that are relevant when considering whether the need for a second Victorian port has been 'triggered'. However, the recent lease of the Port of Melbourne implies an operational life of 50 years. Investments made by logistics industry participants in infrastructure anticipate that the port will operate for at least that period.

As the Discussion Paper says:

While we apply the principle of maximising the efficiency of the Port of Melbourne, this does not necessarily mean making the Port of Melbourne as large as technically possible. A social, environmental, land use or transport network opportunity or constraint may mean the best decision is to invest in a new port before the Port of Melbourne reaches its ultimate technical capacity.

This assessment will include transport modelling using the Victorian Government's statewide strategic transport model, the Victorian Integrated Transport Model. We also acknowledge making this decision means making trade-offs. Our analysis will consider how valuing factors differently may change the conclusion.⁵

It remains imperative for the Port of Melbourne to be able to operate as efficiently as possible for as long as possible. This means that the possibility of a second Victorian port should not be used as an excuse not to invest in infrastructure, such as the port rail shuttle, as well as the reinforcement of roads and bridges in the vicinity of the port that is designed to facilitate its efficient operation.

³ Discussion Paper:20

⁴ Consultation summary:10

⁵ Discussion Paper: 112

ALC and its members will carefully examine the modelling that is used by Infrastructure Victoria when determining what constitutes the 'maximum efficiency' of the Port of Melbourne so as to ensure that the proper value of the continued operation of Australia's largest port relative to other uses, such as residential, is reflected.

ALC commends Infrastructure Victoria for the quality of its Discussion Paper and associated documentation and looks forward to the next set of documentation dealing with the need for a second Victorian port.

Please contact me on 0418 627 995 or at Michael.kilgariff@austlogistics.com.au should you wish to discuss this matter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michael Kilgariff', with a stylized flourish at the end.

MICHAEL KILGARIFF
Managing Director